

**McDowell County,  
North Carolina**

Year Ended June 30, 2010

Independent Auditors' Report  
Basic Financial Statements  
and  
Supplementary Information

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**McDowell County, North Carolina**

**County Officials**

June 30, 2010

Board of Commissioners

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

Chairperson  
Vice Chairperson  
Member  
Member  
Member

Principal Officers

Charles Abernathy  
Dudley Greene  
Fred Coats  
Jane McGee  
Donald Ramsey  
Alison Morgan  
Phyllis Ryan  
Phillip Hardin  
Keith Renfro

County Manager  
Sheriff  
Attorney  
Register of Deeds  
Clerk of Court  
County Finance Officer  
Tax Collector  
Social Services Director  
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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Emergency Telephone System 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 16, 2010 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.

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Johnson Price & Sprinkle PA

Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance and Other Postemployment Benefits, Schedules of Funding Progress and Employer Contributions on pages 3 through 13 and pages 69 through 72, respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of McDowell County, North Carolina. The combining and individual fund financial 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 presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

*Johnson Price & Sprinkle PA*

Marion, North Carolina  
November 16, 2010

## 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, 2010. 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 \$30,357,318.
- The government's total net assets increased by \$2,886,233 primarily due to the increased net assets in the General Fund and the Schools Capital Reserve Fund.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of \$15,705,992, an increase of \$473,368 over the prior year.
- Of the \$15,705,992 combined ending fund balances of governmental funds at June 30, 2010, approximately 76.65% (or \$12,039,096) is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8,451,381 or 26.04% of total general fund expenditures for the fiscal year, and 25.00% of total general fund expenditures reduced by debt-financing and increased by transfers to other funds.
- McDowell County's total debt under installment purchase obligations decreased by \$2,021,244 during the current fiscal year, due to debt retirement on existing debt in excess of new borrowings.
- McDowell County maintained its A bond rating for the 16<sup>th</sup> 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.

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

### **Fund Financial Statements**

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

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

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

**Proprietary Funds** – McDowell County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. McDowell County uses enterprise funds to account for its waste disposal operations and for its water operations. 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 nine fiduciary funds, one of which is a pension trust fund and eight of which are agency funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 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 69 of this report.

**Government-wide Financial Analysis**

Following is a comparative summary of the Statement of Net Assets as of June 30, 2010 and 2009.

**McDowell County’s Net Assets  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 19,398,674	\$ 18,206,404	\$ 138,940	\$ 33,619	\$ 19,537,614	\$ 18,240,023
Capital assets	20,402,966	24,044,781	4,142,418	200,822	24,545,384	24,245,603
	39,801,640	42,251,185	4,281,358	234,441	44,082,998	42,485,626
Long-term liabilities						
outstanding	11,616,290	13,327,260	183,171	142,447	11,799,461	13,469,707
Other liabilities	1,847,139	1,487,004	79,080	57,830	1,926,219	1,544,834
	13,463,429	14,814,264	262,251	200,277	13,725,680	15,014,541
Net assets:						
Invested in capital assets, net of related debt	14,751,469	17,568,187	4,082,353	159,488	18,833,822	17,727,675
Restricted	945,826	1,594,763	-	-	945,826	1,594,763
Unrestricted (deficit)	10,640,916	8,273,971	(63,246)	(125,324)	10,577,670	8,148,647
	\$ 26,338,211	\$ 27,436,921	\$ 4,019,107	\$ 34,164	\$ 30,357,318	\$ 27,471,085

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 \$30,357,318 as of June 30, 2010. The County's net assets increased by \$2,886,233 for the fiscal year ended June 30, 2010. One of the largest portions, 62.04% or \$18,833,822, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. McDowell County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

- Obligations under installment purchases decreased by \$2,021,244 consisting of debt service payments of \$2,291,527 net of new borrowings totaling \$270,283.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.35% excluding motor vehicles, and 82.18% for motor vehicles, slightly below the statewide average of 97.91%, excluding motor vehicles, and slightly below the statewide average of 86.95% for motor vehicles. In fiscal year 2009, the tax collection percentage for the County was 97.83%, excluding motor vehicles and 81.34% for motor vehicles.

Following is a comparative summary of changes in net assets reported for the years ended June 30, 2010 and 2009.

**McDowell County's Changes in Net Assets**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,375,245	\$ 4,204,142	\$ 822,122	\$ 731,837	\$ 5,197,367	\$ 4,935,979
Operating grants and contributions	8,196,332	7,183,425	-	-	8,196,332	7,183,425
Capital grants and contributions	102,587	806,315	-	12,832	102,587	819,147
General revenues:						
Property taxes	18,525,836	18,336,690	-	-	18,525,836	18,336,690
Other taxes	7,230,061	9,116,874	-	-	7,230,061	9,116,874
Grants and contributions not restricted to specific programs	463,563	561,047	-	-	463,563	561,047
Other	308,136	443,696	757	7,128	308,893	450,824
<b>Total revenues</b>	<b>39,201,760</b>	<b>40,652,189</b>	<b>822,879</b>	<b>751,797</b>	<b>40,024,639</b>	<b>41,403,986</b>

