

**McDowell County,
North Carolina**

Year Ended June 30, 2012

Independent Auditors' Report
Basic Financial Statements
and
Supplementary Information

McDowell County, North Carolina

County Officials

June 30, 2012

Board of Commissioners

David N. Walker	Chairperson
Barry E. McPeters	Vice Chairperson
Andrew K. Webb	Member
Michael Lavender	Member
Josh Dobson	Member

Principal Officers

Charles Abernathy	County Manager
Dudley Greene	Sheriff
Fred Coats	Attorney
Jane McGee	Register of Deeds
Melissa Adams	Clerk of Court
Alison Morgan	County Finance Officer
Phyllis Ryan	Tax Collector
Phillip Hardin	Social Services Director
Keith Renfro	Tax Assessor

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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, 2012, 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, 2012, 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 7, 2012 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowances' and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 3 through 12 and 70 and 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Johnson Price & Sprinkle PA

Marion, North Carolina
November 7, 2012

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, 2012. 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 \$35,341,423.
- The government's total net assets increased by \$3,026,802 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 \$17,495,166, an increase of \$1,646,866 over the prior year. Approximately 47.5% of this total amount, or \$8,311,717, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,075,214 or 25.04% of total General Fund expenditures for the fiscal year, and 24.4% 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 increased by \$1,705,391 during the current fiscal year, due to new debt borrowings in excess of debt retirement on new debt.
- McDowell County maintained its A bond rating for the 19th 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.

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 and water services offered by the County. Additionally, a new enterprise fund for the year ended June 30, 2012 is the Universal Fund. The County uses the Universal Fund to account for activity related to a former industrial facility, the Universal building, including renovations and lease of space.

The government-wide financial statements are on pages 13 and 14 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 enterprise funds to account for its waste disposal operations and for its water operations, in addition to activity related to the former Universal building. These funds are 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 eleven fiduciary funds, one of which is a pension trust fund and ten 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 70 of this report.

Government-wide Financial Analysis

Following is a comparative summary of the Statement of Net Assets.

**McDowell County’s Net Assets
June 30, 2012 and 2011
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 21,105,481	\$ 19,019,218	\$ 568,854	\$ 76,982	\$ 21,674,335	\$ 19,096,200
Capital assets	19,987,801	20,586,290	7,853,569	4,116,152	27,841,370	24,702,442
	41,093,282	39,605,508	8,422,423	4,193,134	49,515,705	43,798,642
Long-term liabilities						
outstanding	8,694,031	10,014,776	3,289,457	164,218	11,983,488	10,178,994
Other liabilities	2,055,897	1,204,686	134,897	100,341	2,190,794	1,305,027
	10,749,928	11,219,462	3,424,354	264,559	14,174,282	11,484,021
Net assets:						
Invested in capital assets, net of related debt	15,637,916	15,673,751	5,018,469	4,079,768	20,656,385	19,753,519
Restricted	4,823,098	864,873	-	-	4,823,098	864,873
Unrestricted (deficit)	9,882,340	11,847,422	(20,400)	(151,193)	9,861,940	11,696,229
	\$ 30,343,354	\$ 28,386,046	\$ 4,998,069	\$ 3,928,575	\$ 35,341,423	\$ 32,314,621

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 \$35,341,423 as of June 30, 2012. The County's net assets increased by \$3,026,802 for the fiscal year ended June 30, 2012. One of the largest portions, 58.4% or \$20,656,385, 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. An additional portion of McDowell County's net assets, \$4,823,098 (13.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,861,940 (27.9%) is unrestricted.

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

- Obligations under installment purchases increased by \$1,705,391 consisting of new borrowings of \$3,561,166 net of debt service payments totaling \$1,855,775.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.16% excluding motor vehicles, and 80.14% for motor vehicles, slightly above the statewide average of 97.91%, excluding motor vehicles, and below the statewide average of 87.22% for motor vehicles. In fiscal year 2011, the tax collection percentage for the County was 97.45%, excluding motor vehicles and 81.45% for motor vehicles.

Following is a comparative summary of changes in net assets.

McDowell County's Changes in Net Assets
Years Ended June 30, 2012 and 2011
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 4,667,202	\$ 4,195,189	\$ 1,064,284	\$ 870,111	\$ 5,731,486	\$ 5,065,300
Operating grants and contributions	10,071,025	8,705,973	-	-	10,071,025	8,705,973
Capital grants and contributions	1,651,258	561,906	-	-	1,651,258	561,906
General revenues:						
Property taxes	19,898,117	18,739,227	-	-	19,898,117	18,739,227
Other taxes	7,902,102	7,208,831	-	-	7,902,102	7,208,831
Grants and contributions not restricted to specific programs	296,763	308,913	-	-	296,763	308,913
Other	119,975	452,730	109,690	685	229,665	453,415
Total revenues	44,606,442	40,172,769	1,173,974	870,796	45,780,416	41,043,565

McDowell County's Changes in Net Assets - continued
Years Ended June 30, 2012 and 2011
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Expenses:						
General government	\$ 4,072,022	\$ 4,370,549	\$ -	\$ -	\$ 4,072,022	\$ 4,370,549
Public safety	10,979,310	9,752,927	-	-	10,979,310	9,752,927
Environmental protection	1,274,452	690,662	-	-	1,274,452	690,662
Economic and physical development	1,876,077	1,102,671	-	-	1,876,077	1,102,671
Human services	11,110,450	10,767,339	-	-	11,110,450	10,767,339
Cultural and recreational	1,404,878	1,026,759	-	-	1,404,878	1,026,759
Education	9,498,777	8,992,212	-	-	9,498,777	8,992,212
Interest on long-term debt	306,793	382,116	-	-	306,793	382,116
Universal	-	-	26,936	-	26,936	-
Waste disposal	-	-	2,022,572	1,859,583	2,022,572	1,859,583
Water	-	-	181,347	141,444	181,347	141,444
Total expenses	40,522,759	37,085,235	2,230,855	2,001,027	42,753,614	39,086,262
Increase (decrease) in net assets before transfers	4,083,683	3,087,534	(1,056,881)	(1,130,231)	3,026,802	1,957,303
Transfers	(2,126,375)	(1,039,699)	2,126,375	1,039,699	-	-
Increase (decrease) in net assets	1,957,308	2,047,835	1,069,494	(90,532)	3,026,802	1,957,303
Net assets, beginning of year	28,386,046	26,338,211	3,928,575	4,019,107	32,314,621	30,357,318
Net assets, end of year	\$ 30,343,354	\$ 28,386,046	\$ 4,998,069	\$ 3,928,575	\$ 35,341,423	\$ 32,314,621

Governmental activities. Governmental activities increased the County's net assets by \$1,957,308. Key elements of this increase are as follows:

- Increase in federal and State grants.
- Grant-funded expenditures for capital assets.

Business-type activities. Business-type activities increased the County's net assets by \$1,069,494. This increase is the result of \$1,048,857 in capital assets that were transferred from governmental activities. When not considering the transfer of capital assets, business-type activities increased the County's net assets by \$20,637, including subsidy of \$1,077,518 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, and customer fees charged for water service are not sufficient to cover operational expenses.

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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of McDowell County. At the end of the current fiscal year, McDowell County's fund balance available in the General Fund was \$9,837,633, while total fund balance reached \$12,960,450. The County currently has an available fund balance of 27.1% of General Fund expenditures, while total fund balance represents 35.8% of that same amount.

At June 30, 2012, the governmental funds of McDowell County reported a combined fund balance of \$17,495,166, a 10.4% increase over last year. The primary reason for the increase is the increase in fund balance of the General Fund and the Schools Capital Project 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 \$3,875,025 including increases in property tax, grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$421,064.

Actual revenue in the General Fund, when compared to the final budget, had a positive variance of \$739,830.

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 \$(22,826) deficit balance in net assets, with a current year increase of \$15,663. The Water Fund had a balance of \$4,456,996, due to a current year increase of \$489,932. The Universal Fund had a balance of \$563,899 for the first year of operation.

Capital Asset and Debt Administration

Capital assets. McDowell County's capital assets for its governmental and business-type activities as of June 30, 2012, total \$27,841,370 (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:

- Purchase of old Universal property.
- Purchase of new vehicles for public safety.
- Continued construction of waterlines to the Nebo area.
- Construction of Greenway Extension.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,503,700	\$ 4,503,700	\$ 752,250	\$ -	\$ 5,255,950	\$ 4,503,700
Land improvements	570,918	245,344	53,896	64,313	624,814	309,657
Buildings	10,651,752	11,005,264	2,056,135	1	12,707,887	11,005,265
Building improvements	1,561,639	1,118,508	490,543	-	2,052,182	1,118,508
Equipment	1,664,600	1,757,274	35,971	47,062	1,700,571	1,804,336
Infrastructure	-	-	4,423,762	3,946,319	4,423,762	3,946,319
Vehicles	998,471	1,173,699	39,597	52,797	1,038,068	1,226,496
Computer software	-	-	1,415	5,660	1,415	5,660
Construction in progress	36,721	782,501	-	-	36,721	782,501
	\$ 19,987,801	\$ 20,586,290	\$ 7,853,569	\$ 4,116,152	\$ 27,841,370	\$ 24,702,442

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	
	2012	2011	2012	2011	2012	2011
Installment purchases payable	\$ 7,123,580	\$ 8,544,989	\$ 3,167,952	\$ 41,152	\$ 10,291,532	\$ 8,586,141
	\$ 7,123,580	\$ 8,544,989	\$ 3,167,952	\$ 41,152	\$ 10,291,532	\$ 8,586,141

McDowell County's total debt increased by \$1,705,391 during the past fiscal year, due to \$3,561,166 in new borrowings, net of principal payments on installment purchase obligations of \$1,855,775.

Installment purchases payable include contracts related to the construction of the McDowell County Schools in the amount of \$2,166,667. 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 \$412,500 in McDowell House 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 0.31% of the total assessed value of taxable property. The legal debt margin for McDowell County is \$258,608,277 at June 30, 2012. 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

The economic factors affecting McDowell County continue to improve at a moderate rate. The unemployment rate has declined from a high of over 16% to a current 10.5%. A number of existing industries are currently expanding and hiring new workers. These companies include Rock Tenn, Baldor, Tilson Machine, Baglioni and IAC. Two new companies have located in McDowell County over the previous year. SBDI manufactures high-end banking furniture and will employ twenty individuals. This company located in the Pisgah Yarn Building in the Town of Old Fort. Total Quality Assurance will employ twenty-five individuals and is located in the Universal Building.

Significant progress also occurred in the commercial area. The new Wal-Mart Super Store and associated shopping center opened in November 2011 on Sugar Hill Road. This project led to the employment of over 150 new individuals. A Big Lots recently announced their intent to locate in the closed Wal-Mart facility north of Marion. In addition, a Tractor Supply and several smaller stores have located in the County.

McDowell County entered into a major partnership with the Community College and the Public School System to address the workforce development challenge in the community. McDowell County purchased the Universal facility with the intent of locating an Advanced Manufacturing Skill Center in 50,000 square feet of the building. A Golden Leaf grant in the amount of \$2,150,000 was secured for this purpose and a committee with stakeholder participation is currently working on the design and the programs that will locate in the facility.

McDowell County has extended several water lines including a major expansion of water and sewer along the growth corridor on Sugar Hill Road to the Interstate. This utility extension will enable additional commercial development to occur.

Budget Highlights for the Fiscal Year Ending June 30, 2013

The budget for the 2012-13 fiscal year was approved by the Board of Commissioners in the amount of \$35,446,463. The budget increased a total of \$1,368,359 or 4%. The increase to the budget was accomplished while maintaining the County tax rate of .0055 cents. Several factors enabled this to occur including a substantial increase in sales tax, EMS revenue and growth in the property tax base. The sales tax revenue increased a total of \$712,582 or 15.46%. The property tax increased \$684,000 or 4.10%.

Budget Highlights for the Fiscal Year Ending June 30, 2013 - continued

The budget will enable a significant number of goals to be accomplished. The County maintained a sound fiscal condition by limiting the utilization of fund balance. The goals will include the following accomplishments:

- 1) A 2.5% raise was granted to all employees as well as an increase in the employee covered health insurance of \$20.00 per month per employee.
- 2) McDowell County granted the Public School system and the Community College a 2.5% increase to their operating budget.
- 3) An increase of \$49,000 was granted to the Elections Department to cover expenses that had previously been covered by State funding.
- 4) The Nebo EMS Base Station was funded to fully staff the facility. The addition cost was \$89,150.
- 5) The Solid Waste Enterprise Fund was increased \$197,449 primarily because of the increased cost of fuel.
- 6) The price of fuel caused increases in the amount of \$48,850.
- 7) The debt service line item was increased \$236,410 to cover the cost of the issued debt to purchase the Universal Building and property.
- 8) Various pieces of equipment were purchased including an ambulance, solid waste equipment, sheriff's vehicles and a Forest Service Vehicle.
- 9) Additional increases included the contracting of a grant writer, Social Services and an allocation into the revaluation fund.

The previous list will be accomplished while maintaining the current tax rate and limiting the allocation of fund balance.

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, 2012

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 14,242,495	\$ 149,134	\$ 14,391,629
Taxes receivable - net	1,374,678	-	1,374,678
Due from other governments	3,426,396	-	3,426,396
Other receivables - net	1,275,484	97,919	1,373,403
Inventories	77,435	-	77,435
Internal balances	30,921	(30,921)	-
Restricted cash	678,072	352,722	1,030,794
Capital assets:			
Land, non-depreciable improvements, and construction in progress	4,540,421	752,250	5,292,671
Other capital assets, net of depreciation	15,447,380	7,101,319	22,548,699
Total capital assets	19,987,801	7,853,569	27,841,370
Total assets	41,093,282	8,422,423	49,515,705
<u>Liabilities</u>			
Accounts payable and accrued liabilities	1,790,706	134,897	1,925,603
Unearned revenue	265,191	-	265,191
Long-term liabilities:			
Due within one year	1,525,467	235,967	1,761,434
Due in more than one year	7,168,564	3,053,490	10,222,054
Total long-term liabilities	8,694,031	3,289,457	11,983,488
Total liabilities	10,749,928	3,424,354	14,174,282
<u>Net Assets</u>			
Invested in capital assets, net of related debt	15,637,916	5,018,469	20,656,385
Restricted for:			
Education	4,185,676	-	4,185,676
Human services	217,591	-	217,591
Economic and physical development	17,477	-	17,477
Public safety	362,340	-	362,340
General government	40,014	-	40,014
Unrestricted (deficit)	9,882,340	(20,400)	9,861,940
Total net assets	\$ 30,343,354	\$ 4,998,069	\$ 35,341,423

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

McDowell County, North Carolina

Statement of Activities

Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,072,022	\$ 430,208	\$ 955,674	\$ 196,395	\$ (2,489,745)	\$ -	\$ (2,489,745)
Public safety	10,979,310	3,753,395	495,537	-	(6,730,378)	-	(6,730,378)
Environmental protection	1,274,452	-	79,550	176,579	(1,018,323)	-	(1,018,323)
Economic and physical development	1,876,077	28,433	873,110	1,056,944	82,410	-	82,410
Human services	11,110,450	375,271	7,554,400	790	(3,179,989)	-	(3,179,989)
Cultural and recreational	1,404,878	79,895	112,754	220,550	(991,679)	-	(991,679)
Education	9,498,777	-	-	-	(9,498,777)	-	(9,498,777)
Interest on long-term debt	306,793	-	-	-	(306,793)	-	(306,793)
Total governmental activities	40,522,759	4,667,202	10,071,025	1,651,258	(24,133,274)	-	(24,133,274)
Business-type activities:							
Universal	26,936	-	-	-	-	(26,936)	(26,936)
Waste disposal	2,022,572	1,001,863	-	-	-	(1,020,709)	(1,020,709)
Water	181,347	62,421	-	-	-	(118,926)	(118,926)
Total business-type activities	2,230,855	1,064,284	-	-	-	(1,166,571)	(1,166,571)
Total government	\$ 42,753,614	\$ 5,731,486	\$ 10,071,025	\$ 1,651,258	(24,133,274)	(1,166,571)	(25,299,845)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					19,898,117	-	19,898,117
Local option sales taxes					6,946,228	-	6,946,228
Other taxes and licenses					955,874	-	955,874
Grants and contributions not restricted to specific programs					296,763	-	296,763
Investment earnings, unrestricted					21,663	195	21,858
Miscellaneous, unrestricted					98,312	109,495	207,807
Transfer					(2,126,375)	2,126,375	-
Total general revenues and transfers					26,090,582	2,236,065	28,326,647
Changes in net assets					1,957,308	1,069,494	3,026,802
Net assets, beginning of year					28,386,046	3,928,575	32,314,621
Net assets, end of year					\$ 30,343,354	\$ 4,998,069	\$ 35,341,423