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Expenses:</b>						
General government	\$ 3,572,293	\$ 2,780,585	\$ -	\$ -	\$ 3,572,293	\$ 2,780,585
Public safety	9,363,127	9,049,220	-	-	9,363,127	9,049,220
Environmental protection	548,231	586,430	-	-	548,231	586,430
Economic and physical development	1,259,862	2,829,503	-	-	1,259,862	2,829,503
Human services	10,475,116	10,756,678	-	-	10,475,116	10,756,678
Cultural and recreational	1,086,941	1,192,933	-	-	1,086,941	1,192,933
Education	8,435,297	8,799,094	-	-	8,435,297	8,799,094
Interest on long-term debt	464,132	524,638	-	-	464,132	524,638
Waste disposal	-	-	1,802,258	1,834,317	1,802,258	1,834,317
Water	-	-	131,149	-	131,149	-
<b>Total expenses</b>	<b>35,204,999</b>	<b>36,519,081</b>	<b>1,933,407</b>	<b>1,834,317</b>	<b>37,138,406</b>	<b>38,353,398</b>
Increase (decrease) in net assets before transfers	3,996,761	4,133,108	(1,110,528)	(1,082,520)	2,886,233	3,050,588
Transfers	(5,095,471)	(1,077,510)	5,095,471	1,077,510	-	-
Increase (decrease) in net assets	(1,098,710)	3,055,598	3,984,943	(5,010)	2,886,233	3,050,588
Net assets, beginning of year	27,436,921	24,381,323	34,164	39,174	27,471,085	24,420,497
Net assets, end of year	\$ 26,338,211	\$ 27,436,921	\$ 4,019,107	\$ 34,164	\$ 30,357,318	\$ 27,471,085

**Governmental activities.** Governmental activities decreased the County's net assets by \$1,098,710. This decrease is the result of \$3,971,997 in capital assets that were transferred to business-type activities. When not considering the transfer of capital assets, governmental activities increased the County's net assets by \$2,873,287. 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 \$3,984,943. This increase is the result of \$3,971,997 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 \$12,946 after subsidy of \$1,123,474 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 is 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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of McDowell County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,451,381 while total fund balance reached \$11,467,877. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.04% of total General Fund expenditures, while total fund balance represents 35.33% of that same amount.

At June 30, 2010, the governmental funds of McDowell County reported a combined fund balance of \$15,705,992, a 3.11% increase over last year. The primary reason for the increase is the increase in fund balance of the General Fund and the Schools Capital Reserve Fund (a 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 \$152,764 including increases in property tax, grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$216,225.

Actual revenue in the General Fund, when compared to the final budget, had a negative variance of \$82,289.

**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 \$56,673 balance in net assets, due to a current year increase of \$22,509. The Water Fund had a balance of \$3,962,434, due to a current year increase of \$3,962,434. This increase is significant due to \$3,971,997 in capital contributions, representing capital assets of general government that were transferred to the proprietary fund.

### Capital Asset and Debt Administration

**Capital assets.** McDowell County's capital assets for its governmental and business-type activities as of June 30, 2010, total \$24,545,384 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchased the former ESC building on State Street and made improvements for the relocation of adult probation as required by the State.
- Completion of renovations to the McDowell Tech Baldwin Avenue Training Center.
- Purchased new 911 system.
- Purchased new vehicles for public safety.
- Continued construction of waterlines to the Nebo area.

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

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 4,463,700	\$ 4,464,780	\$ -	\$ -	\$ 4,463,700	\$ 4,464,780
Land improvements	292,553	334,068	74,731	85,320	367,284	419,388
Buildings	11,358,777	10,478,882	3,882	16,076	11,362,659	10,494,958
Building improvements	1,181,235	1,189,807	-	-	1,181,235	1,189,807
Equipment	1,766,545	1,340,272	60,568	14,803	1,827,113	1,355,075
Infrastructure	-	3,920,584	3,927,337	-	3,927,337	3,920,584
Vehicles and motorized	1,249,552	1,533,779	65,996	84,623	1,315,548	1,618,402
Computer software	-	-	9,904	-	9,904	-
Construction in progress	90,604	782,609	-	-	90,604	782,609
	\$ 20,402,966	\$ 24,044,781	\$ 4,142,418	\$ 200,822	\$ 24,545,384	\$ 24,245,603

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	
	2010	2009	2010	2009	2010	2009
Installment purchases payable	\$ 10,229,359	\$ 12,277,337	\$ 68,068	\$ 41,334	\$ 10,297,427	\$ 12,318,671
	\$ 10,229,359	\$ 12,277,337	\$ 68,068	\$ 41,334	\$ 10,297,427	\$ 12,318,671

McDowell County's total debt decreased by \$2,021,244 during the past fiscal year, due to \$2,291,527 in principal payments on installment purchase obligations, net of new borrowings of \$270,283.

Installment purchases payable include contracts related to the construction of the McDowell County Schools in the amount of \$3,780,644. These installment purchase contracts will be retired with the portion of Article 40 and Article 42 sales tax that is legally restricted for capital improvements to school facilities in McDowell County. Also, an installment purchase payable includes a contract for the purchase of the McDowell House. This contract will be retired with occupancy tax revenue through the McDowell County Tourism Development Authority. The remaining \$487,500 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 0.33% of the total assessed value of taxable property. The legal debt margin for McDowell County is \$241,606,451 at June 30, 2010. Additional information regarding McDowell County's long-term debt can be found in Note C of the basic financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

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

The unemployment rate dramatically spiked in 2009. The rate averaged 5.4% in 2007, 8.4% in 2008, 14% in 2009 and 13.4% in 2010. During the months of January and February 2010, the rate increased to 16% and McDowell County had the second highest unemployment rate in the State of North Carolina. McDowell County was impacted in a significant manner because of its dependence on the manufacturing sector and this sector was seriously impacted. The rate has shown improvement and the rate for the month of September 2010 improved to 10.8%. This rate was tied with three other counties for 26<sup>th</sup> highest out of the State's 100 counties.

Economic development efforts were challenged with the economic downturn and recession. Still, there were several successes that occurred in 2009-10. Toolcraft announced the hiring of an additional 25 employees, Baldor announced 25 additional employees and IAC announced the hiring of 6 additional employees. A new company named Morganton Pressure Vessels was recruited into the former Cobia Building. This company will employ over 60 people. A new Company purchased the Spectrum Dyed Yarn Facility in April 2010 and announced the hiring of 49 people. Ethan Allan also announced an expansion. A large commercial project was announced, Wal-Mart, that began construction in 2010 and will hire additional people. A grant to assist the McDowell Hospital was submitted that will create 10 jobs and a second to assist the Dollar Zone was also submitted. Several additional projects appear positive.

The outlook for new employment is impacted by the national economy and the financial lending restrictions. There is abundance of caution being exercised by employers as they consider expansion possibilities or in the actions of companies looking at locating new manufacturing facilities to North Carolina.

The trend for McDowell County continues to be a decline in the percentage of the workforce employed in the manufacturing sector. However, McDowell County continues to rank second in the State as a percentage of our workforce employed in the manufacturing sector. The percentage is 38.5% of the workforce and this number is substantially higher than the State average of approximately 12.4 %.

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

McDowell County has taken steps to address the transition that is taking place. McDowell County continues an aggressive approach to recruiting industry and extending utility infrastructure. McDowell County has undertaken an initiative with the Chamber of Commerce to improve broadband availability in the community. McDowell County partnered with the City of Marion to extend water and sewer on Sugar Hill Road for the Super Wal-Mart project that began in 2010. McDowell County continues to focus on a variety of cultural tourism related items and purchased the McDowell House, completed the Point Lookout Trail and received a PARTF grant for a trail around the hospital and YMCA property.

### **Budget Highlights for the Fiscal Year Ending June 30, 2011**

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

The fiscal crisis carried forward with the budget recommendation made to the Board of Commissioners. The approved budget was \$33,301,223. The adopted budget declined by \$1,211,511 or 3.30% decrease in the size of the budget. It is important to point out that \$2.11 million decline resulted because of the removal of restricted sales tax to a school project fund.

The property tax revenue was slated to only increase by \$424,376 to \$16,349,876. The sales tax revenue is estimated to decrease by \$2,477,837, of which, \$1,704,000 is related to the restricted sales tax transfer to the school project fund, for a total of \$4,474,163. The income generated off of the General Fund was budgeted at \$1,211,511 less than the previous fiscal year. McDowell County appropriated \$210,101 of fund balance in order to balance the budget.

The 2010-2011 budget will be positively affected by decisive steps taken to address the employee self-insurance fund shortfall that has occurred over the past several fiscal years. The County implemented a very aggressive wellness initiative, developed a second insurance plan for new hires that limits benefits, and suspended benefits for all new hires for a six month period. These steps should provide budget relief.

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

The McDowell County governing board remains committed to a policy of not raising the property tax rate. McDowell County did manage to react to the negative impacts of the previous fiscal year and still added to the fund balance at the end of the 2009-10 fiscal-year. The continued good news for McDowell County government is that the County entered this turbulent period with a healthy fund balance and retained this condition.

## **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, McDowell County, 60 E. Court Street, Marion, NC 28752.

**McDowell County, North Carolina**

**Statement of Net Assets**

June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 13,465,908	\$ 58,764	\$ 13,524,672
Taxes receivable - net	1,544,571	-	1,544,571
Due from other governments	3,228,418	-	3,228,418
Other receivables - net	1,111,294	80,176	1,191,470
Inventories	48,483	-	48,483
Capital assets:			
Land, non-depreciable improvements, and Construction in progress	4,554,304	-	4,554,304
Other capital assets, net of depreciation	15,848,662	4,142,418	19,991,080
<b>Total capital assets</b>	<b>20,402,966</b>	<b>4,142,418</b>	<b>24,545,384</b>
<b>Total assets</b>	<b>39,801,640</b>	<b>4,281,358</b>	<b>44,082,998</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,416,371	79,080	1,495,451
Unearned revenue	430,768	-	430,768
Long-term liabilities:			
Due within one year	2,141,723	26,916	2,168,639
Due in more than one year	9,474,567	156,255	9,630,822
<b>Total long-term liabilities</b>	<b>11,616,290</b>	<b>183,171</b>	<b>11,799,461</b>
<b>Total liabilities</b>	<b>13,463,429</b>	<b>262,251</b>	<b>13,725,680</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,751,469	4,082,353	18,833,822
Restricted for:			
Human services	314,722	-	314,722
Public safety	602,667	-	602,667
General government	28,437	-	28,437
Unrestricted (deficit)	10,640,916	(63,246)	10,577,670
<b>Total net assets</b>	<b>\$ 26,338,211</b>	<b>\$ 4,019,107</b>	<b>\$ 30,357,318</b>