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

McDowell County, North Carolina

Balance Sheets

Governmental Funds

June 30, 2012

	Major		Nonmajor	
	General Fund	Schools Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,237,179	\$ 3,535,981	\$ 385,667	\$ 14,158,827
Restricted cash	340,572	337,500	-	678,072
Taxes receivable - net	1,094,301	-	99,838	1,194,139
Accounts receivable – other governments	2,535,181	508,349	382,866	3,426,396
Accounts receivable EMS – net	1,085,041	-	-	1,085,041
Accounts receivable – other	190,263	-	-	190,263
Inventories	77,435	-	-	77,435
Due from other funds	99,665	-	-	99,665
Total assets	\$ 15,659,637	\$ 4,381,830	\$ 868,371	\$ 20,909,838
Liabilities				
Accounts payable and accrued liabilities	\$ 689,811	\$ 196,154	\$ 350,749	\$ 1,236,714
Due to other funds	-	-	68,744	68,744
Deferred revenue	2,009,376	-	99,838	2,109,214
Total liabilities	2,699,187	196,154	519,331	3,414,672
Fund balances				
Nonspendable:				
Inventories	77,435	-	-	77,435
Restricted:				
Stabilization by State Statute	3,045,382	508,349	382,866	3,936,597
911 Funds	-	-	292,893	292,893
School capital	-	3,677,327	-	3,677,327
General government	40,014	-	-	40,014
Public safety	52,383	-	-	52,383
Human services	217,591	-	-	217,591
Economic and physical development	17,477	-	-	17,477
Committed:				
Tax revaluation	4,143	-	-	4,143
Assigned:				
Subsequent year’s expenditures	324,991	-	-	324,991
Debt service	-	-	9	9
Public safety	87,561	-	-	87,561
Human services	-	-	16,997	16,997
Cultural and recreational	14,668	-	-	14,668
Environmental protection	3,591	-	-	3,591
Economic and physical development	-	-	21,895	21,895
Unassigned	9,075,214	-	(365,620)	8,709,594
Total fund balances	12,960,450	4,185,676	349,040	17,495,166
Total liabilities and fund balances	\$ 15,659,637	\$ 4,381,830	\$ 868,371	

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

McDowell County, North Carolina

Balance Sheets – Continued

Governmental Funds – Continued

June 30, 2012

Amounts reported for governmental activities in the statement of net assets (page 14) are different because:

Governmental fund balances	\$ 17,495,166
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,987,801
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	180,539
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.	(8,048)
Liabilities for earned but deferred revenues in fund statements.	2,058,907
Unearned income under long-term lease, not recorded in fund statements.	(214,884)
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.	(9,156,127)
Net assets of governmental activities	\$ 30,343,354

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, 2012

	General Fund	Major Schools Capital Project Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
Revenue:				
Ad valorem taxes	\$ 18,212,964	\$ -	\$ 1,812,751	\$ 20,025,715
Local option sales taxes	4,996,438	1,949,790	-	6,946,228
Other taxes and licenses	955,874	-	-	955,874
Unrestricted intergovernmental	296,763	-	-	296,763
Restricted intergovernmental	8,897,819	948,457	1,156,960	11,003,236
Permits and fees	161,583	-	-	161,583
Sales and services	4,405,008	-	-	4,405,008
Investment earnings	19,637	1,795	231	21,663
Miscellaneous	409,140	21,804	557,571	988,515
Total revenues	38,355,226	2,921,846	3,527,513	44,804,585
Expenditures:				
Current:				
General government	3,672,350	-	7,346	3,679,696
Public safety	8,061,917	-	2,347,636	10,409,553
Environmental protection	607,065	-	-	607,065
Economic and physical development	2,149,601	-	-	2,149,601
Human services	10,701,187	-	223,293	10,924,480
Cultural and recreational	946,650	-	55,000	1,001,650
Miscellaneous	662,774	-	-	662,774
Intergovernmental:				
Education	8,401,096	-	-	8,401,096
Capital outlay	-	1,281,281	1,492,914	2,774,195
Debt service	1,034,830	-	856,324	1,891,154
Total expenditures	36,237,470	1,281,281	4,982,513	42,501,264
Revenues over (under) expenditures	2,117,756	1,640,565	(1,455,000)	2,303,321
Other financing sources (uses):				
Transfers to other funds	(1,309,531)	(801,948)	(145,021)	(2,256,500)
Transfers from other funds	-	-	1,178,982	1,178,982
Installment purchase obligations issued	421,063	-	-	421,063
Total other financing sources (uses)	(888,468)	(801,948)	1,033,961	(656,455)
Net change in fund balances	1,229,288	838,617	(421,039)	1,646,866
Fund balances – beginning of year	11,731,162	3,347,059	770,079	15,848,300
Fund balances – end of year	\$ 12,960,450	\$ 4,185,676	\$ 349,040	\$ 17,495,166

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

McDowell County, North Carolina

Statements of Revenue, Expenditures, and Changes in Fund Balances - Continued

Governmental Funds

Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$	1,646,866
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 depreciation of the governmental funds exceeded capital outlays reported in the statement of activities.		(353,942)
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.		(23,847)
Cost basis of capital assets transferred to the proprietary fund, not recognized on the modified accrual basis.		(220,700)
Revenues in the fund financial statements that were previously recognized as revenue in the government-wide financial statements.		(79,296)
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.		1,421,409
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.		(465,180)
Net income of internal service fund, determined to be a governmental-type activity.		31,998
<hr/>		
Total changes in net assets of governmental activities	\$	1,957,308
<hr/>		

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenue:				
Ad valorem taxes	\$ 17,158,847	\$ 17,671,495	\$ 18,212,964	\$ 541,469
Local option sales taxes	4,606,730	4,773,053	4,996,438	223,385
Other taxes and licenses	797,000	864,647	955,874	91,227
Unrestricted intergovernmental	337,514	337,514	296,763	(40,751)
Restricted intergovernmental	7,246,389	9,792,054	8,897,819	(894,235)
Permits and fees	246,917	248,717	161,583	(87,134)
Sales and services	3,161,798	3,547,650	4,405,008	857,358
Investment earnings	64,000	64,000	19,637	(44,363)
Miscellaneous	121,176	316,266	409,140	92,874
Total revenues	33,740,371	37,615,396	38,355,226	739,830
Expenditures:				
Current:				
General government	3,495,829	3,690,101	3,646,813	43,288
Public safety	7,500,809	8,442,952	8,061,917	381,035
Environmental protection	634,053	653,319	607,065	46,254
Economic and physical development	823,347	2,211,150	2,149,601	61,549
Human services	10,138,227	11,334,752	10,701,187	633,565
Cultural and recreational	942,169	1,003,305	946,650	56,655
Miscellaneous	156,128	720,627	662,774	57,853
Intergovernmental:				
Education	8,411,152	8,411,152	8,401,096	10,056
Debt service	1,047,030	1,045,267	1,034,830	10,437
Total expenditures	33,148,744	37,512,625	36,211,933	1,300,692
Revenue over expenditures	591,627	102,771	2,143,293	2,040,522
Other financing sources (uses):				
Transfers to other funds	(1,026,618)	(1,335,937)	(1,331,995)	3,942
Transfers from other funds	-	6,579	-	(6,579)
Installment purchase obligations issued	-	421,064	421,063	(1)
Fund balance appropriated	434,991	805,523	-	(805,523)
Total other financing sources (uses)	(591,627)	(102,771)	(910,932)	(808,161)
Net change in fund balance	\$ -	\$ -	1,232,361	\$ 1,232,361
Fund balance - beginning of year			11,723,946	
Fund balance - end of year			12,956,307	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfer in from General Fund			22,464	
Expenditures			(25,537)	
Fund Balance, beginning			7,216	
Fund Balance, ending (Page 17)			\$ 12,960,450	

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

McDowell County, North Carolina

Statements of Net Assets

Proprietary Funds

June 30, 2012

	Enterprise Funds				Internal Service Fund
	Universal Fund	Waste Disposal Fund	Water Fund	Total	Self Insurance Fund
Assets					
Current assets:					
Cash	\$ 99,891	\$ -	\$ 49,243	\$ 149,134	\$ 83,668
Restricted cash	162,619	190,103	-	352,722	-
Receivables - net	-	97,279	640	97,919	180
Total current assets	262,510	287,382	49,883	599,775	83,848
Noncurrent assets:					
Capital assets:					
Land	752,250	-	-	752,250	-
Other capital assets, net of depreciation	2,548,415	127,568	4,425,336	7,101,319	-
Total noncurrent assets	3,300,665	127,568	4,425,336	7,853,569	-
Total assets	3,563,175	414,950	4,475,219	8,453,344	83,848
Liabilities					
Current liabilities:					
Accounts payable	25,159	67,398	4,660	97,217	91,896
Customer deposits	24,117	-	13,563	37,680	-
Due to other funds	-	30,921	-	30,921	-
Current installments of long-term debt	196,667	39,300	-	235,967	-
Total current liabilities	245,943	137,619	18,223	401,785	91,896
Noncurrent liabilities:					
Accrued landfill closure and postclosure care costs	-	30,000	-	30,000	-
Compensated absences payable	-	13,778	-	13,778	-
Other postemployment benefits	-	77,727	-	77,727	-
Long-term debt	2,753,333	178,652	-	2,931,985	-
Total noncurrent liabilities	2,753,333	300,157	-	3,053,490	-
Total liabilities	2,999,276	437,776	18,223	3,455,275	91,896
Net assets					
Invested in capital assets, net of related debt	492,281	100,852	4,425,336	5,018,469	-
Unrestricted (deficit)	71,618	(123,678)	31,660	(20,400)	(8,048)
Total net assets (deficit)	\$ 563,899	\$ (22,826)	\$ 4,456,996	\$ 4,998,069	\$ (8,048)

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, 2012

	Enterprise Funds			Total	Internal
	Universal Fund	Waste Disposal Fund	Water Fund		Service Fund Self Insurance Fund
Operating revenue:					
Charges for services	\$ -	\$ 971,991	\$ 60,626	\$ 1,032,617	\$ 2,097,336
Other operating revenue	110,835	29,872	1,795	142,502	-
Total operating revenue	110,835	1,001,863	62,421	1,175,119	2,097,336
Operating expense:					
Salaries and benefits	-	234,720	-	234,720	1,546,683
Operating expenses	12,745	1,750,569	85,307	1,848,621	518,655
Depreciation	14,191	36,125	96,040	146,356	-
Total operating expenses	26,936	2,021,414	181,347	2,229,697	2,065,338
Operating income (loss)	83,899	(1,019,551)	(118,926)	(1,054,578)	31,998
Non-operating revenue (expense):					
Investment earnings	-	194	1	195	-
Interest expense	-	(1,158)	-	(1,158)	-
Loss on disposal of equipment	-	(1,340)	-	(1,340)	-
Total non-operating revenue (expense)	-	(2,304)	1	(2,303)	-
Income (loss) before contributions and transfers	83,899	(1,021,855)	(118,925)	(1,056,881)	31,998
Capital contributions	480,000	-	568,857	1,048,857	-
Transfers from General Fund	-	1,037,518	40,000	1,077,518	-
Change in net assets	563,899	15,663	489,932	1,069,494	31,998
Net assets (deficit) - beginning of year	-	(38,489)	3,967,064	3,928,575	(40,046)
Net assets (deficit) - end of year	\$ 563,899	\$ (22,826)	\$ 4,456,996	\$ 4,998,069	\$ (8,048)

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, 2012

	Enterprise Funds			Total	Internal
	Universal Fund	Waste Disposal Fund	Water Fund		Service Fund Self Insurance Fund
Cash flows from operating activities:					
Cash received from customers and users of services	\$ -	\$ 1,007,755	\$ 62,290	\$ 1,070,045	\$ 2,097,156
Cash paid for goods and services	(9,162)	(1,769,902)	(83,997)	(1,863,061)	(518,655)
Cash paid to employees for services and for employee benefits	-	(236,281)	-	(236,281)	(1,591,409)
Other operating revenue	132,411	-	-	132,411	-
Customer deposits received	24,117	-	3,306	27,423	-
Net cash provided (used) by operating activities	147,366	(998,428)	(18,401)	(869,463)	(12,908)
Cash flows from non-capital financing activities:					
Transfer from General Fund	-	1,037,518	40,000	1,077,518	-
Net cash provided by non-capital financing activities	-	1,037,518	40,000	1,077,518	-
Cash flows from capital and related financing activities:					
Capital loan repayment to General Fund	-	(23,468)	-	(23,468)	-
Purchase of property and equipment	(2,834,856)	(1,400)	-	(2,836,256)	-
Proceeds from issuance of debt	2,950,000	190,103	-	3,140,103	-
Repayment of long-term debt	-	(13,303)	-	(13,303)	-
Interest paid	-	(1,158)	-	(1,158)	-
Net cash provided by capital and related financing activities	115,144	150,774	-	265,918	-
Cash flows from investing activities:					
Investment earnings	-	194	1	195	-
Net cash provided by investing activities	-	194	1	195	-
Net increase (decrease) in cash	262,510	190,058	21,600	474,168	(12,908)
Cash - beginning of year	-	45	27,643	27,688	96,576
Cash - end of year	\$ 262,510	\$ 190,103	\$ 49,243	\$ 501,856	\$ 83,668

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

McDowell County, North Carolina

Statements of Cash Flows - Continued

Proprietary Funds

Year Ended June 30, 2012

	Enterprise Funds				Internal Service Fund
	Universal Fund	Waste Disposal Fund	Water Fund	Total	Self Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 83,899	\$ (1,019,551)	\$ (118,926)	\$ (1,054,578)	\$ 31,998
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	14,191	36,125	96,040	146,356	-
Provision for uncollectible accounts	-	(1,823)	-	(1,823)	-
Changes in:					
Accounts receivable	-	7,715	(131)	7,584	(180)
Accounts payable	25,159	(19,333)	1,310	7,136	(44,726)
Customer deposits	24,117	-	3,306	27,423	-
Compensated absences payable	-	(748)	-	(748)	-
Other postemployment benefits payable	-	(813)	-	(813)	-
Net cash provided (used) by operating activities	\$ 147,366	\$ (998,428)	\$ (18,401)	\$ (869,463)	\$ (12,908)

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

McDowell County, North Carolina

Statements of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and investments	\$ 88,079	\$ 114,138
Accounts receivable - other governments	-	13,027
Total assets	88,079	127,165
<u>Liabilities and net assets</u>		
Liabilities:		
Miscellaneous liabilities	227	88,320
Intergovernmental payable	-	38,845
Total liabilities	227	127,165
Net assets:		
Assets held in trust for pension benefits	\$ 87,852	\$ -

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, 2012

Additions

Investment income:

Interest	\$	59
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Deductions

Benefits		28,751
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Administrative expense		445
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Total deductions		29,196
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Change in net assets		(29,137)
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Net assets - beginning of year		116,989
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Net assets - end of year	\$	87,852
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The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Notes to Financial Statements

June 30, 2012

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.

Separate 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 Project 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 funds:

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

Water Fund. This fund accounts for the operation and maintenance of the water system in the Nebo community.

Universal Fund. This fund accounts for activity related to a former industrial facility, the Universal building, including renovations and lease of space.

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. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. 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 monies 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; the Rescue Squad Billing Fund, which accounts for billing and collection activity performed by the County on behalf of the McDowell County Rescue Squad; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Nonmajor Funds. The County maintains various legally budgeted funds. The Fire and Rescue Districts Fund and the Emergency Telephone System Fund are reported as nonmajor special revenue funds. All capital project funds are reported as nonmajor capital project funds except for the Schools Capital Project Fund.

(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.

Note A - Summary of Significant Accounting Policies - continued:

(3) Measurement Focus, Basis of Accounting - continued

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.

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.

Note A - Summary of Significant Accounting Policies - continued:

(3) Measurement Focus, Basis of Accounting - continued

For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes 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 Revaluation Fund, the Debt Service Fund, the Emergency Telephone and Fire and Rescue Districts 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 department 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.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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

The unexpended proceeds from installment purchase obligations issued for the purchase of public safety vehicles are classified as restricted cash. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. The unexpended drawdown of funds from the Public School Building Capital Fund reported in the Schools Capital Projects Fund is classified as restricted cash.

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, 2011. 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:

	<u>Years</u>
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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for 911 – Portion of fund balance that is restricted by the State 911 board to enhance the State's 911 system.

Restricted for School Capital – Portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Restricted for General Government – Portion of fund balance that is restricted by revenue source for the Public, Educational and Governmental (PEG) access cable channel and to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Public Safety – Portion of fund balance from asset forfeitures that is restricted for public safety expenditures.

Restricted for Human Services – Portion of fund balance that is restricted by revenue source for Senior Center purposes.

Restricted for Economic and Physical Development – Portion of fund balance that is restricted by revenue sources for cooperative extension purposes.

Note A - Summary of Significant Accounting Policies - continued:

(5) Assets, Liabilities and Fund Equity - continued

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

Committed for Tax Revaluation – Portion of fund balance that can only be used for Tax Revaluation.

Assigned Fund Balance – Portion of fund balance that the McDowell County governing board has budgeted.

Subsequent year’s expenditures – Portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$3,000.

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

McDowell County has a revenue spending practice that is followed for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: installment purchase obligation proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer deviates from this practice if it is in the best interest of the County or required by a grant agreement.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 \$12,848,188 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)	\$ 35,585,293
Less accumulated depreciation	(15,597,492)
Net capital assets	19,987,801
Unearned income under long-term lease is not reported in the funds.	(214,884)
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.	180,539
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.	(8,048)
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	2,058,907
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	(7,123,580)
Compensated absences	(642,838)
Other postemployment benefits	(575,722)
Unfunded pension benefit obligation	(351,891)
Accrued interest payable	(73,174)
Other long-term liabilities	(388,922)
Total adjustment	\$ 12,848,188

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 \$310,442 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 803,879
Depreciation expense, the allocation of those assets over their useful lives, which is recorded on the statement of activities but not in the fund statements.	(1,157,821)
Cost of disposed capital assets not recorded in fund statements.	(23,847)
Cost of capital assets transferred to the proprietary fund.	(220,700)
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.	(421,063)
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.	1,842,472
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).	15,267
Difference in unfunded pension benefit obligation, accrued in the government-wide statements but not in the fund statements.	(47,517)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	(36,142)

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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.	(17,005)
Difference in amounts payable under various inter-local agreements.	(379,783)
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.	(181,315)
Change in revenue deferred in the fund statements.	23,879
Amortization of income under long-term lease, not recorded on fund statements.	78,140
Net income of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	31,998
Total adjustment	\$ 310,442

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, 2012: Housing Relocation and Stabilization Services Project, (\$25), and Greenway Extension Project (\$695). In all cases, the deficit fund balances are expected to be recovered through revenues in the June 30, 2013 fiscal year.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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, 2012, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
General Fund:			
County administration – operating expenditures	\$ 15,215	\$ 15,372	\$ 157
Tax assessment – capital expenditures	300	570	270
Garage – salaries and employee benefits	106,710	113,933	7,223
Facility maintenance – salaries and employee benefits	348,240	348,357	117
Facility maintenance – capital expenditures	10,000	10,947	947
Sheriff – salaries and employee benefits	2,187,702	2,213,050	25,348
Emergency communication – operating expenditures	18,880	19,129	249
Day reporting center	79,237	79,884	647
Waste collections – salaries and employee benefits	307,315	308,361	1,046
McDowell Economic Development Association – operating expenditures	12,595	12,780	185
Tourism Development Authority	302,200	313,162	10,962
Crisis energy program	376,543	381,300	4,757
TANF – County participation	156,000	156,108	108
Juvenile Placement – operating expenditures	20,000	25,742	5,742
Recreation-operations – salaries and employee benefits	90,958	91,936	978
Recreation-operations – operating expenditures	120,624	125,041	4,417
Recreation-operations – capital expenditures	27,215	57,480	30,265
Miscellaneous – Davidson’s Fort	1,934	2,500	566
Special Revenue Funds:			
Emergency Telephone System	504,867	534,885	30,018

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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-collateralization, 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, 2012, the County's deposits had a carrying amount of \$10,813,053 and a bank balance of \$11,261,967. Of the bank balance, \$1,354,211 was covered by federal depository insurance, and \$9,907,756 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2012, the County had \$5,391 cash on hand.

Investments

At June 30, 2012, the County's investment balances were as follows:

	Reported Value	Fair Value
North Carolina Capital Management Trust:		
Cash Portfolio, cash equivalent	\$ 4,800,323	\$ 4,800,323
Total Investments	\$ 4,800,323	\$ 4,800,323

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 has not adopted a formal credit risk policy. 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, 2012.

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
2009	\$ 191,952	\$ 48,467	\$ 240,419
2010	208,482	33,878	242,360
2011	223,371	16,194	239,565
2012	223,375	-	223,375
Total	\$ 847,180	\$ 98,539	\$ 945,719

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(1) Assets - continued

Receivables

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

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
Governmental Activities:					
General	\$ 2,191,006	\$ 2,535,181	\$ 3,973,112	\$ 190,442	\$ 8,889,741
Other Governmental	137,317	891,215	-	-	1,028,532
Total receivables	2,328,323	3,426,396	3,973,112	190,442	9,918,273
Allowance for doubtful accounts	(953,645)	-	(2,888,070)	-	(3,841,715)
Total - governmental activities	\$ 1,374,678	\$ 3,426,396	\$ 1,085,042	\$ 190,442	\$ 6,076,558
Business-type Activities:					
Waste disposal	\$ -	\$ -	\$ -	\$ 138,438	\$ 138,438
Water	-	-	-	640	640
Total receivables	-	-	-	139,078	139,078
Allowance for doubtful accounts	-	-	-	(41,159)	(41,159)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 97,919	\$ 97,919

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 1,734,407
State and federal assistance	1,334,230
Other	357,759
Total	\$ 3,426,396

Capital Assets

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

	Balances 07/01/11	Increases	Decreases	Balances 06/30/12
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,503,700	\$ -	\$ -	\$ 4,503,700
Construction in progress	782,501	36,721	782,501	36,721
Total capital assets not being depreciated	5,286,201	36,721	782,501	4,540,421
Capital assets being depreciated:				
Building improvements	1,713,840	523,059	-	2,236,899
Buildings	19,222,973	-	-	19,222,973
Equipment	4,106,789	186,872	66,559	4,227,102
Land improvements	666,137	375,965	-	1,042,102
Vehicles	4,462,004	243,062	389,270	4,315,796
Total capital assets being depreciated	\$ 30,171,743	\$ 1,328,958	\$ 455,829	\$ 31,044,872

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(1) Assets - continued

Capital Assets - continued

	Balances 07/01/11	Increases	Decreases	Balances 06/30/12
Governmental activities - continued:				
Less accumulated depreciation for:				
Building improvements	\$ 595,332	\$ 79,928	\$ -	\$ 675,260
Buildings	8,217,709	353,512	-	8,571,221
Equipment	2,349,515	279,546	66,559	2,562,502
Land improvements	420,793	50,391	-	471,184
Vehicles	3,288,305	394,442	365,422	3,317,325
Total accumulated depreciation	14,871,654	\$ 1,157,819	\$ 431,981	15,597,492
Total capital assets being depreciated, net	15,300,089			15,447,380
Governmental activity capital assets, net	\$ 20,586,290			\$ 19,987,801

Depreciation expense was charged to functions/programs of the County as follows:

General government	\$ 203,163
Public safety	588,431
Economic and physical development	26,723
Environmental protection	33,922
Human services	209,393
Cultural and recreational	96,189
Total depreciation expense	\$ 1,157,821

	Balances 07/01/11	Increases	Decreases	Balances 06/30/12
Business-type activities:				
Universal:				
Capital assets not being depreciated:				
Land	\$ -	\$ 752,250	\$ -	\$ 752,250
Total capital assets not being depreciated	-	752,250	-	752,250
Capital assets being depreciated:				
Buildings	-	2,070,246	-	2,070,246
Building Improvements	-	490,622	-	490,622
Equipment	-	1,738	-	1,738
Total capital assets being depreciated	-	2,562,606	-	2,562,606
Less accumulated depreciation for:				
Buildings	-	14,112	-	14,112
Building improvements	-	79	-	79
Total accumulated depreciation	-	14,191	-	14,191
Total capital assets being depreciated, net - Universal	-			2,548,415
Total capital assets, net - Universal	-			3,300,665

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(1) Assets - continued

Capital Assets - continued

	Balances 07/01/11	Increases	Decreases	Balances 06/30/12
Business-type activities - continued:				
Waste Disposal:				
Capital assets being depreciated:				
Buildings	\$ 203,914	\$ -	\$ -	\$ 203,914
Equipment	121,175	1,400	12,739	109,836
Land improvements	126,387	-	-	126,387
Vehicles	470,065	-	-	470,065
Total capital assets being depreciated	921,541	1,400	12,739	910,202
Less accumulated depreciation for:				
Buildings	203,913	-	-	203,913
Equipment	74,653	12,508	11,399	75,762
Land improvements	62,074	10,417	-	72,491
Vehicles	417,268	13,200	-	430,468
Total accumulated depreciation	757,908	36,125	11,399	782,634
Total capital assets being depreciated, net - waste disposal	163,633			127,568
Water:				
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	4,101,253	568,857	-	4,670,110
Computer software	12,733	-	-	12,733
Total capital assets being depreciated	4,115,130	568,857	-	4,683,987
Less accumulated depreciation for:				
Equipment	604	381	-	985
Infrastructure	154,934	91,414	-	246,348
Computer software	7,073	4,245	-	11,318
Total accumulated depreciation	162,611	\$ 96,040	\$ -	258,651
Total capital assets being depreciated, net - water	3,952,519			4,425,336
Business-type activities capital assets, net	\$ 4,116,152			\$ 7,853,569

(2) Liabilities

Payables

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

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental activities:					
General	\$ 581,128	\$ 108,684	\$ 73,174	\$ 388,922	\$ 1,151,908
Other governmental	546,902	91,896	-	-	638,798
	\$ 1,128,030	\$ 200,580	\$ 73,174	\$ 388,922	\$ 1,790,706
Business-type activities:					
Universal	\$ 49,276	\$ -	\$ -	\$ -	\$ 49,276
Waste disposal	67,398	-	-	-	67,398
Water fund	18,223	-	-	-	18,223
	\$ 134,897	\$ -	\$ -	\$ -	\$ 134,897

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

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 6.99% and 7.05%, 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, 2012, 2011, and 2010 were \$1,210,330, \$1,133,619, and \$960,672, respectively. The contributions made by the County equaled the required contributions for each year.

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.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

b. Law Enforcement Officers' Special Separation Allowance – continued

1. Plan Description - continued

At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	40
<u>Total</u>	<u>44</u>

2. Summary of Significant Accounting Policies - continued

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.

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 currently 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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. 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, 2011 was 19 years.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 - continued

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

Employer annual required contribution	\$	50,455
Interest on net pension obligation		15,219
Adjustment to annual required contribution		(18,157)
Annual pension cost		47,517
Employer contributions made for fiscal year ending 06/30/12		-
Increase in net pension obligation		47,517
Net pension obligation, beginning of fiscal year		304,374
Net pension obligation, end of fiscal year	\$	351,891

3 Year Trend Information

<u>For Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 38,559	0.00%	\$ 269,555
2011	\$ 58,044	40.01%	\$ 304,374
2012	\$ 47,517	0.00%	\$ 351,891

4. Funded Status and Fund Progress

Management set aside funds for this purpose in prior years, and subsequently elected to pay current benefits on a pay as you go basis out of the General Fund, with administrative costs covered by the earnings on the funds previously set aside. During the year ended June 30, 2012, management elected to utilize trust funds for benefits paid. Funding for future periods will be based on future actuarial valuation studies. As of December 31, 2011, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$500,964. The covered payroll (annual payroll of active employees covered by the plan) was \$1,464,940, and the ratio of the UAAL to the covered payroll was 34.20%.

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 liability for benefits.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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

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, 2012 were \$103,022 which consisted of \$84,304 from the County and \$18,718 from law enforcement officers.

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, 2012, contributions of \$14,237 were made to the Section 457 plan, which consisted of \$4,584 from the County and \$9,653 from employees. For the year ended June 30, 2012, contributions of \$172,255 were made to the 401(k) plan, which consisted of \$90,235 from the County and \$82,020 from employees.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations – continued

d. Deferred Compensation Plan – continued

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 eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2012, the County's required and actual contributions were \$3,211.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations – continued

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), with a hire date prior to March 1, 2009 and 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. Coverage will terminate when the retiree qualifies for Medicare.

Membership of the plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	12	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	198	35
Total	210	39

1. Funding Policy

The County has chosen to fund the healthcare benefits on a pay as you go basis. The current ARC rate is 2.32% of annual covered payroll. For the current year, the County contributed \$155,273. 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 .95% and .45% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$16,397. The County's obligation to contribute to the plan is established and may be amended by the Board of Commissioners.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

f. Other Postemployment Benefits - continued

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	\$	181,410
Interest on net OPEB obligation		25,490
Adjustments to annual required contribution		(35,435)
<hr/>		
Annual OPEB cost (expense)		171,465
Contributions made		(155,273)
<hr/>		
Increase in net OPEB obligation		16,192
Net OPEB obligation, beginning of year		637,257
<hr/>		
Net OPEB obligation, end of year	\$	653,449

The net OPEB obligation at June 30, 2012 includes \$575,722 reported in the governmental activities and \$77,727 reported in the business-type activities.

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

For Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 455,650	35.21%	\$ 590,313
2011	\$ 172,205	72.74%	\$ 637,257
2012	\$ 171,465	90.56%	\$ 653,449

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

f. Other Postemployment Benefits - continued

4. Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL), was \$1,837,362. The covered payroll (annual payroll of active employees covered by the plan) was \$7,831,552, and the ratio of the UAAL to the covered payroll was 23.46 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 to 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.