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

**McDowell County, North Carolina**  
**Statement of Activities**

Year Ended June 30, 2010

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
<b>Governmental activities:</b>							
General government	\$ 3,572,293	\$ 578,453	\$ 71,390	\$ -	\$ (2,922,450)	\$ -	\$ (2,922,450)
Public safety	9,363,127	3,294,237	588,530	14,665	(5,465,695)	-	(5,465,695)
Environmental protection	548,231	-	23,419	-	(524,812)	-	(524,812)
Economic and physical development	1,259,862	19,615	198,122	56,951	(985,174)	-	(985,174)
Human services	10,475,116	419,941	7,197,209	13,301	(2,844,665)	-	(2,844,665)
Cultural and recreational	1,086,941	62,999	117,662	17,670	(888,610)	-	(888,610)
Education	8,435,297	-	-	-	(8,435,297)	-	(8,435,297)
Interest on long-term debt	464,132	-	-	-	(464,132)	-	(464,132)
Total governmental activities	35,204,999	4,375,245	8,196,332	102,587	(22,530,835)	-	(22,530,835)
<b>Business-type activities:</b>							
Waste disposal	1,802,258	781,536	-	-	-	(1,020,722)	(1,020,722)
Water	131,149	40,586	-	-	-	(90,563)	(90,563)
Total business-type activities	1,933,407	822,122	-	-	-	(1,111,285)	(1,111,285)
Total government	\$ 37,138,406	\$ 5,197,367	\$ 8,196,332	\$ 102,587	(22,530,835)	(1,111,285)	(23,642,120)
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purpose					18,525,836	-	18,525,836
Local option sales taxes					6,570,876	-	6,570,876
Other taxes and licenses					659,185	-	659,185
Grants and contributions not restricted to specific programs					463,563	-	463,563
Investment earnings, unrestricted					78,070	757	78,827
Miscellaneous, unrestricted					230,066	-	230,066
Transfers					(5,095,471)	5,095,471	-
Total general revenues, special items, and transfers					21,432,125	5,096,228	26,528,353
Changes in net assets					(1,098,710)	3,984,943	2,886,233
<b>Net assets, beginning of year</b>					27,436,921	34,164	27,471,085
<b>Net assets, end of year</b>					\$ 26,338,211	\$ 4,019,107	\$ 30,357,318

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

**McDowell County, North Carolina**

**Balance Sheets**

**Governmental Funds**

June 30, 2010

	Major			Nonmajor	
	General	Emergency	Schools	Other	Total
	Fund	Telephone	Capital	Governmental	Governmental
		System	Reserve Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 9,094,587	\$ 955,671	\$ 2,823,792	\$ 450,290	\$ 13,324,340
Taxes receivable - net	1,238,078	-	-	99,703	1,337,781
Accounts receivable – other governments	2,554,029	25,613	465,698	183,078	3,228,418
Accounts receivable EMS – net	906,276	-	-	-	906,276
Accounts receivable – other	205,018	-	-	-	205,018
Inventories	48,483	-	-	-	48,483
Due from other funds	100,354	-	-	-	100,354
<b>Total assets</b>	<b>\$ 14,146,825</b>	<b>\$ 981,284</b>	<b>\$ 3,289,490</b>	<b>\$ 733,071</b>	<b>\$ 19,150,670</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 583,601	\$ 471,049	\$ -	\$ 94,624	\$ 1,149,274
Due to other funds	-	-	-	100,354	100,354
Deferred revenue	2,095,347	-	-	99,703	2,195,050
<b>Total liabilities</b>	<b>2,678,948</b>	<b>471,049</b>	<b>-</b>	<b>294,681</b>	<b>3,444,678</b>
<b>Fund balances</b>					
Reserved by State statute	2,968,013	25,613	465,698	159,089	3,618,413
Reserved for inventories	48,483	-	-	-	48,483
Unreserved:					
Designated	832,554	484,622	-	-	1,317,176
Undesignated	7,618,827	-	2,823,792	279,301	10,721,920
<b>Total fund balances</b>	<b>11,467,877</b>	<b>510,235</b>	<b>3,289,490</b>	<b>438,390</b>	<b>15,705,992</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,146,825</b>	<b>\$ 981,284</b>	<b>\$ 3,289,490</b>	<b>\$ 733,071</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,402,966
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	206,790
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.	8,889
Liabilities for earned but deferred revenues in fund statements.	2,135,446
Unearned income under long-term lease, not recorded in fund statements.	(371,164)
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.	(11,750,708)
<b>Net assets of governmental activities.</b>	<b>\$ 26,338,211</b>

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, 2010

	Major			Nonmajor	
	General	Emergency	Schools	Other	Total
	Fund	Telephone	Capital	Governmental	Governmental
		System	Reserve Fund	Funds	Funds
<b>Revenue:</b>					
Ad valorem taxes	\$ 16,894,377	\$ -	\$ 1,858,751	\$ 1,522,913	\$ 20,276,041
Local option sales taxes	4,712,125	-	-	-	4,712,125
Other taxes and licenses	806,980	-	-	-	806,980
Unrestricted intergovernmental	310,873	-	-	-	310,873
Restricted intergovernmental	6,941,836	307,358	65,240	864,240	8,178,674
Permits and fees	216,565	-	-	-	216,565
Sales and services	3,864,881	-	-	37,170	3,902,051
Investment earnings	71,839	1,456	4,184	591	78,070
Miscellaneous	507,584	-	-	40,313	547,897
<b>Total revenues</b>	<b>34,327,060</b>	<b>308,814</b>	<b>1,928,175</b>	<b>2,465,227</b>	<b>39,029,276</b>
<b>Expenditures:</b>					
Current:					
General government	3,554,886	-	-	52,573	3,607,459
Public safety	7,352,033	557,588	-	1,522,913	9,432,534
Environmental protection	492,953	-	-	-	492,953
Economic and physical development	327,387	-	-	17,667	345,054
Human services	9,554,959	-	-	227,624	9,782,583
Cultural and recreational	656,253	-	-	332,465	988,718
Miscellaneous	878,947	-	-	-	878,947
Intergovernmental:					
Education	8,357,021	-	-	-	8,357,021
Capital outlay	-	-	-	1,290,792	1,290,792
Debt service	1,285,401	-	-	1,187,197	2,472,598
<b>Total expenditures</b>	<b>32,459,840</b>	<b>557,588</b>	<b>-</b>	<b>4,631,231</b>	<b>37,648,659</b>
<b>Revenues over (under) expenditures</b>	<b>1,867,220</b>	<b>(248,774)</b>	<b>1,928,175</b>	<b>(2,166,004)</b>	<b>1,380,617</b>
<b>Other financing sources (uses):</b>					
Transfers to other funds	(1,560,659)	-	(1,390,385)	(14,203)	(2,965,247)
Transfers from other funds	14,203	-	-	1,827,570	1,841,773
Installment purchase obligations issued	216,225	-	-	-	216,225
<b>Total other financing sources (uses)</b>	<b>(1,330,231)</b>	<b>-</b>	<b>(1,390,385)</b>	<b>1,813,367</b>	<b>(907,249)</b>
<b>Net change in fund balances</b>	<b>536,989</b>	<b>(248,774)</b>	<b>537,790</b>	<b>(352,637)</b>	<b>473,368</b>
<b>Fund balances – beginning of year</b>	<b>10,930,888</b>	<b>759,009</b>	<b>2,751,700</b>	<b>791,027</b>	<b>15,232,624</b>
<b>Fund balances – end of year</b>	<b>\$ 11,467,877</b>	<b>\$ 510,235</b>	<b>\$ 3,289,490</b>	<b>\$ 438,390</b>	<b>\$ 15,705,992</b>

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

**McDowell County, North Carolina**

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

**Governmental Funds**

**Year Ended June 30, 2010**

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

Net change in fund balances – total governmental funds	\$ 473,368
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of the governmental funds exceeded depreciation reported in the statement of activities.	331,262
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.	(1,080)
Cost basis of capital assets transferred to the proprietary fund, not recognized on the modified accrual basis.	(3,971,997)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	222,482
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.	2,047,979
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.	(290,996)
Net income of internal service fund, determined to be a governmental-type activity.	90,272
<hr/>	
Total changes in net assets of governmental activities	\$ (1,098,710)
<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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenue:</b>				
Ad valorem taxes	\$ 16,294,500	\$ 16,546,484	\$ 16,894,377	\$ 347,893
Local option sales taxes	6,952,000	4,840,722	4,712,125	(128,597)
Other taxes and licenses	826,500	826,500	806,980	(19,520)
Unrestricted intergovernmental	337,514	337,514	310,873	(26,641)
Restricted intergovernmental	6,548,215	7,968,655	6,941,836	(1,026,819)
Permits and fees	266,550	276,750	216,565	(60,185)
Sales and services	2,781,686	3,113,121	3,864,881	751,760
Investment earnings	138,000	138,000	71,839	(66,161)
Miscellaneous	111,620	361,603	507,584	145,981
<b>Total revenues</b>	<b>34,256,585</b>	<b>34,409,349</b>	<b>34,327,060</b>	<b>(82,289)</b>
<b>Expenditures:</b>				
Current:				
General government	3,369,786	3,656,838	3,554,886	101,952
Public safety	6,738,452	7,442,503	7,352,033	90,470
Environmental protection	639,841	619,642	492,953	126,689
Economic and physical development	353,148	369,049	327,387	41,662
Human services	8,992,242	10,487,597	9,554,959	932,638
Cultural and recreational	630,415	669,450	656,253	13,197
Miscellaneous	440,903	862,303	878,947	(16,644)
Intergovernmental:				
Education	8,379,777	8,379,777	8,357,021	22,756
Debt service	1,290,037	1,288,315	1,285,401	2,914
<b>Total expenditures</b>	<b>30,834,601</b>	<b>33,775,474</b>	<b>32,459,840</b>	<b>1,315,634</b>
<b>Revenue over expenditures</b>	<b>3,421,984</b>	<b>633,875</b>	<b>1,867,220</b>	<b>1,233,345</b>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	14,203	14,203	-
Transfers to other funds	(3,607,783)	(1,560,659)	(1,560,659)	-
Installment purchase obligations issued	-	216,225	216,225	-
Fund balance appropriated	185,799	696,356	-	(696,356)
<b>Total other financing uses</b>	<b>(3,421,984)</b>	<b>(633,875)</b>	<b>(1,330,231)</b>	<b>(696,356)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>536,989</b>	<b>\$ 536,989</b>
<b>Fund balance - beginning of year</b>			<b>10,930,888</b>	
<b>Fund balance - end of year</b>			<b>\$ 11,467,877</b>	