In the December 31, 2010 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50% to 5.00% annually. The investment rate included a 3.00% 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 dollar amount of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was 30 years.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system or who 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, 2012, the County made contributions to the State for death benefits of \$10,674. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% 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.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 8, 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, 2012, 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)	\$ 50,307	\$ 50,307
Unearned rental income	-	214,884
Taxes receivable, net (General)	1,094,301	-
Taxes receivable, net (Special Revenue)	99,838	-
Other receivables (General)	142,953	-
EMS receivables (General)	721,815	-
Total	\$ 2,109,214	\$ 265,191

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, 2012, the County recognized \$78,140 in rental income, leaving a balance of \$214,884 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.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 significantly 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 \$1,659,509 for the year ended June 30, 2012. The County purchases specific stop-loss coverage to limit its annual loss per person to \$55,000. The cost for health care excess coverage premiums in fiscal year 2011-2012 was \$371,076. 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 \$656,677 for the Old Fort library building, and \$648,210 for the McDowell House building. 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 (4), \$15,000 each; DMV Clerks (3), \$15,000 each; Tax Assessor, \$15,000; 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

During the normal course of doing business, the County may be named as a defendant in various lawsuits. In the opinion of the County's management and the County attorney, 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 (\$2,166,667), for improvements (\$423,923) and vehicles (\$5,313) to McDowell County Technical Community College, and for an ambulance (\$62,500) for the McDowell County Rescue Squad.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 February 2002 for \$6,500,000, due in 30 semiannual principal payments of \$216,667 plus interest at 4.59%, for improvements to North Cove Elementary School. \$ 2,166,667

McDowell County Technical Community College

- Installment purchase contract, executed in September 2005 for \$748,100, due in 30 semiannual principal payments of \$24,936 plus interest at 3.55%, for improvements to MTCC campus. 423,923
- Installment purchase contract, executed in September 2008 for \$40,000, payable in 8 semiannual installments of \$5,408 including interest at 3.55%, secured by vehicles purchased. 5,313

\$ 2,595,903

For McDowell County, the future minimum payments as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 488,520	\$ 109,178
2014	483,207	87,424
2015	483,207	65,763
2016	483,207	44,103
2017	483,207	22,442
2018-2021	174,555	12,393
Total principal payments	\$ 2,595,903	
Total interest payments		\$ 341,303

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 waterlines for an industrial park, as follows:

Governmental Activities

- Installment purchase contract, executed in November 2004 for \$344,250, payable in 20 semiannual installments of \$20,669 including interest at 3.62%, secured by recreation facility purchased. \$ 97,963
- Installment purchase contract, executed in April 2002 for \$1,980,916, payable in 30 semiannual installments of \$66,031 plus interest at 4.60%, secured by Senior Center. 660,305
- 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 6.299%. 116,800
- 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 semiannual 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. 200,458
- Installment purchase contract, executed in May 2005 for \$1,340,000, payable in 24 semiannual installments of \$55,833 plus interest at 3.67%, secured by land acquired for future expansion. 558,333
- Installment purchase contract, executed in April 2008 for \$965,663, payable in 30 semiannual installments of \$32,189 plus interest at 3.51%, to construct a Nutrition Center in the Old Fort area. 708,153
- Installment purchase contract, executed in January 2008 for \$562,500, payable in 30 semiannual installments of \$18,750 plus interest at 3.83%, to finance the purchase of the McDowell House. 412,500
- Installment purchase contract, executed in December 2008 for \$167,000, payable in 8 semiannual installments of \$22,427 including interest at 3.19%, secured by vehicles purchased. 43,803
- Installment purchase contract, executed in December 2008 for \$1,056,000, payable in 30 semiannual principal payments of \$35,200 plus interest at 4.19%, for improvement to Baldwin Avenue property. 809,600

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - Other - continued

Governmental Activities - continued

- Installment purchase contract, executed in November 2009 for \$91,225, payable in 8 semiannual installments of \$11,403 plus interest at 3.67%, secured by vehicles purchased. \$ 34,209
- Installment purchase contract, executed in November 2009 for \$125,000, payable in 20 quarterly installments of \$6,250 plus interest at 3.67%, secured by ambulance purchased. 62,500
- Installment purchase contract, executed in October 2010 for \$115,500, payable in 4 annual installments of \$30,414, including interest at 2.11%, secured by equipment purchased. 87,523
- Installment purchase contract, executed in March 2011 for \$111,849, payable in 8 semiannual installments of \$14,653, including interest at 2.11%, secured by vehicles purchased. 84,761
- Installment purchase contract, executed in August 2010 for \$148,982, payable in 4 annual installments of \$37,246, plus interest at 2.44% or 1.586% after rebate, secured by ambulance purchased. 111,737
- Installment purchase contract, executed in December 2010 for \$148,982, payable in 8 semiannual installments of \$19,501, including interest at 2.07%, secured by ambulance purchased. 94,547
- Installment purchase contract, executed in August 2011 for \$35,000, payable in 8 semiannual installments of \$4,614, including interest at 2.39%, secured by equipment purchased. 30,805
- Installment purchase contract, executed in September 2011 for \$45,500, payable in 8 semiannual installments of \$6,013, including interest at 2.51%, secured by equipment purchased. 40,057
- Installment purchase contract, executed in March 2012 for \$76,622, payable in 8 semiannual installments of \$9,985, including interest at 1.87%, secured by vehicles purchased. 76,622
- Installment purchase contract, executed in March 2012 for \$148,982, payable in 8 semiannual installments of \$19,334, including interest at 1.68%, secured by vehicle purchased. 148,982

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - Other - continued

Governmental Activities - continued

- Installment purchase contract, executed in June 2012 for \$114,959, payable in 8 semiannual installments of \$15,047, including interest at 2.07%, secured by vehicle purchased. \$ 114,959
-
- \$ 4,494,617

Business-Type Activities:

- Installment purchase contract, executed in May 2010 for \$54,058, payable in 8 semiannual installments of \$7,231 including interest at 3.06%, secured by weighing scales. \$ 27,849
 - Installment purchase contract, executed in June 2012 for \$190,103, payable in 14 semiannual installments of \$14,603, including interest at 1.97%, secured by waste disposal equipment purchased. 190,103
 - Installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semiannual installments of \$49,167, plus interest at 3.39%, secured by real property. 1,475,000
 - Installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semiannual installments of \$49,167, plus interest at 5.23%, secured by real property. 1,475,000
-
- \$ 3,167,952

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - Other - continued

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:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 1,036,948	\$ 155,026
2014	788,269	120,159
2015	670,515	93,793
2016	514,016	72,130
2017	416,005	53,963
2018-2022	861,388	131,981
2023-2024	207,476	7,195
Total principal payments	\$ 4,494,617	
Total interest payments		\$ 634,247

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2013	\$ 235,967	\$ 129,394
2014	236,896	119,988
2015	223,277	110,670
2016	223,803	101,667
2017	224,341	92,653
2018-2022	1,040,336	329,869
2023-2027	983,332	116,548
Total principal payments	\$ 3,167,952	
Total interest payments		\$ 1,000,789

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Long-Term Obligations - Summary

At June 30, 2012, McDowell County had a legal debt margin of \$258,608,277. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/11	Increases	Decreases	Balance 06/30/12	Current Portion of Balance
<i>Governmental activities:</i>					
Installment purchases, including amortized call premium	\$ 8,544,989	\$ 421,063	\$ 1,842,472	\$ 7,123,580	\$ 1,525,467
Unfunded pension benefit obligation	304,374	47,517	-	351,891	-
Compensated absences	606,696	590,250	554,108	642,838	-
Other postemployment benefits	558,717	17,005	-	575,722	-
	\$ 10,014,776	\$ 1,075,835	\$ 2,396,580	\$ 8,694,031	\$ 1,525,467
<i>Business-type activities:</i>					
Installment purchases	\$ 41,152	\$ 3,140,103	\$ 13,303	\$ 3,167,952	\$ 235,967
Compensated absences	14,526	9,856	10,604	13,778	-
Other postemployment benefits	78,540	-	813	77,727	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
	\$ 164,218	\$ 3,149,959	\$ 24,720	\$ 3,289,457	\$ 235,967

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, 2012, there was one series of revenue bonds outstanding with a principal amount payable of \$3,615,000.

Healthcare Benefits

The calculation of unpaid healthcare claims liability reported in the Self-Insurance Fund is based on management's experience and actual claims incurred prior to June 30, 2012 and reported for subsequent reimbursement.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(3) Interfund Balances and Activity

At June 30, 2012, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	Housing Relocation & Stabilization Services Project	\$ 18,518
General Fund	Financial Assistance Project	858
General Fund	Lake James EPA Project	5,195
General Fund	Single Family Rehabilitation Project	5,091
General Fund	Greenway Extension Project	39,082
General Fund	Enterprise – Waste Disposal	30,921
		<hr/>
		\$ 99,665

Payables to the General Fund from the Housing Relocation & Stabilization Services Project, Financial Assistance Project, Lake James EPA Project, Single Family Rehabilitation Project, Greenway Extension Project, and Waste Disposal are required due to cash overdrafts in the payable funds. All interfund balances will be paid during the year ending June 30, 2013.

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.	\$ 1,037,518
Transfers from the Schools Capital Project Fund to the Debt Service Fund, to provide resources for the retirement of debt obligations of funds other than the General Fund.	801,948
Transfer from the General Fund to the Lake James EPA Project, to provide local match for the project.	2,151
Transfer from the General Fund to the Water Fund, to support cost of services not recovered by user charges.	40,000
Transfer from the General Fund to Project Tilson, to provide local match for the project.	8,515
Transfers from the General Fund to Foothills Pilot Plant Project, to provide resources for the project.	7,482
Transfer from Nebo Water System Project to Harmony Grove Road Water Line Extension Project, to provide resources for the project.	145,021
Transfer from the General Fund to Harmony Grove Road Water Line Extension Project, to provide resources for the project.	120,365
Transfer from the General Fund to Greenway Extension Project, to provide local match for the project.	93,500
	<hr/>
	\$ 2,256,500

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note C - Detail Notes on All Funds - continued:

(4) Transfers

Transfers at the government-wide level at June 30, 2012 included \$1,048,857 in capital assets transferred from governmental activities to business-type activities. The capital assets transferred consisted of infrastructure in the amount of \$568,857 related to the new water system that became operational in August 2009. The expenditures incurred to construct the infrastructure were accounted for in the Nebo Water System Capital Project Fund, which is a governmental fund. Also, capital assets transferred consisted of building improvements in the amount of \$480,000 related to the renovation of the former Universal building. The expenditures incurred for the building improvements were accounted for in Project Tilson, which is a governmental fund.

(5) Net Assets and Fund Balance

Restricted Net Assets

At June 30, 2012, restricted net assets on the statement of net assets include unexpended resources for specific operating and capital expenditures for education (\$4,185,676), human services (\$217,591), economic and physical development (\$17,477), public safety (\$362,340), and general government (\$40,014).

Fund Balance

McDowell County has a revenue spending practice that is followed for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: installment purchase obligation proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer deviates from this practice if it's in the best interest of the County.

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

Total fund balance - General Fund	\$	12,960,450
Less: Inventories		77,435
Stabilization by State Statute		3,045,382
Appropriated fund balance in 2013 budget		324,991
PEG channel		14,289
Register of deeds		25,725
Asset forfeiture		52,383
Social services		204,490
Senior Center		13,101
Cooperative extension		17,477
Tax revaluation		4,143
Jail		80,500
Library		14,668
EMS		7,061
Watershed		3,591
Remaining fund balance		9,075,214

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 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 \$30,998 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2012. The County also contributed \$30,000 to the community college for a roofing project during the fiscal year ended June 30, 2012. 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 \$66,250 for the year ended June 30, 2012. The County entered into an installment purchase agreement during the year ended June 30, 2009 in order to fund vehicles for the community college. The County's debt service payments on this debt amounted to \$10,815 for the year ended June 30, 2012. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2012. Complete financial statements for the community college may be obtained from the community college's administrative offices at 54 College Drive, Marion, North Carolina 28752.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note E - Joint Ventures - continued:

McDowell Technical Community College - continued

During the year ended June 30, 2008, the County entered into an installment purchase agreement in order to provide capital improvements to the McDowell Tech Baldwin Avenue facility property. The improvements were completed during the year ended June 30, 2010. The County leases 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 \$106,535 for the year ended June 30, 2012.

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) who participate. In addition, the County has made a financial commitment to the Center. For the year ended June 30, 2012, 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, 2012, the County contributed \$175,475 to the general operations of the Health Department.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note F - Jointly Governed Organizations - continued:

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, 2012, the County contributed \$70,849 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, 2012.

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.

For the year ended June 30, 2012, one County commissioner is also an employee of McDowell County, and one commissioner is employed by McDowell Technical Community College.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 does not appear in the financial statements because they are not revenues and expenditures of the County.

	Federal	State
Temporary Assistance for Needy Families	\$ 321,625	\$ -
Medicaid	40,817,249	23,620,172
Food Stamp Program	13,484,832	-
State/County Special Assistance to Adults	-	467,377
Foster Care Adoption Assistance	268,767	73,773
CWS Adoption Subsidy	-	207,097
Total	\$ 54,892,473	\$ 24,368,419

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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

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 repayments have not been recorded in the government-wide financial statements.

During the year ended June 30, 2012, \$176,667 was paid under the economic development incentive agreements described above. Future installments of five active agreements amount to \$255,466, \$114,400, \$74,400 and \$74,400 for the years ending June 30, 2013, 2014, 2015 and 2016, respectively.

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. 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.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2012

Note K - Concentration of Credit Risk - continued:

The Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 47% of waste disposal revenue. Sales to this customer amounted to \$406,895 for the year ended June 30, 2012, with an account receivable balance of \$34,746 at June 30, 2012.

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 7, 2012; the date of the financial statement is November 7, 2012.

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)
12-31-2005	\$ 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%
12-31-2009	\$ 121,823	\$ 606,847	\$ 485,024	20.07%	\$ 1,394,364	34.78%
12-31-2010	\$ 123,569	\$ 507,596	\$ 384,027	24.34%	\$ 1,333,001	28.81%
12-31-2011	\$ 99,456	\$ 600,420	\$ 500,964	16.56%	\$ 1,464,940	34.20%

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 Required Contributions	Percentage Contributed
2010	\$ 36,363	0.00%
2011	\$ 58,997	40.01%
2012	\$ 50,455	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	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
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%
12-31-2010	\$ -	\$ 1,837,433	\$ 1,837,433	0.00%	\$ 7,829,422	23.47%
12-31-2011	\$ -	\$ 1,837,362	\$ 1,837,362	0.00%	\$ 7,831,552	23.46%

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 Required Contributions	Percentage Contributed
2010	\$ 455,650	35.21%
2011	\$ 181,417	72.74%
2012	\$ 181,410	90.56%

Notes to the Required Schedules:

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

Valuation date	12/31/10
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount open
Remaining amortization period	30 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend	10.50% - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Ad valorem taxes:			
Current year property taxes	\$ 17,123,124	\$ 17,516,272	\$ 393,148
Discount	(73,000)	(76,998)	(3,998)
Delinquent tax	520,246	612,116	91,870
Tax interest	89,622	161,574	71,952
Tax penalties	11,503	-	(11,503)
Total	17,671,495	18,212,964	541,469
Local option sales taxes:			
Article 39 one percent	2,792,952	2,868,475	75,523
Article 40 one-half percent	1,749,301	1,826,448	77,147
Article 42 one-half percent	230,800	292,625	61,825
Article 44 one-half percent	-	8,890	8,890
Total	4,773,053	4,996,438	223,385
Other taxes and licenses:			
Deed stamp excise tax	103,500	122,739	19,239
Real estate transfer tax	162,000	170,555	8,555
Scrap tire disposal tax	70,000	58,425	(11,575)
Occupancy tax	310,000	322,844	12,844
Cable franchise	218,147	280,297	62,150
Dog tax	-	331	331
Privilege licenses	1,000	683	(317)
Total	864,647	955,874	91,227
Unrestricted intergovernmental:			
Payments in lieu of taxes	337,514	296,763	(40,751)
Restricted intergovernmental:			
State and federal grants:			
DSS	7,350,833	6,542,987	(807,846)
State aid library	102,492	101,908	(584)
Senior Center - aging	525,801	406,915	(118,886)
Soil and water reimbursement	22,000	23,215	1,215
Veterans service	2,000	1,452	(548)
Criminal Justice Partnership Program	79,237	79,884	647
Juvenile Crime Prevention	126,168	126,168	-
EMA reimbursement	22,000	35,261	13,261
Other	1,453,023	1,491,188	38,165
Court facility fees	80,000	64,507	(15,493)
Officer fees	20,000	17,063	(2,937)
ABC profits for law enforcement	8,500	7,271	(1,229)
Total	9,792,054	8,897,819	(894,235)

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building inspections	\$ 124,500	\$ 82,897	\$ (41,603)
Sign revenue	1,750	-	(1,750)
Homeowners' recovery	2,000	800	(1,200)
Register of deeds:			
Birth certificates	24,570	6,250	(18,320)
Acknowledgement and oath	1,170	5,580	4,410
Copies	19,350	37,906	18,556
Marriage license	6,502	1,425	(5,077)
Flood plain fees	13,825	11,258	(2,567)
Sundry	47,250	9,333	(37,917)
Cultural resources	7,800	5,747	(2,053)
Other	-	387	387
Total	248,717	161,583	(87,134)
Sales and services:			
NCDMV notary	27,500	42,449	14,949
NCDMV reimbursement	80,000	78,607	(1,393)
Tax mapping	5,500	747	(4,753)
Library fines	17,500	15,581	(1,919)
Library donations	3,316	4,360	1,044
Library copies	6,750	5,924	(826)
Library fax fees	2,250	3,087	837
Rent – dialysis clinic	28,300	27,092	(1,208)
Rent – senior center building	66,000	66,000	-
Fax fees	50	-	(50)
Vending income	750	422	(328)
Rent – Mental Health building	24,660	24,660	-
Rent – Baldwin Avenue - Isothermal	6,206	6,206	-
Tower rental	39,550	30,286	(9,264)
Rent – Baldwin Avenue - ESC	22,228	22,228	-
City of Marion reimbursement	80,100	80,310	210
Adoption fees	12,500	5,480	(7,020)
Canteen fees	134,000	124,073	(9,927)
SRO funds	500	45	(455)
Sheriff – process fees	52,000	53,998	1,998
Sheriff – permits	4,500	5,430	930
Jail phone reimbursement	31,500	16,034	(15,466)
Sheriff – concealed weapons permit	34,000	38,340	4,340
Sheriff – employee fund	4,000	4,862	862
Soil and water rent	1,200	1,200	-
Jail lease revenue	522,750	492,946	(29,804)
Jail fees	17,500	32,410	14,910
EMS collections	1,919,613	2,317,212	397,599
EMS Medicaid	74,913	173,263	98,350