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 - Emergency Telephone System Fund

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenue:</b>				
Restricted intergovernmental	\$ 222,000	\$ 300,000	\$ 307,358	\$ 7,358
Investment earnings	2,000	2,000	1,456	(544)
<b>Total revenue</b>	<b>224,000</b>	<b>302,000</b>	<b>308,814</b>	<b>6,814</b>
<b>Expenditures:</b>				
Public safety:				
Operating expenditures	93,230	93,230	87,238	5,992
Capital expenditures	128,770	561,174	470,350	90,824
<b>Total expenditures</b>	<b>222,000</b>	<b>654,404</b>	<b>557,588</b>	<b>96,816</b>
Revenue under expenditures	-	(352,404)	(248,774)	103,630
<b>Other financing sources:</b>				
Fund balance appropriated	-	352,404	-	(352,404)
<b>Total other financing sources</b>	<b>-</b>	<b>352,404</b>	<b>-</b>	<b>(352,404)</b>
Net change in fund balance	\$ -	\$ -	(248,774)	\$ (248,774)
<b>Fund balance - beginning of year</b>			759,009	
<b>Fund balance - end of year</b>			\$ 510,235	

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

**McDowell County, North Carolina**

Statements of Net Assets

Proprietary Funds

June 30, 2010

	Enterprise Funds			Internal Service Fund
	Waste Disposal Fund	Water Fund	Total	Self Insurance Fund
<b>Assets</b>				
<b>Current assets:</b>				
Cash	\$ 24,764	\$ 34,000	\$ 58,764	\$ 141,568
Receivables - net	76,164	4,012	80,176	-
Total current assets	100,928	38,012	138,940	141,568
<b>Noncurrent assets:</b>				
Capital assets - net of depreciation	204,256	3,938,162	4,142,418	-
Total noncurrent assets	204,256	3,938,162	4,142,418	-
Total assets	305,184	3,976,174	4,281,358	141,568
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	65,340	13,740	79,080	132,679
Current installments of long-term debt	26,916	-	26,916	-
Total current liabilities	92,256	13,740	105,996	132,679
<b>Noncurrent liabilities:</b>				
Accrued landfill closure and postclosure care costs	30,000	-	30,000	-
Compensated absences payable	12,087	-	12,087	-
Other postemployment benefits	73,016	-	73,016	-
Long-term debt	41,152	-	41,152	-
Total noncurrent liabilities	156,255	-	156,255	-
Total liabilities	248,511	13,740	262,251	132,679
<b>Net assets</b>				
Invested in capital assets, net of related debt	144,191	3,938,162	4,082,353	-
Unrestricted (deficit)	(87,518)	24,272	(63,246)	8,889
Total net assets	\$ 56,673	\$ 3,962,434	\$ 4,019,107	\$ 8,889

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, 2010

	Enterprise Funds			Internal Service Fund
	Waste Disposal Fund	Water Fund	Total	Self Insurance Fund
<b>Operating revenue:</b>				
Charges for services	\$ 743,750	\$ 39,061	\$ 782,811	\$ 1,919,763
Other operating revenue	37,786	1,525	39,311	-
<b>Total operating revenue</b>	<b>781,536</b>	<b>40,586</b>	<b>822,122</b>	<b>1,919,763</b>
<b>Operating expense:</b>				
Salaries and benefits	257,344	-	257,344	1,407,727
Operating expenses	1,493,332	55,001	1,548,333	421,771
Depreciation	50,322	76,148	126,470	-
<b>Total operating expenses</b>	<b>1,800,998</b>	<b>131,149</b>	<b>1,932,147</b>	<b>1,829,498</b>
<b>Operating income (loss)</b>	<b>(1,019,462)</b>	<b>(90,563)</b>	<b>(1,110,025)</b>	<b>90,265</b>
<b>Non-operating revenue (expense):</b>				
Investment earnings	757	-	757	7
Interest expense	(1,260)	-	(1,260)	-
<b>Total nonoperating revenue (expense)</b>	<b>(503)</b>	<b>-</b>	<b>(503)</b>	<b>7</b>
<b>Income (loss) before contributions and transfers</b>	<b>(1,019,965)</b>	<b>(90,563)</b>	<b>(1,110,528)</b>	<b>90,272</b>
<b>Capital contributions</b>	<b>-</b>	<b>3,971,997</b>	<b>3,971,997</b>	<b>-</b>
<b>Transfers from General Fund</b>	<b>1,042,474</b>	<b>81,000</b>	<b>1,123,474</b>	<b>-</b>
<b>Change in net assets</b>	<b>22,509</b>	<b>3,962,434</b>	<b>3,984,943</b>	<b>90,272</b>
<b>Net assets (deficit) - beginning of year</b>	<b>34,164</b>	<b>-</b>	<b>34,164</b>	<b>(81,383)</b>
<b>Net assets - end of year</b>	<b>\$ 56,673</b>	<b>\$ 3,962,434</b>	<b>\$ 4,019,107</b>	<b>\$ 8,889</b>

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, 2010

	Enterprise Funds			Internal Service Fund
	Waste Disposal Fund	Water Fund	Total	Self Insurance Fund
<b>Cash flows from operating activities:</b>				
Cash received from customers and users of services	\$ 787,027	\$ 36,574	\$ 823,601	\$ 1,919,879
Cash paid for goods and services	(1,485,819)	(41,261)	(1,527,080)	(421,771)
Cash paid to employees for services and for employee benefits	(243,354)	-	(243,354)	(1,429,800)
Net cash provided (used) by operating activities	(942,146)	(4,687)	(946,833)	68,308
<b>Cash flows from non-capital financing activities:</b>				
Transfer from General Fund	1,042,474	81,000	1,123,474	-
Net cash provided by non-capital financing activities	1,042,474	81,000	1,123,474	-
<b>Cash flows from capital and related financing activities:</b>				
Capital loan repayment to General Fund	(48,039)	-	(48,039)	-
Purchase of equipment	(53,756)	(42,313)	(96,069)	-
Proceeds from issuance of debt	54,058	-	54,058	-
Repayment of long-term debt	(27,324)	-	(27,324)	-
Interest paid	(1,260)	-	(1,260)	-
Net cash used by capital and related financing activities	(76,321)	(42,313)	(118,634)	-
<b>Cash flows from investing activities:</b>				
Investment earnings	757	-	757	7
Net cash provided by investing activities	757	-	757	7
<b>Net increase in cash</b>	<b>24,764</b>	<b>34,000</b>	<b>58,764</b>	<b>68,315</b>
<b>Cash - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,253</b>
<b>Cash - end of year</b>	<b>\$ 24,764</b>	<b>\$ 34,000</b>	<b>\$ 58,764</b>	<b>\$ 141,568</b>

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, 2010

	Enterprise Funds			Internal Service Fund
	Waste Disposal Fund	Water Fund	Total	Self Insurance Fund
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>				
Operating income (loss)	\$ (1,019,462)	\$ (90,563)	\$ (1,110,025)	\$ 90,265
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation	50,322	76,148	126,470	-
Changes in:				
Accounts receivable	5,491	(4,012)	1,479	116
Accounts payable	7,513	13,740	21,253	(22,073)
Compensated absences payable	2,204	-	2,204	-
Other postemployment benefits payable	11,786	-	11,786	-
<b>Net cash used by operating activities</b>	<b>\$ (942,146)</b>	<b>\$ (4,687)</b>	<b>\$ (946,833)</b>	<b>\$ 68,308</b>

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

**McDowell County, North Carolina**

**Statements of Fiduciary Net Assets**

**Fiduciary Funds**

**June 30, 2010**

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	Pension Trust Fund	Agency Funds
<b><u>Assets</u></b>		
Cash and investments	\$ 117,060	\$ 95,726
Accounts receivable - other governments	-	12,118
Total assets	117,060	107,844
<b><u>Liabilities and net assets</u></b>		
Liabilities:		
Miscellaneous liabilities	-	81,231
Intergovernmental payable	-	26,613
Total liabilities	-	107,844
Net assets:		
Assets held in trust for pension benefits	\$ 117,060	\$ -

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, 2010

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**Additions**

Investment income:

Interest	\$	217
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**Deductions**

Administrative expense		7,011
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Change in net assets		(6,794)
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<b>Net assets - beginning of year</b>		<b>123,854</b>
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<b>Net assets - end of year</b>	<b>\$</b>	<b>117,060</b>
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The accompanying notes are an integral part of these financial statements.

**Note A - Summary of Significant Accounting Policies:**

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

**(1) Reporting Entity**

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit, a legally-separate entity for which the County is financially accountable. McDowell County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

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

Reporting Method - Discrete.

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

Financial Statements - None issued.

**(2) Basis of Presentation, Basis of Accounting**

Basis of Presentation, Measurement Focus - Basis of Accounting

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**Note A - Summary of Significant Accounting Policies - continued:**

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**(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.

*Emergency Telephone System Fund.* This fund accounts for the 911 revenues received by the state 911 Board to enhance the State's 911 system.

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

The County reports the following major enterprise 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.

**Note A - Summary of Significant Accounting Policies - continued:**

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

The County reports the following fund types:

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

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

**(3) Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

**Note A - Summary of Significant Accounting Policies - continued:**

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**(3) Measurement Focus, Basis of Accounting - continued**

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, McDowell County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

**Note A - Summary of Significant Accounting Policies - continued:**

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**(3) Measurement Focus, Basis of Accounting - continued**

Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**(4) Budgetary Data**

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

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

**Note A - Summary of Significant Accounting Policies - continued:**

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**(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

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

Ad Valorem Taxes Receivable

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

**Note A - Summary of Significant Accounting Policies - continued:**

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**(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:**

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**(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:**

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**(5) Assets, Liabilities and Fund Equity - continued**

**Fund Balances**

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

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

The governmental fund types classify fund balances as follows:

**Reserved:**

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

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

Reserved for register of deeds – portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds office. The funds are available for appropriation, but are legally restricted for computer and imaging technology in the register of deeds office. There were no unexpended funds reserved for register of deeds at June 30, 2010.