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Sales and services - continued:			
Sheriff – in school cop match	\$ 47,722	\$ 47,722	\$ -
Recreation program fees	124,900	55,304	(69,596)
Other	155,392	628,730	473,338
Total	3,547,650	4,405,008	857,358
Investment earnings	64,000	19,637	(44,363)
Miscellaneous:			
Auction proceeds	3,500	8,456	4,956
Paper execution fees	60,000	55,364	(4,636)
Asset forfeiture revenue	49,226	43,971	(5,255)
Civil license revocation	3,800	3,221	(579)
Miscellaneous	6,500	24,287	17,787
City of Marion elections	5,150	-	(5,150)
Town of Old Fort elections	1,000	-	(1,000)
4-H donations	15,097	18,570	3,473
Cooperative extension donations	2,781	3,873	1,092
Animal control other	1,000	456	(544)
Other	168,212	250,942	82,730
Total	316,266	409,140	92,874
Total revenue	37,615,396	38,355,226	739,830
Expenditures:			
General government:			
Board of commissioners:			
Salaries and employee benefits	122,691	121,668	1,023
Operating expenditures	42,475	40,082	2,393
Total	165,166	161,750	3,416
Human resources:			
Operating expenditures	317,884	317,303	581
Total	317,884	317,303	581
County administration:			
Salaries and employee benefits	291,226	291,225	1
Operating expenditures	15,215	15,372	(157)
Capital expenditures	450	231	219
Total	306,891	306,828	63
Finance:			
Salaries and employee benefits	292,855	291,122	1,733
Operating expenditures	166,790	166,737	53
Capital expenditures	2,043	2,042	1
Total	461,688	459,901	1,787

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	\$ 321,807	\$ 321,138	\$ 669
Operating expenditures	128,593	124,225	4,368
Capital expenditures	300	570	(270)
Total	450,700	445,933	4,767
Tax - collections:			
Salaries and employee benefits	162,921	161,817	1,104
Operating expenditures	71,309	64,700	6,609
Capital expenditures	1,770	1,518	252
Total	236,000	228,035	7,965
Legal	16,932	16,775	157
Board of elections:			
Salaries and employee benefits	106,607	105,571	1,036
Operating expenditures	69,657	60,024	9,633
Capital expenditures	1,000	397	603
Total	177,264	165,992	11,272
Register of deeds:			
Salaries and employee benefits	158,284	157,716	568
Operating expenditures	150,835	148,962	1,873
Capital expenditures	9,100	8,966	134
Total	318,219	315,644	2,575
Clerk of court:			
Operating expenditures	5,400	3,949	1,451
Capital expenditures	4,800	4,555	245
Total	10,200	8,504	1,696
Garage:			
Salaries and employee benefits	106,710	113,933	(7,223)
Operating expenditures	25,016	21,773	3,243
Capital expenditures	29,525	29,524	1
Total	161,251	165,230	(3,979)
Facility maintenance:			
Salaries and employee benefits	348,240	348,357	(117)
Operating expenditures	598,967	586,746	12,221
Capital expenditures	10,000	10,947	(947)
Total	957,207	946,050	11,157

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
DMV Operations:			
Salaries and employee benefits	\$ 108,559	\$ 107,364	\$ 1,195
Operating expenditures	2,140	1,504	636
Total	110,699	108,868	1,831
Total general government	3,690,101	3,646,813	43,288
Public safety:			
Sheriff:			
Salaries and employee benefits	2,187,702	2,213,050	(25,348)
Operating expenditures	584,176	550,317	33,859
Capital expenditures	235,641	124,278	111,363
Total	3,007,519	2,887,645	119,874
Jail:			
Salaries and employee benefits	761,207	759,027	2,180
Operating expenditures	751,547	702,555	48,992
Capital expenditures	3,500	(122)	3,622
Total	1,516,254	1,461,460	54,794
EMS:			
Salaries and employee benefits	1,446,211	1,444,894	1,317
Operating expenditures	403,820	399,414	4,406
Capital expenditures	192,090	41,063	151,027
Total	2,042,121	1,885,371	156,750
Emergency management:			
Salaries and employee benefits	111,590	111,568	22
Operating expenditures	16,082	15,110	972
Capital expenditures	4,517	4,070	447
Total	132,189	130,748	1,441
Fire protection	514,250	514,250	-
Forest service	66,250	52,042	14,208
Sheriff's dispatch:			
Salaries and employee benefits	138,254	136,948	1,306
Operating expenditures	12,512	3,135	9,377
Capital expenditures	1,000	450	550
Total	151,766	140,533	11,233
Emergency communication:			
Salaries and employee benefits	462,496	461,548	948
Operating expenditures	18,880	19,129	(249)
Capital expenditures	1,500	1,260	240
Total	482,876	481,937	939

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Day reporting center	\$ 79,237	\$ 79,884	\$ (647)
Animal control:			
Salaries and employee benefits	34,330	33,771	559
Operating expenditures	72,770	57,314	15,456
Capital expenditures	2,500	1,410	1,090
Total	109,600	92,495	17,105
Building inspections:			
Salaries and employee benefits	254,281	254,034	247
Operating expenditures	33,910	31,219	2,691
Total	288,191	285,253	2,938
Medical examiner	24,500	22,100	2,400
Rescue squad	28,199	28,199	-
Total public safety	8,442,952	8,061,917	381,035
Environmental protection:			
Waste collections:			
Salaries and employee benefits	307,315	308,361	(1,046)
Operating expenditures	173,027	162,351	10,676
Capital expenditures	4,000	3,344	656
Total	484,342	474,056	10,286
Soil and water district technician:			
Salaries and employee benefits	40,573	40,548	25
Operating expenditures	5,940	4,524	1,416
Capital expenditures	500	200	300
Total	47,013	45,272	1,741
Soil and water conservation:			
Salaries and employee benefits	13,425	12,271	1,154
Operating expenditures	12,400	11,849	551
Total	25,825	24,120	1,705
Watershed commission	10,290	9,184	1,106
Water and sewer	85,849	54,433	31,416
Total environmental protection	653,319	607,065	46,254

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Keep McDowell Beautiful:			
Salaries and employee benefits	\$ 16,937	\$ 16,873	\$ 64
Operating expenditures	14,150	14,150	-
Total	31,087	31,023	64
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
Total	12,563	12,563	-
Cooperative extension:			
Operating expenditures	168,162	167,636	526
Capital expenditures	1,860	1,852	8
Total	170,022	169,488	534
Isothermal planning commission:			
Isothermal operating expenditures	11,722	11,720	2
Planning board	1,070	368	702
Total	12,792	12,088	704
McDowell Economic Development Association:			
Salaries and employee benefits	58,406	58,069	337
Operating expenditures	12,595	12,780	(185)
Total	71,001	70,849	152
Economic and industrial development	1,611,485	1,540,428	71,057
Tourism Development Authority	302,200	313,162	(10,962)
Total economic and physical development	2,211,150	2,149,601	61,549
Human services:			
Health department	175,475	175,475	-
Mental health	67,856	67,856	-
Alcohol and substance abuse	5,000	4,712	288
Volunteer center:			
Salaries and employee benefits	19,387	19,387	-
Operating expenditures	7,800	5,642	2,158
Capital expenditures	350	-	350
Total	27,537	25,029	2,508
Juvenile Crime Prevention Council	136,286	124,123	12,163

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Social Services:			
Administration:			
Salaries and employee benefits	\$ 4,656,714	\$ 4,604,852	\$ 51,862
Operating expenditures	3,166,653	2,898,510	268,143
Capital expenditures	198,891	148,519	50,372
Total	8,022,258	7,651,881	370,377
Foster care	673,296	543,399	129,897
Adoption assistance	180,000	168,849	11,151
Crisis energy program	376,543	381,300	(4,757)
TANF - County participation	156,000	156,108	(108)
Medicaid - County participation	2,000	1,620	380
Special assistance	540,000	467,699	72,301
Aid to blind	2,000	1,797	203
General assistance	7,500	1,000	6,500
Total social services	9,959,597	9,373,653	585,944
Senior Center:			
Salaries and employee benefits	470,009	466,615	3,394
Operating expenditures	461,244	426,689	34,555
Capital expenditures	11,748	11,293	455
Total	943,001	904,597	38,404
Juvenile Placement:			
Operating expenditures	20,000	25,742	(5,742)
Total	20,000	25,742	(5,742)
Total human services	11,334,752	10,701,187	633,565
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	90,958	91,936	(978)
Operating expenditures	120,624	125,041	(4,417)
Capital expenditures	27,215	57,480	(30,265)
Total	238,797	274,457	(35,660)
Recreation - programs	129,900	60,156	69,744

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and employee benefits	\$ 436,992	\$ 434,821	\$ 2,171
Operating expenditures	189,816	169,646	20,170
Capital expenditures	7,800	7,570	230
Total	634,608	612,037	22,571
Total cultural and recreational	1,003,305	946,650	56,655
Miscellaneous:			
Carson House	10,000	10,000	-
City of Marion hold harmless	122,000	115,114	6,886
Family Services	25,903	25,903	-
MACA	18,500	18,500	-
Hospice	7,500	5,625	1,875
McDowell Mission	2,500	2,500	-
Champion rent	17,591	17,591	-
Parking lot	12,500	12,500	-
July 4 th	500	500	-
Davidson's Fort	1,934	2,500	(566)
Health coalition	5,000	5,000	-
Other	496,699	447,041	49,658
Total miscellaneous	720,627	662,774	57,853
Education:			
Public schools:			
Current expense	7,187,103	7,177,048	10,055
Capital outlay	171,000	171,000	-
McDowell Technical College:			
Current expense	808,450	808,450	-
Capital outlay	30,998	30,998	-
Roofing project	30,000	30,000	-
Vehicle payments	10,815	10,815	-
Building payments	172,786	172,785	1
Total education	8,411,152	8,401,096	10,056

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Building inspections	\$ 4,970	\$ 4,970	\$ -
Emergency medical services	174,039	173,998	41
Facility maintenance	6,789	6,788	1
Garage	4,614	4,614	-
Waste collections	28,900	28,899	1
Sheriff	89,394	80,407	8,987
Debt service fund	736,561	735,154	1,407
Total debt service	1,045,267	1,034,830	10,437
Total expenditures	37,512,625	36,211,933	1,300,692
Revenue over expenditures	102,771	2,143,293	2,040,522
Other financing sources (uses):			
Installment purchase obligations issued	421,064	421,063	(1)
Transfers to:			
Capital Project Funds:			
Greenway Extension	(93,500)	(93,500)	-
Foothills Pilot Plant	(7,482)	(7,482)	-
Lake James EPA	(2,151)	(2,151)	-
Project Tilson	(8,515)	(8,515)	-
Harmony Grove Rd Water Line Extension	(124,307)	(120,365)	3,942
Enterprise Funds	(1,077,518)	(1,077,518)	-
Revaluation Fund	(22,464)	(22,464)	-
Transfers from:			
Enterprise Funds	6,579	-	(6,579)
Fund balance appropriated	805,523	-	(805,523)
Total other financing sources (uses)	(102,771)	(910,932)	(808,161)
Excess of revenue and other financing sources over expenditures and other financing uses	\$ -	1,232,361	\$ 1,232,361
Fund balance - beginning of year		11,723,946	
Fund balance - end of year		\$ 12,956,307	

McDowell County, North Carolina

Revaluation Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Capital expenditures	\$ 25,636	\$ 25,537	\$ 99
Total expenditures	25,636	25,537	99
Revenue under expenditures	(25,636)	(25,537)	99
Other financing sources:			
Fund balance appropriated	3,172	-	(3,172)
Transfer from General Fund	22,464	22,464	-
Total other financing sources	25,636	22,464	(3,172)
Revenue and other financing sources under expenditures	\$ -	(3,073)	\$ (3,073)
Fund balance - beginning of year		7,216	
Fund balance - end of year		\$ 4,143	

Note: Since the Revaluation Fund is legally budgeted, the fund is consolidated into the General Fund for reporting purposes on pages 17 and 19.

McDowell County, North Carolina

Combining Statements for Nonmajor Funds

Year Ended June 30, 2012

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.
- Emergency Telephone System – This fund accounts for the 911 revenues received by the State 911 Board to enhance the State’s 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:

- Trail Project – The County uses this fund to account for expenditures related to the development of a walking trail at Point Lookout near Old Fort.
- Housing Relocation and Stabilization Services Project – The County uses this fund to account for expenditures related to the Homelessness Prevention and Rapid Re-Housing Program, funded by the American Recovery and Reinvestment Act of 2009 (ARRA).
- Lake James EPA Project – The County uses this fund to account for expenditures for an engineering study that will examine potential water intake and treatment plant sites, funded by the Environmental Protection Agency.
- Senior Center Project – The County uses this fund to account for the construction and renovation of Senior Center properties.
- Project Tilson – The County uses this fund to account for the expenditures related to the renovation of a portion of the former Universal building, funded by the NC Rural Center Building Reuse Program.
- Financial Assistance Project – The County uses this fund to account for expenditures related to the Homelessness Prevention and Rapid Re-Housing Program, funded by the American Recovery and Reinvestment Act of 2009 (ARRA).
- Nebo Water System Project – The County used this fund to account for the development of a water system to the Nebo community, partially funded by grants.
- Catawba Falls Restroom Facility Project – The County uses this fund to account for funds that were transferred to the U.S. Forest Service to construct a restroom facility, funded by Recreational Trails Program.
- Foothills Pilot Plant Project – The County used this fund to account for 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 County, North Carolina

Combining Statements for Nonmajor Funds - Continued

Year Ended June 30, 2012

- Renewable Energy Project – The County used this fund to account for the expenditures for the installation of solar panels at the Law Enforcement Center and Senior Center, funded by the State Energy Office and a private grant.
- 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.
- Harmony Grove Road Water Line Extension Project – The County uses this fund to account for expenditures related to a water line extension to Harmony Grove Road, funded by the Rural Economic Development Center, Inc. and an Environmental Protection Agency STAG grant.
- McDowell Tech Stormwater Wetland Project – The County uses this fund to account for the construction of a stormwater wetland observation and collection area, funded by North Carolina Department of Environment and Natural Resources grants.
- Energy Efficiency Block Grant Project – The County used this fund to account for the expenditures related to the retrofitting of fixtures and installing of sensors in buildings of McDowell County and City of Marion, funded partially by a U. S. Department of Energy grant.
- Greenway Extension Project – The County uses this fund to account for the development of a greenway extension trail, funded partially by the NC Parks and Recreation Trust Fund.
- Hospital Transfer Switches Project – The County uses this fund to account for the expenditures related to the replacement of two automatic transfer switches at The McDowell Hospital, funded by the Pre-Disaster Mitigation Program, with a local match to be provided by the hospital. There was no current year activity in this project.

McDowell County, North Carolina

Combining Balance Sheets

Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds		Debt Service Fund	
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund	
Assets				
Cash and investments	\$ 25,075	\$ 321,691	\$	9
Taxes receivable - net	99,838	-		-
Accounts receivable - other governments	-	17,064		-
Total assets	\$ 124,913	\$ 338,755	\$	9
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 25,075	\$ 28,798	\$	-
Due to other funds	-	-		-
Deferred revenue	99,838	-		-
Total liabilities	124,913	28,798		-
Fund balances:				
Restricted:				
Stabilization by State Statute	-	17,064		-
911 Funds	-	292,893		-
Assigned:				
Debt service	-	-		9
Human services	-	-		-
Economic and physical development	-	-		-
Unassigned	-	-		-
Total fund balances (deficit)	-	309,957		9
Total liabilities and fund balances	\$ 124,913	\$ 338,755	\$	9

McDowell County, North Carolina

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2012

	Capital Project Funds			
	Trail Project	Housing Relocation & Stabilization Services Project	Lake James EPA Project	Senior Center Project
Assets				
Cash and investments	\$ 21,895	\$ -	\$ -	\$ 16,997
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	18,493	5,195	-
Total assets	\$ 21,895	\$ 18,493	\$ 5,195	\$ 16,997
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	-
Due to other funds	-	18,518	5,195	-
Deferred revenue	-	-	-	-
Total liabilities	-	18,518	5,195	-
Fund balances:				
Restricted:				
Stabilization by State Statute	-	18,493	5,195	-
911 Funds	-	-	-	-
Assigned:				
Debt service	-	-	-	-
Human services	-	-	-	16,997
Economic and physical development	21,895	-	-	-
Unassigned	-	(18,518)	(5,195)	-
Total fund balances (deficit)	21,895	(25)	-	16,997
Total liabilities and fund balances	\$ 21,895	\$ 18,493	\$ 5,195	\$ 16,997

McDowell County, North Carolina

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2012

	Capital Project Funds			
	Project Tilson	Financial Assistance Project	Nebo Water System Project	Catawba Falls Restroom Facility Project
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	240,000	2,693	-	55,000
Total assets	\$ 240,000	\$ 2,693	\$ -	\$ 55,000
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 240,000	\$ 933	\$ -	\$ 55,000
Due to other funds	-	858	-	-
Deferred revenue	-	-	-	-
Total liabilities	240,000	1,791	-	55,000
Fund balances:				
Restricted:				
Stabilization by State Statute	240,000	2,693	-	55,000
911 Funds	-	-	-	-
Assigned:				
Debt service	-	-	-	-
Human services	-	-	-	-
Economic and physical development	-	-	-	-
Unassigned	(240,000)	(1,791)	-	(55,000)
Total fund balances (deficit)	-	902	-	-
Total liabilities and fund balances	\$ 240,000	\$ 2,693	\$ -	\$ 55,000

McDowell County, North Carolina

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2012

	Capital Project Funds			
	Foothills Pilot Plant Project	Renewable Energy Project	Single Family Rehabilitation Project	Harmony Grove Road Water Line Extension Project
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	6,034	-
Total assets	\$ -	\$ -	\$ 6,034	\$ -
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 943	\$ -
Due to other funds	-	-	5,091	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	6,034	-
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	6,034	-
911 Funds	-	-	-	-
Assigned:				
Debt service	-	-	-	-
Human services	-	-	-	-
Economic and physical development	-	-	-	-
Unassigned	-	-	(6,034)	-
Total fund balances (deficit)	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ 6,034	\$ -

McDowell County, North Carolina

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2012

	Capital Project Funds					
	McDowell Tech Stormwater Wetland Project	Energy Efficiency Block Grant Project	Greenway Extension Project	Hospital Transfer Switches Project		Totals June 30, 2012
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	385,667
Taxes receivable - net	-	-	-	-	-	99,838
Accounts receivable - other governments	-	-	38,387	-	-	382,866
Total assets	\$ -	\$ -	\$ 38,387	\$ -	\$ -	868,371
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	350,749
Due to other funds	-	-	39,082	-	-	68,744
Deferred revenue	-	-	-	-	-	99,838
Total liabilities	-	-	39,082	-	-	519,331
Fund balances:						
Restricted:						
Stabilization by State Statute	-	-	38,387	-	-	382,866
911 Funds	-	-	-	-	-	292,893
Assigned:						
Debt service	-	-	-	-	-	9
Human services	-	-	-	-	-	16,997
Economic and physical development	-	-	-	-	-	21,895
Unassigned	-	-	(39,082)	-	-	(365,620)
Total fund balances	-	-	(695)	-	-	349,040
Total liabilities and fund balances	\$ -	\$ -	\$ 38,387	\$ -	\$ -	868,371

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2012

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
Revenue:			
Ad valorem taxes	\$ 1,812,751	\$ -	\$ -
Restricted intergovernmental revenue	-	204,767	54,376
Investment earnings	-	231	-
Miscellaneous revenue	-	-	-
Total revenue	1,812,751	204,998	54,376
Expenditures:			
General government	-	-	-
Public safety	1,812,751	534,885	-
Human services	-	-	-
Cultural and recreational	-	-	-
Debt service	-	-	856,324
Capital outlay	-	-	-
Total expenditures	1,812,751	534,885	856,324
Revenue over (under) expenditures	-	(329,887)	(801,948)
Other financing sources (uses):			
Operating transfer in from General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	801,948
Operating transfer out to Capital Project Fund	-	-	-
Total other financing sources	-	-	801,948
Decrease in fund balance	-	(329,887)	-
Fund balances – beginning of year	-	639,844	9
Fund balances – end of year	\$ -	\$ 309,957	\$ 9

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances – Continued

Nonmajor Governmental Funds

Year Ended June 30, 2012

	Capital Project Funds			
	Trail Project	Housing Relocation & Stabilization Services Project	Lake James EPA Project	Senior Center Project
Revenue:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	79,250	5,195	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	-	790
Total revenue	-	79,250	5,195	790
Expenditures:				
General government	-	-	7,346	-
Public safety	-	-	-	-
Human services	-	79,250	-	766
Cultural and recreational	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	79,250	7,346	766
Revenue over (under) expenditures	-	-	(2,151)	24
Other financing sources (uses):				
Operating transfer in from General Fund	-	-	2,151	-
Operating transfer in from Capital Project Fund	-	-	-	-
Operating transfer out to Capital Project Fund	-	-	-	-
Total other financing sources	-	-	2,151	-
Increase in fund balance	-	-	-	24
Fund balances (deficit) – beginning of year	21,895	(25)	-	16,973
Fund balances (deficit) – end of year	\$ 21,895	\$ (25)	\$ -	16,997

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances – Continued

Nonmajor Governmental Funds

Year Ended June 30, 2012

	Capital Project Funds			
	Project Tilson	Financial Assistance Project	Nebo Water System Project	Catawba Falls Restroom Facility Project
Revenue:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	240,000	137,492	-	55,000
Investment earnings	-	-	-	-
Miscellaneous revenue	231,485	-	-	-
Total revenue	471,485	137,492	-	55,000
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Human services	-	134,143	-	-
Cultural and recreational	-	-	-	55,000
Debt service	-	-	-	-
Capital outlay	480,000	-	-	-
Total expenditures	480,000	134,143	-	55,000
Revenue over (under) expenditures	(8,515)	3,349	-	-
Other financing sources (uses):				
Operating transfer in from General Fund	8,515	-	-	-
Operating transfer in from Capital Project Fund	-	-	-	-
Operating transfer out to Capital Project Fund	-	-	(145,021)	-
Total other financing sources (uses)	8,515	-	(145,021)	-
Increase (decrease) in fund balance	-	3,349	(145,021)	-
Fund balances (deficit) – beginning of year	-	(2,447)	145,021	-
Fund balances – end of year	\$ -	\$ 902	\$ -	\$ -

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances – Continued

Nonmajor Governmental Funds

Year Ended June 30, 2012

	Capital Project Funds			
	Foothills Pilot Plant Project	Renewable Energy Project	Single Family Rehabilitation Project	Harmony Grove Road Water Line Extension Project
Revenue:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	62,573	66,749	9,134	191,200
Investment earnings	-	-	-	-
Miscellaneous revenue	42,886	109,830	-	-
Total revenue	105,459	176,579	9,134	191,200
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Human services	-	-	9,134	-
Cultural and recreational	-	-	-	-
Debt service	-	-	-	-
Capital outlay	96,017	176,579	-	348,157
Total expenditures	96,017	176,579	9,134	348,157
Revenue over (under) expenditures	9,442	-	-	(156,957)
Other financing sources (uses):				
Operating transfer in from General Fund	7,482	-	-	120,365
Operating transfer in from Capital Project Fund	-	-	-	145,021
Operating transfer out to Capital Project Fund	-	-	-	-
Total other financing sources	7,482	-	-	265,386
Increase in fund balance	16,924	-	-	108,429
Fund balances (deficit) – beginning of year	(16,924)	-	-	(108,429)
Fund balances – end of year	\$ -	\$ -	\$ -	\$ -

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances – Continued

Nonmajor Governmental Funds

Year Ended June 30, 2012

	Capital Project Funds					
	McDowell Tech Stormwater Wetland Project	Energy Efficiency Block Grant Project	Greenway Extension Project	Hospital Transfer Switches Project		Totals June 30, 2012
Revenue:						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,812,751
Restricted intergovernmental revenue	12,541	38,683	-	-	-	1,156,960
Investment earnings	-	-	-	-	-	231
Miscellaneous revenue	-	5,111	167,469	-	-	557,571
Total revenue	12,541	43,794	167,469	-	-	3,527,513
Expenditures:						
General government	-	-	-	-	-	7,346
Public safety	-	-	-	-	-	2,347,636
Human services	-	-	-	-	-	223,293
Cultural and recreational	-	-	-	-	-	55,000
Debt service	-	-	-	-	-	856,324
Capital outlay	12,541	43,728	335,892	-	-	1,492,914
Total expenditures	12,541	43,728	335,892	-	-	4,982,513
Revenue over (under) expenditures	-	66	(168,423)	-	-	(1,455,000)
Other financing sources (uses):						
Operating transfer in from General Fund	-	-	93,500	-	-	232,013
Operating transfer in from Capital Project Fund	-	-	-	-	-	946,969
Operating transfer out to Capital Project Fund	-	-	-	-	-	(145,021)
Total other financing sources	-	-	93,500	-	-	1,033,961
Increase (decrease) in fund balance	-	66	(74,923)	-	-	(421,039)
Fund balances (deficit) – beginning of year	-	(66)	74,228	-	-	770,079
Fund balances (deficit) – end of year	\$ -	\$ -	\$ (695)	\$ -	\$ -	\$ 349,040

McDowell County, North Carolina

Fire and Rescue Districts Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Ad valorem taxes:			
Fire districts:			
Marion Area	\$ 297,775	\$ 270,592	\$ (27,183)
Ashford/North Cove	101,225	99,657	(1,568)
Dysartsville	127,196	104,481	(22,715)
Glenwood	119,363	115,488	(3,875)
Nebo	241,629	238,420	(3,209)
Pleasant Gardens	156,022	153,843	(2,179)
Sugar Hill	130,168	101,588	(28,580)
Woodlawn/Sevier	82,867	67,082	(15,785)
Crooked Creek	110,147	106,178	(3,969)
Old Fort Area	81,929	78,871	(3,058)
Hankins/North Fork	45,739	42,406	(3,333)
Long Town	27,203	22,970	(4,233)
County	65,713	62,219	(3,494)
Parkway/Woodlawn	29,952	28,231	(1,721)
Rescue district:			
McDowell County Rescue	326,715	320,725	(5,990)
Total revenue	1,943,643	1,812,751	(130,892)
Expenditures:			
Public safety:			
Fire district allocations:			
Marion Area	297,775	270,624	27,151
Ashford/North Cove	101,225	99,658	1,567
Dysartsville	127,196	104,464	22,732
Glenwood	119,363	115,490	3,873
Nebo	241,629	238,419	3,210
Pleasant Gardens	156,022	153,847	2,175
Sugar Hill	130,168	101,586	28,582
Woodlawn/Sevier	82,867	66,756	16,111
Crooked Creek	110,147	106,184	3,963
Old Fort Area	81,929	78,883	3,046
Hankins/North Fork	45,739	42,403	3,336
Long Town	27,203	22,967	4,236
County	65,713	62,515	3,198
Parkway/Woodlawn	29,952	28,230	1,722
Rescue district allocation:			
McDowell County Rescue	326,715	320,725	5,990
Total expenditures	1,943,643	1,812,751	130,892
Revenue over expenditures	\$ -	-	\$ -
Fund balance - beginning of year			-
Fund balance - end of year		\$ -	

McDowell County, North Carolina

Emergency Telephone System Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Restricted intergovernmental	\$ 204,767	\$ 204,767	\$ -
Investment earnings	1,500	231	(1,269)
Total revenue	206,267	204,998	(1,269)
Expenditures:			
Public safety:			
Telephone		88,687	
Furniture		3,492	
Software maintenance		236,946	
Hardware maintenance		12,081	
Training		1,262	
S.L. 2010 – 158 expenditures		192,417	
Total expenditures	504,867	534,885	(30,018)
Revenue under expenditures	(298,600)	(329,887)	(31,287)
Other financing sources:			
Fund balance appropriated	298,600	-	(298,600)
Total other financing sources	298,600	-	(298,600)
Revenue and other financing sources under expenditures	\$ -	(329,887)	\$ (329,887)
Fund balance - beginning of year		639,844	
Fund balance - end of year		\$ 309,957	

McDowell County, North Carolina

Debt Service Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Restricted intergovernmental revenue	\$ 54,376	\$ 54,376	\$ -
Total revenue	54,376	54,376	-
Expenditures:			
Debt service	856,326	856,324	2
Total expenditures	856,326	856,324	2
Revenue under expenditures	(801,950)	(801,948)	2
Other financing sources:			
Transfer from Schools Capital Project Fund	801,950	801,948	(2)
Total other financing sources	801,950	801,948	(2)
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 Projects Fund

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Public school building fund	\$ 1,233,045	\$ 192,635	\$ 948,457	\$ 1,141,092
Local option sales tax	5,486,625	2,838,143	1,949,790	4,787,933
Investment earnings	690,000	7,436	1,795	9,231
Miscellaneous	-	1,280	21,804	23,084
Total revenue	7,409,670	3,039,494	2,921,846	5,961,340
Expenditures:				
Capital outlay:				
West Marion Roofing	374,040	-	374,039	374,039
One to One	103,322	-	103,322	103,322
Roofing Repairs	130,018	-	118,806	118,806
High School Roof	450,000	-	177,330	177,330
Water/Sewer	275,000	259,796	21,960	281,756
Roof	660,588	497,724	84,264	581,988
Intercom system	57,000	-	57,000	57,000
Restroom/concessions	373,831	-	344,560	344,560
Improvements	2,844,487	-	-	-
Accounting charges	374,619	-	-	-
Total expenditures	5,642,905	757,520	1,281,281	2,038,801
Revenue over expenditures	1,766,765	2,281,974	1,640,565	3,922,539
Other financing sources (uses):				
Transfer from General Fund	11,123,655	13,154,107	-	13,154,107
Transfer to Debt Service Fund	(12,430,420)	(11,629,022)	(801,948)	(12,430,970)
Transfer to Water/Sewer Project Fund	(460,000)	(460,000)	-	(460,000)
Total other financing sources (uses)	(1,766,765)	1,065,085	(801,948)	263,137
Increase in fund balance	\$ -	\$ 3,347,059	\$ 838,617	\$ 4,185,676
Fund balance - beginning of year			3,347,059	
Fund balance - end of year			\$ 4,185,676	

McDowell County, North Carolina

Trail Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue	\$ 2,000	\$ 1,849	\$ -	\$ 1,849
Total revenue	2,000	1,849	-	1,849
Expenditures:				
Improvements	42,000	19,954	-	19,954
Total expenditures	42,000	19,954	-	19,954
Revenue under expenditures	(40,000)	(18,105)	-	(18,105)
Other financing sources:				
Transfer from General Fund	40,000	40,000	-	40,000
Total other financing sources	40,000	40,000	-	40,000
Increase in fund balance	\$ -	\$ 21,895	-	\$ 21,895
Fund balance - beginning of year			21,895	
Fund balance - end of year			\$ 21,895	

McDowell County, North Carolina

Housing Relocation and Stabilization Services Project

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

From Inception and for the Year Ended June 30, 2012

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
ARRA	\$ 303,750	\$ 211,708	\$ 79,250	\$ 290,958
Total revenue	303,750	211,708	79,250	290,958
Expenditures:				
Case management	206,000	123,371	59,510	182,881
Outreach & engagement	80,500	10,069	14,280	24,349
Housing search and replacement	17,250	78,293	5,460	83,753
Total expenditures	303,750	211,733	79,250	290,983
Decrease in fund balance	\$ -	\$ (25)	-	\$ (25)
Fund balance (deficit) - beginning of year			(25)	
Fund balance (deficit) - end of year			\$ (25)	

McDowell County, North Carolina

Lake James EPA Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
EPA	\$ 485,000	\$ -	\$ 5,195	\$ 5,195
Total revenue	485,000	-	5,195	5,195
Expenditures:				
Architectural	836,818	-	-	-
Administration	45,000	-	7,346	7,346
Total expenditures	881,818	-	7,346	7,346
Revenue under expenditures	(396,818)	-	(2,151)	(2,151)
Other financing sources:				
Transfer from General Fund	396,818	-	2,151	2,151
Total other financing sources	396,818	-	2,151	2,151
Increase (decrease) in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Senior Center Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Miscellaneous income	\$ 284,477	\$ 261,941	\$ 790	\$ 262,731
Investment earnings	10,000	10,000	-	10,000
Total revenue	294,477	271,941	790	272,731
Expenditures:				
Capital outlay	3,795,486	3,778,252	766	3,779,018
Total expenditures	3,795,486	3,778,252	766	3,779,018
Revenue over (under) expenditures	(3,501,009)	(3,506,311)	24	(3,506,287)
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 in fund balance	\$ -	\$ 16,973	\$ 24	\$ 16,997
Fund balance - beginning of year			16,973	
Fund balance - end of year			\$ 16,997	

McDowell County, North Carolina

Project Tilson

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
Rural Center	\$ 240,000	\$ -	\$ 240,000	\$ 240,000
Local revenue	231,485	-	231,485	231,485
Total revenue	471,485	-	471,485	471,485
Expenditures:				
Renovations	480,000	-	480,000	480,000
Total expenditures	480,000	-	480,000	480,000
Revenue under expenditures	(8,515)	-	(8,515)	(8,515)
Other financing sources:				
Transfer from General Fund	8,515	-	8,515	8,515
Total other financing sources	8,515	-	8,515	8,515
Increase (decrease) in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Financial Assistance Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
ARRA	\$ 521,248	\$ 354,248	\$ 137,492	\$ 491,740
Total revenue	521,248	354,248	137,492	491,740
Expenditures:				
Rent assistance	345,998	250,046	92,274	342,320
Deposits	58,250	41,575	13,965	55,540
Utilities	113,750	62,243	27,511	89,754
Other	3,250	2,831	393	3,224
Total expenditures	521,248	356,695	134,143	490,838
Increase (decrease) in fund balance	\$ -	\$ (2,447)	3,349	\$ 902
Fund balance (deficit) - beginning of year			(2,447)	
Fund balance - end of year			\$ 902	

McDowell County, North Carolina

Nebo Water System Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		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	699,992	-	699,992
Private capital grant	850,000	800,000	-	800,000
Miscellaneous	-	34,683	-	34,683
Total revenue	2,697,800	2,459,216	-	2,459,216
Expenditures:				
Little Mountain construction	1,406,998	1,233,426	-	1,233,426
RDM construction	428,684	302,431	-	302,431
Crescent construction	765,000	811,772	-	811,772
Engineer, design, bidding	125,000	17,500	-	17,500
Construction adm./inspect	81,200	141,957	-	141,957
Isothermal administration	67,500	64,107	-	64,107
Legal	30,000	4,295	-	4,295
Contingency	103,778	32,350	-	32,350
Additional waterlines	-	27,617	-	27,617
Total expenditures	3,008,160	2,635,455	-	2,635,455
Revenue over (under) expenditures	(310,360)	(176,239)	-	(176,239)
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)
Transfer to Harmony Grove Rd Water Line Extension Project	(145,021)	-	(145,021)	(145,021)
Fund balance appropriated	145,021	-	-	-
Total other financing sources	310,360	321,260	(145,021)	176,239
Increase in fund balance	\$ -	\$ 145,021	(145,021)	\$ -
Fund balance - beginning of year			145,021	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Catawba Falls Restroom Facility Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Intergovernmental revenue:				
DOT	\$ 55,000	\$ -	\$ 55,000	\$ 55,000
Total revenue	55,000	-	55,000	55,000
Expenditures:				
Construction	55,000	-	55,000	55,000
Total expenditures	55,000	-	55,000	55,000
Increase (decrease) in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Foothills Pilot Plant Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
ARC/USDA	\$ 236,000	\$ 235,999	\$ -	\$ 235,999
Rural Center	200,000	191,471	8,529	200,000
Rural Business Enterprise	65,000	14,647	50,354	65,001
Rural Water	10,000	-	3,690	3,690
Local revenue	227,053	184,093	42,886	226,979
Total revenue	738,053	626,210	105,459	731,669
Expenditures:				
Facility development	438,851	489,079	46,729	535,808
Other project costs	306,684	154,055	49,288	203,343
Total expenditures	745,535	643,134	96,017	739,151
Revenue over (under) expenditures	(7,482)	(16,924)	9,442	(7,482)
Other financing sources:				
Transfer from General Fund	7,482	-	7,482	7,482
Total other financing sources	7,482	-	7,482	7,482
Increase (decrease) in fund balance	\$ -	\$ (16,924)	16,924	\$ -
Fund balance (deficit) - beginning of year			(16,924)	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Renewable Energy Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
State Energy Office	\$ 66,749	\$ -	\$ 66,749	\$ 66,749
Private grant	266,998	-	109,830	109,830
Total revenue	333,747	-	176,579	176,579
Expenditures:				
Equipment	129,785	-	73,593	73,593
Insurance, permit, office	112,747	-	27,994	27,994
Personnel	70,539	-	70,275	70,275
Travel and subsistence	20,676	-	4,717	4,717
Total expenditures	333,747	-	176,579	176,579
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 Balance - Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
NC Housing	\$ 160,000	\$ -	\$ 9,134	\$ 9,134
Total revenue	160,000	-	9,134	9,134
Expenditures:				
Project cost	160,000	-	9,134	9,134
Total expenditures	160,000	-	9,134	9,134
Increase in fund balance	\$ -	\$ -	-	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Harmony Grove Road Water Line Extension Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Rural Center Grant	\$ 152,220	\$ 38,195	\$ 114,025	\$ 152,220
EPA	143,660	66,485	77,175	143,660
Local	8,560	11,197	-	11,197
Total revenue	304,440	115,877	191,200	307,077
Expenditures:				
Construction	481,178	184,489	313,117	497,606
Design	25,600	18,087	9,710	27,797
Other	66,990	21,730	25,330	47,060
Total expenditures	573,768	224,306	348,157	572,463
Revenue under expenditures	(269,328)	(108,429)	(156,957)	(265,386)
Other financing sources:				
Transfer from Nebo Water System Project	145,021	-	145,021	145,021
Transfer from General Fund	124,307	-	120,365	120,365
Total other financing sources	269,328	-	265,386	265,386
Increase (decrease) in fund balance	\$ -	\$ (108,429)	108,429	\$ -
Fund balance (deficit) - beginning of year			(108,429)	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

McDowell Tech Stormwater Wetland Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
NC Division of Water Resources	\$ 77,740	\$ 65,199	\$ 12,541	\$ 77,740
Private grant	38,860	51,452	-	51,452
Total revenue	116,600	116,651	12,541	129,192
Expenditures:				
Construction	79,690	98,823	12,541	111,364
Administrative	11,500	2,250	-	2,250
Other	25,410	15,578	-	15,578
Total expenditures	116,600	116,651	12,541	129,192
Increase in fund balance	\$ -	\$ -	-	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Energy Efficiency Block Grant Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Energy Efficiency Block Grant	\$ 59,279	\$ 13,460	\$ 38,683	\$ 52,143
Duke Energy Rebate	6,052	-	2,410	2,410
Local	5,402	2,701	2,701	5,402
Total revenue	70,733	16,161	43,794	59,955
Expenditures:				
Lighting retrofit	64,429	13,460	38,683	52,143
Grant administration	6,304	2,701	5,045	7,746
Monitoring and verification	-	66	-	66
Total expenditures	70,733	16,227	43,728	59,955
Increase (decrease) in fund balance	\$ -	\$ (66)	66	\$ -
Fund balance (deficit) - beginning of year			(66)	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Greenway Extension Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
PARTF Grant	\$ 365,285	\$ -	\$ -	\$ -
Local revenue	182,643	17,093	165,550	182,643
Sales taxes	-	-	1,919	1,919
Total revenue	547,928	17,093	167,469	184,562
Expenditures:				
Trail construction	730,570	34,186	335,892	370,078
Total expenditures	730,570	34,186	335,892	370,078
Revenue under expenditures	(182,642)	(17,093)	(168,423)	(185,516)
Other financing sources:				
Transfer from General Fund	182,642	91,321	93,500	184,821
Total other financing sources	182,642	91,321	93,500	184,821
Increase (decrease) in fund balance	\$ -	\$ 74,228	\$ (74,923)	\$ (695)
Fund balance - beginning of year			74,228	
Fund balance (deficit) - end of year			\$ (695)	

McDowell County, North Carolina

Hospital Transfer Switches Project

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

From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
Disaster Mitigation	\$ 220,000	\$ -	\$ -	\$ -
McDowell Hospital	73,333	-	-	-
Total revenue	293,333	-	-	-
Expenditures:				
Transfer switches	293,333	-	-	-
Total expenditures	293,333	-	-	-
Increase in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Enterprise Fund - Universal Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Operating revenue:			
Lease revenue	\$ 118,753	\$ 110,835	\$ (7,918)
Total revenue	118,753	110,835	(7,918)
Expenditures:			
Operating:			
Contract services		12,058	
Capital outlay		2,834,856	
Maintenance and equipment		687	
Total expenditures	3,062,174	2,847,601	214,573
Revenue under expenditures	(2,943,421)	(2,736,766)	206,655
Other financing sources (uses):			
Installment purchase obligation	2,950,000	2,950,000	-
Transfer to General Fund	(6,579)	-	6,579
Total other financing sources	2,943,421	2,950,000	6,579
Revenue and other sources over expenditures	\$ -	\$ 213,234	\$ 213,234
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenue and other sources over expenditures			\$ 213,234
Capital expenditures			2,834,856
Depreciation			(14,191)
Installment purchase obligation issued			(2,950,000)
Capital contributions			480,000
Change in net assets - GAAP			\$ 563,899

McDowell County, North Carolina

Enterprise Fund - Waste Disposal Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Operating revenue:			
Charges for services:			
Tipping fees	\$ 940,000	\$ 870,011	\$ (69,989)
Recycling revenue	50,000	72,450	22,450
Solid waste disposal	-	29,530	29,530
Other operating revenue	21,000	29,872	8,872
Total operating revenue	1,011,000	1,001,863	(9,137)
Nonoperating revenue:			
Investment earnings	1,500	194	(1,306)
Total nonoperating revenue	1,500	194	(1,306)
Total revenue	1,012,500	1,002,057	(10,443)
Other financing sources:			
Transfer from General Fund	1,037,518	1,037,518	-
Installment purchase obligation issued	190,103	190,103	-
Total other financing sources	1,227,621	1,227,621	-
Total revenue and other financing sources	2,240,121	2,229,678	(10,443)
Expenditures:			
Facility operations:			
Salaries and employee benefits		236,281	
Operating expenses		1,765,030	
Capital outlay		1,400	
Total expenditures	2,240,121	2,002,711	237,410
Revenue and other sources over expenditures	\$ -	\$ 226,967	\$ 226,967
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenue and other sources over expenditures		\$ 226,967	
Capital expenditures		1,400	
Depreciation		(36,125)	
Loss on disposal of equipment		(1,340)	
Debt service principal		13,303	
Installment purchase obligation issued		(190,103)	
Increase in accrued vacation pay		748	
Increase in other postemployment benefits		813	
Change in net assets - GAAP		\$ 15,663	

McDowell County, North Carolina

Enterprise Fund - Water Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Operating revenue:			
Charges for services:			
Water sales	\$ 52,000	\$ 59,656	\$ 7,656
New customers	1,100	970	(130)
Tap fees	1,900	-	(1,900)
Miscellaneous	1,500	1,795	295
Total operating revenue	56,500	62,421	5,921
Nonoperating revenue:			
Investment earnings	-	1	1
Total nonoperating revenue	-	1	1
Total revenue	56,500	62,422	5,922
Other financing sources:			
Transfer from General Fund	40,000	40,000	-
Total other financing sources	40,000	40,000	-
Total revenue and other financing sources	96,500	102,422	5,922
Expenditures:			
Operating:			
Water purchase		68,762	
Contract services		9,003	
Supplies		395	
Maintenance and equipment		7,147	
Total expenditures	96,500	85,307	11,193
Revenue over expenditures	\$ -	\$ 17,115	\$ 17,115
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenue over expenditures			\$ 17,115
Depreciation			(96,040)
Capital contributions			568,857
Change in net assets - GAAP			\$ 489,932

McDowell County, North Carolina

Internal Service Fund - Self-Insurance Fund

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

Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Operating revenue:			
Charges for services:			
Employee contributions	\$ 325,000	\$ 315,096	\$ (9,904)
Employer contributions	1,694,429	1,707,980	13,551
Stop loss	39,000	39,033	33
Cobra payments	55,000	35,227	(19,773)
Total revenue	2,113,429	2,097,336	(16,093)
Expenditures:			
Employee benefits:			
Claims	1,557,489	1,530,211	27,278
Life Insurance	22,000	16,472	5,528
Fees	533,940	518,655	15,285
Total expenditures	2,113,429	2,065,338	48,091
Revenue over expenditures	\$ -	31,998	\$ 31,998
Net assets (deficit), beginning of year		(40,046)	
Net assets (deficit), end of year		\$ (8,048)	

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Social Services Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 60,614	\$ 377,294	\$ 379,502	\$ 58,406
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 60,614	\$ 377,294	\$ 379,502	\$ 58,406
<u>Fines and Forfeitures Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ -	\$ 162,104	\$ 151,433	\$ 10,671
Accounts receivable - other governments	10,645	13,027	10,645	13,027
Total	\$ 10,645	\$ 175,131	\$ 162,078	\$ 23,698
<u>Liabilities</u>				
Due to other governments	\$ 10,645	\$ 175,131	\$ 162,078	\$ 23,698
<u>Motor Vehicle Tax Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 13,714	\$ 187,930	\$ 188,260	\$ 13,384
<u>Liabilities</u>				
Due to other governments	\$ 13,714	\$ 187,930	\$ 188,260	\$ 13,384
<u>Inmates Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 36,715	\$ 185,357	\$ 198,032	\$ 24,040
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 36,715	\$ 185,357	\$ 198,032	\$ 24,040
<u>Employee Sec 125 Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 6,101	\$ 37,905	\$ 38,132	\$ 5,874
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 6,101	\$ 37,905	\$ 38,132	\$ 5,874
<u>DMV Interest Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 1,612	\$ 20,201	\$ 20,624	\$ 1,189
<u>Liabilities</u>				
Due to other governments	\$ 1,612	\$ 20,201	\$ 20,624	\$ 1,189

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – Continued

Year Ended June 30, 2012

	Balance July 1, 2011		Additions		Deductions		Balance June 30, 2012
<u>Tax Penalty Schools Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 10,055		\$ 10,055		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 10,055		\$ 10,055		\$ -
<u>DMV Operations Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 2,394,730		\$ 2,394,730		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 2,394,730		\$ 2,394,730		\$ -
<u>Rescue Squad Billing Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 178		\$ 208,508		\$ 208,548		\$ 138
<u>Liabilities</u>							
Due to other governments	\$ 178		\$ 208,508		\$ 208,548		\$ 138
<u>Deed of Trust Fee Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 440		\$ 4,891		\$ 4,895		\$ 436
<u>Liabilities</u>							
Due to other governments	\$ 440		\$ 4,891		\$ 4,895		\$ 436
<u>Totals - All Agency Funds:</u>							
<u>Assets</u>							
Cash and investments	\$ 119,374		\$ 3,588,975		\$ 3,594,211		\$ 114,138
Accounts receivable - other governments	10,645		13,027		10,645		13,027
Total	\$ 130,019		\$ 3,602,002		\$ 3,604,856		\$ 127,165
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 103,430		\$ 600,556		\$ 615,666		\$ 88,320
Due to other governments	26,589		3,001,446		2,989,190		38,845
Total	\$ 130,019		\$ 3,602,002		\$ 3,604,856		\$ 127,165

McDowell County, North Carolina

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2012

Year of Levy	Uncollected Balance June 30, 2011	Additions	Collections and Adjustments	Uncollected Balance June 30, 2012
2011	\$ -	\$ 18,103,195	\$ 17,489,912	\$ 613,283
2010	676,863	-	467,660	209,203
2009	249,887	-	94,066	155,821
2008	173,862	-	36,796	137,066
2007	125,635	-	18,743	106,892
2006	119,134	-	17,140	101,994
2005	110,620	-	11,893	98,727
2004	95,954	-	9,683	86,271
2003	95,788	-	7,361	88,427
2002	91,745	-	3,830	87,915
2001	85,766	-	85,766	-
	\$ 1,825,254	\$ 18,103,195	\$ 18,242,850	1,685,599
Less allowance for uncollectible ad valorem taxes				(591,298)
Ad Valorem taxes receivable - net				\$ 1,094,301
Reconciliation with revenues:				
Taxes - Ad Valorem:				
General Fund				\$ 18,212,964
Releases				55,152
Discounts				76,998
Amounts written off for the 2001 levy per the statute of limitations				84,395
Other adjustments				(25,085)
				18,404,424
Less interest collected				(161,574)
Total collections and adjustments				\$ 18,242,850

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2012

	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	\$ 3,132,378,322	\$ 0.55	\$ 17,228,080	\$ 15,640,910	\$ 1,587,170
Penalties	-		10,455	10,455	-
Total	3,132,378,322		17,238,535	15,651,365	1,587,170
Discoveries:					
Current year taxes	191,738,537	0.55	1,054,562	1,054,562	-
Prior year taxes	4,222,994	0.55	23,227	23,227	-
Penalties	-		993	993	-
Total	195,961,531		1,078,782	1,078,782	-
Abatements	(38,931,224)		(214,122)	(184,143)	(29,979)
Total property valuation	\$ 3,289,408,629				
Net levy			18,103,195	16,546,004	1,557,191
Uncollected taxes at June 30, 2012			(613,283)	(304,015)	(309,268)
Current year's taxes collected			\$ 17,489,912	\$ 16,241,989	\$ 1,247,923
Current levy collection percentage			96.61%	98.16%	80.14%

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2012

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio	¹		100%
Real Property		\$	2,584,050,373
Personal Property			526,647,575
Public Service Companies	²		178,710,681
<hr/>			
Total Assessed Valuation		\$	3,289,408,629
<hr/>			
Tax Rate per \$100		\$	0.55
Levy (includes discoveries and abatements)	³	\$	18,103,195

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, 2012:

Fire Protection and Rescue Districts	\$	1,811,611
--------------------------------------	----	-----------

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, 2012

Taxpayer	Type of Business	2012 Assessed Valuation	Percentage of Total Assessed Valuation
Duke Energy	Utility	\$ 138,385,283	4.21%
Baxter Healthcare	IV Solution	133,873,670	4.07%
CSX Transportation	Railroad	52,459,632	1.59%
Rutherford EMC	Utility	27,781,003	0.84%
Frontier Property	Utility	26,177,143	0.80%
Norfolk Southern	Railroad	21,184,140	0.64%
Baldor Electric Company	Manufacturing	16,588,313	0.50%
IAC Group North America	Manufacturing	16,076,326	0.49%
Great Meadows	Subdivision	12,441,870	0.38%
Lake James Properties LLC	Subdivision	10,513,760	0.32%
Total		\$ 455,481,140	13.84%

McDowell County, North Carolina

Compliance Section

Year Ended June 30, 2012



**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, 2012, which collectively comprise McDowell County's basic financial statements, and have issued our report thereon dated November 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of McDowell County is responsible for establishing and maintaining effective 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency identified as 2012-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 7, 2012.

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

This report is intended solely for the information and use of the audit committee, management, others within the County, 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 7, 2012

**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 McDowell County, North Carolina's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of McDowell County's major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of McDowell County is responsible for establishing and maintaining effective internal control over compliance with the 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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 County, 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



**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 McDowell County, North Carolina's compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of McDowell County is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the audit committee, management, others within the County, 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 7, 2012

McDowell County, North Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes 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 no

Identification of major federal programs:

CFDA #	Program Name
10.551, 10.561 93.778	Food and Nutrition Services Cluster Title XIX - Medicaid
93.575, 93.596, 93.558 93.668	Subsidized Child Care Cluster

McDowell County, North Carolina

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2012

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 \$ 1,864,592

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
 - Public School Building Capital Fund
 - Building Reuse and Restoration

Section II. Financial Statement Findings

Material Weakness

Finding: 2012-1: Control Environment 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.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2012

Section II. Financial Statement Findings – continued

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, particularly in the area of fixed asset maintenance.

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. The finance officer intends to increase training for all department heads responsible for oversight functions. Additionally, duties related to the maintenance of fixed asset records will be realigned to ensure the monitoring function is part of the process.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

McDowell County, North Carolina

Corrective Action Plan

Year Ended June 30, 2012

Section II: Financial Statement Findings

Material Weakness

Finding 2012-1: Control Environment and Monitoring

Name of contact person: Alison Morgan, Finance Officer

Corrective Action: Training and realignment of duties will be implemented as soon as possible until management and the Board of Commissioners identify improved staffing options.

Proposed Completion Date: Immediately.

McDowell County, North Carolina

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2012

Finding: 2009-1: Segregation of Duties and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2010.

Finding: 2009-2: Communication.

Status: Finding is repeated in 2010.

Finding: 2010-1: Control Environment and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2011.

Finding: 2010-2: Information and Communication.

Status: Finding is repeated in 2011.

Finding: 2010-3: Food and Nutrition Services – Missing Signatures.

Status: Corrected. Finding was discussed at staff meetings numerous times over the course of the year. Training for proper intake procedures have also been initiated and are completed on a quarterly basis. DSS has also instituted a third party review process that now has most work having a peer review, a lead worker review and a supervisory review.

Finding: 2010-4: Health Choice – Income/Verification Errors.

Status: Corrected. Training occurred in this unit on many occasions over the last year on proper eligibility procedures for applications. This training was done by the supervisor of the unit as well as a representative from the Division of Medical Assistance. DSS also instituted a peer review process to make sure that proper procedures are being followed along with increasing the sample reviewed by the supervisor.

Finding: 2011-1: Control Environment and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2012.

Finding: 2011-2: Information and Communication.

Status: Responsible parties for ensuring communication of non-cash activity have been identified and a system of regular follow up has been implemented.

Finding: 2011-3: Excess of Expenditures over Appropriations.

Status: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

McDowell County, North Carolina

Summary Schedule of Prior Year Audit Findings - Continued

Year Ended June 30, 2012

Finding: 2011-4: Title XIX – Medicaid, Subsidized Child Care Cluster, Low-Income Home Energy Assistance – Legal Fees.

Status: The expenditure that was determined not to be an allowed cost was subtracted from the expense line item on the October 2011 Form-1571.

Finding: 2011-5: Title XIX – Medicaid, Subsidized Child Care Cluster, Low-Income Home Energy Assistance – Computer Acquisition Plan.

Status: Procedures have been implemented in order to ensure that computer equipment needs are covered under a current computer acquisition plan.

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2012

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, Division of Social Services:			
Food and Nutrition Services Cluster:			
Food and Nutrition Services Program - Non-cash State Administrative Matching Grants for the	10.551	\$ 13,484,832	\$ -
Food and Nutrition Services Program	10.561	360,901	-
		13,845,733	-
Direct federal:			
Rural Business Enterprise	10.769	50,353	-
Total U.S. Department of Agriculture		13,896,086	-
U.S. Department of Housing and Urban Development:			
Passed through North Carolina Office of Economic Recovery and Investment			
Homelessness Prevention and Rapid Re-Housing Program, Title XII of the American Recovery and Reinvestment Act of 2009 (ARRA):			
ARRA - Prevention	14.257	154,086	-
ARRA - Re-Housing	14.257	62,656	-
		216,742	-
Passed through North Carolina Department of Commerce:			
Community Development Block Grants:			
Rock Tenn	14.228	750,000	-
Passed through North Carolina Housing Finance:			
Single Family Rehab Program	14.239	8,191	-
Total U.S. Department of Housing and Urban Development		974,933	-
U.S. Department of Justice:			
Direct federal:			
Office of Justice Programs:			
State Criminal Alien Assistance Program	16.606	4,992	-
Total U.S. Department of Justice		4,992	-
U.S. Department of Interior:			
Direct federal:			
National Parks Service:			
Overmountain Victory National Historic Trail, Rivers and Trails	15.880	16,010	-
Total U.S. Department of Interior		16,010	-
U.S. Election Assistance Commission:			
Passed through North Carolina State Board of Elections:			
Help America Vote Act (HAVA II)	90.401	4,317	-
Total U.S. Election Assistance Commission		4,317	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – Continued

Year Ended June 30, 2012

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
U.S. Department of Homeland Security:			
Passed through North Carolina Department of Crime Control and Public Safety:			
Homeland Security – Training Grant 2009	97.067	\$ 5,058	\$ -
Homeland Security – Training Grant 2010	97.067	1,472	-
Total U.S. Department of Homeland Security		6,530	-
U.S. Environmental Protection Agency:			
Direct federal:			
Congressional Mandated Projects	66.202	82,370	-
Total U.S. Environmental Protection Agency		82,370	-
U.S. Department of Energy:			
Passed through the North Carolina Department of Commerce, Energy Division			
Energy Efficiency Block Grant	81.128	38,683	-
ARRA - Renewable Energy	81.041	66,749	-
Total U.S. Department of Energy		105,432	-
U.S. Department of Transportation:			
Passed through North Carolina Department of Environment and Natural Resources, Division of Parks and Recreation:			
Recreational Trails Program	20.219	55,000	-
Total U.S. Department of Transportation		55,000	-
U.S. Office of Library Services:			
Passed through North Carolina Department of Cultural Resources, Library Service and Technology Act:			
EZ Technology Planning Grant	45.310	4,567	-
Total U.S. Office of Library Services		4,567	-
U.S. Department of Health and Human Services:			
<i>Office of the Assistant Secretary of Preparedness Response (ASPR):</i>			
Passed through North Carolina Office of Emergency Medical Services:			
Assistant Secretary of Preparedness Grant	93.889	8,950	-
<i>Health Care Financing Administration:</i>			
Passed through North Carolina Department of Health and Human Services:			
Division of Medical Assistance (Medicaid):			
Direct Benefit Payments:			
Medical Assistance Program	93.778	40,817,249	23,620,172
Division of Social Services:			
Medicaid Administration	93.778	626,141	86,409
Adult Care Home Case Management	93.778	48,602	23,274
		41,491,992	23,729,855
NC Health Choice	93.767	19,998	2,091
		41,511,990	23,731,946

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – Continued

Year Ended June 30, 2012

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:			
<i>Administration on Aging:</i>			
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	\$ -	\$ 12,203
Part C - Nutrition Services	93.045	208,727	36,834
Part D - In-Home Services	93.044	88,505	15,618
Part F - Disease Prevention	93.043	1,469	189
		298,701	64,844
NSIP Supplement	93.053	43,370	-
		342,071	64,844
<i>Subsidized Child Care Cluster:</i>			
Passed through North Carolina Department of Health and Human Services:			
<i>Administration for Children and Families:</i>			
<i>Child Care Development Fund Cluster:</i>			
Division of Social Services:			
Child Care Development Fund - Administration	93.596	59,775	-
Division of Child Development:			
Child Care and Development Fund - Discretionary	93.575	562,147	-
Child Care and Development Fund - Mandatory	93.596	204,863	-
Child Care and Development Fund - Matching	93.596	170,842	60,010
Child Care Development Fund Cluster		997,627	60,010
IV-E Foster Care	93.658	9,062	-
Temporary Assistance for Needy Families	93.558	271,660	41,116
Smart Start	N/A	-	48,402
Smart Start Quality TANF MOE	N/A	-	190,601
State Funding	N/A	-	103,699
Subsidized Child Care Cluster		1,278,349	443,828
Division of Social Services:			
<i>Foster Care and Adoption Cluster:</i>			
Title IV-E – Foster Care:			
Administrative	93.658	453,125	33,101
Benefit Payments	93.658	224,034	58,474
Adoption Training	93.659	7,042	-
Adoption Assistance - Direct Benefit Payments	93.659	268,767	73,773
		952,968	165,348

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – Continued

Year Ended June 30, 2012

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:			
Passed through North Carolina Department of Health and Human Services:			
Work First/Temporary Assistance for Needy Families (TANF):			
Direct Benefit Payments	93.558	\$ 321,625	\$ -
Special Children Adoption	93.558	153,600	-
Work First Benefits	93.558	558,930	-
Administration	93.558	331,845	-
Administration - Adoption Foster Care (TANF Share)	93.558	144,585	28,773
		1,510,585	28,773
LINKS	93.674	39,993	4,718
Social Services Block Grant	93.667	567,502	16,901
Family Preservation	93.556	5,953	-
Child Welfare Services:			
Permanency Planning	93.645	11,851	962
Child Support Enforcement	93.563	258,888	41
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:			
Administration	93.568	513,722	-
Total U.S. Department of Health and Human Services		47,002,822	24,457,361
Total Federal awards		62,153,059	24,457,361
State Awards:			
North Carolina Department of Health and Human Services:			
Division of Social Services:			
Soil Conservation		-	23,215
Child Protective Services:			
Foster Care		-	68,880
Child Welfare Services:			
Direct Benefit Payments:			
Adoption Subsidy		-	207,097
Division of Aging:			
Direct Benefit Payments:			
State/County Special Assistance to Adults		-	467,377
Division of Youth Services:			
Juvenile Crime Prevention Council		-	126,168
Office of Rural Health and Community Care:			
Medication Assistance Program Grant		-	9,533
Total North Carolina Department of Health and Human Services		-	902,270
North Carolina Department of Corrections:			
Criminal Justice Partnership Program		-	79,884

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – Continued

Year Ended June 30, 2012

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
State Awards:			
North Carolina Department of Transportation:			
Elderly and Handicapped Transportation Assistance Program (EDTAP)		\$ -	\$ 64,359
Work First Transportation		-	18,463
Total North Carolina Department of Transportation		-	82,822
North Carolina Department of Crime Control and Public Safety:			
Division of Emergency Management: Emergency Management Preparedness Grant		-	35,261
North Carolina Department of Cultural Resources:			
State Aid to Libraries: Administration and Library Development		-	101,908
North Carolina Department of Administration:			
Division of Veterans Affairs: N.C. General Statute 165-6 (9)		-	1,452
North Carolina Department of Commerce:			
Rural Economic Development Center:			
Foothills Pilot		-	12,219
Building Reuse and Restoration – Rock Tenn		-	480,000
Building Reuse and Restoration – Project Tilson		-	240,000
Harmony Grove Road		-	114,025
One NC Fund - Janesville Products		-	60,000
One NC Fund - Baldor Electric Company		-	50,000
Total North Carolina Department of Commerce		-	956,244
North Carolina Office of Rural Health and Community Care:			
Access II Care of Western North Carolina		-	23,000
North Carolina Department of Environmental and Natural Resources:			
Division of Water Resources: North Carolina Water Management Project		-	12,541
North Carolina Department of Public Instruction:			
Public School Building Fund		-	846,937
Total State awards		-	3,042,319
Total Federal and State awards		\$ 62,153,059	\$ 27,499,680

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – Continued

Year Ended June 30, 2012

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
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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
Janesville Products/North Carolina Department of Commerce	n/a	\$ -	\$ 60,000
Baldor Electric Company/North Carolina Department of Commerce	n/a	-	50,000
Rock Tenn/North Carolina Department of Commerce	n/a	-	480,000
Rock Tenn/U.S. Department of Housing and Urban Development	14.228	750,000	-
Tilson Machine/North Carolina Department of Commerce	n/a	-	240,000
		\$ 750,000	\$ 830,000