**Unreserved:**

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

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

**Note A - Summary of Significant Accounting Policies - continued:**

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$10,632,219 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)	\$ 34,233,803
Less accumulated depreciation	(13,830,837)
Net capital assets	20,402,966
Unearned income under long-term lease is not reported in the funds.	(371,164)
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.	206,790
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.	8,889
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	2,135,446
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	(10,229,359)
Compensated absences	(600,079)
Other postemployment benefits	(517,297)
Unfunded pension benefit obligation	(269,555)
Accrued interest payable	(104,831)
Other long-term liabilities	(29,587)
<b>Total adjustment</b>	<b>\$ 10,632,219</b>

**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 \$(1,572,078) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 1,377,579
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,046,317)
Cost of disposed capital assets not recorded in fund statements.	(1,080)
Cost of capital assets transferred to the proprietary fund.	(3,971,997)
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.	(216,225)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.	2,264,203
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).	19,255
Difference in unfunded pension benefit obligation, accrued in the government-wide statements but not in the fund statements.	(38,559)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	(15,020)

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

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**Note A - Summary of Significant Accounting Policies - continued:**

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**(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.	(283,429)
Difference in amounts payable under various inter-local agreements.	26,758
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in long-term receivables, including interest receivable on delinquent taxes receivables.	8,829
Change in revenue deferred in the fund statements.	135,514
Amortization of income under long-term lease, not recorded on fund statements.	78,139
Net income of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	90,272
<b>Total adjustment</b>	<b>\$ (1,572,078)</b>

**Note B - Stewardship, Compliance and Accountability:**

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**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, 2010: Housing Relocation and Stabilization Services Project, (\$25), and Sherwood Forest Project, (\$4,961). In all cases, the deficit fund balances are expected to be recovered through revenues in the June 30, 2011 fiscal year.

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

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**Note B - Stewardship, Compliance and Accountability - continued:**

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**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, 2010, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
General Fund:			
Board of elections	\$ 172,425	\$ 176,446	\$ 4,021
Emergency management	163,585	168,944	5,359
Emergency communication	327,429	335,384	7,955
Day reporting center	76,160	78,538	2,378
Keep McDowell Beautiful	27,850	27,907	57
Miscellaneous:			
Family Services	25,903	25,907	4
Tourism Development Authority	194,000	237,474	43,474
Debt service:			
Other	946,152	947,962	1,810
Special Revenue Funds:			
Fire and Rescue Districts:			
Dysartsville	98,025	98,131	106
Debt Service Fund	1,187,084	1,187,197	113

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds:**

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**(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, 2010, the County's deposits had a carrying amount of \$8,813,640 and a bank balance of \$8,967,516. Of the bank balance, \$850,685 was covered by federal depository insurance, and \$8,116,831 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2010, the County had \$4,911 cash on hand.

Investments

At June 30, 2010, the County's investment balances were as follows:

	Reported Value	Fair Value
North Carolina Capital Management Trust:		
Cash Portfolio, cash equivalent	\$ 5,051,331	\$ 5,051,331
<b>Total Investments</b>	<b>\$ 5,051,331</b>	<b>\$ 5,051,331</b>

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds - continued:**

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**(1) Assets - continued**

Interest Rate Risk

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

Credit Risk

The County's investment in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010.

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
2007	\$ 178,165	\$ 44,986	\$ 223,151
2008	182,103	29,591	211,694
2009	191,952	13,916	205,868
2010	208,482	-	208,482
Total	\$ 760,702	\$ 88,493	\$ 849,195

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

**Note C - Detail Notes on All Funds - continued:**

**(1) Assets - continued**

Receivables

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

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
<b>Governmental Activities:</b>					
General	\$ 2,409,729	\$ 2,554,029	\$ 3,169,130	\$ 205,018	\$ 8,337,906
Other Governmental	133,864	674,389	-	-	808,253
Total receivables	2,543,593	3,228,418	3,169,130	205,018	9,146,159
Allowance for doubtful accounts	(999,022)	-	(2,262,854)	-	(3,261,876)
Total - governmental activities	\$ 1,544,571	\$ 3,228,418	\$ 906,276	\$ 205,018	\$ 5,884,283
<b>Business-type Activities:</b>					
Waste disposal	\$ -	\$ -	\$ -	\$ 107,586	\$ 107,586
Water	-	-	-	4,012	4,012
Total receivables	-	-	-	111,598	111,598
Allowance for doubtful accounts	-	-	-	(31,422)	(31,422)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 80,176	\$ 80,176

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

Local option sales tax	\$ 1,600,923
State and federal assistance	1,094,389
Other	533,106
Total	\$ 3,228,418

Capital Assets

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

	Balances 07/01/09	Increases	Decreases	Balances 06/30/10
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,464,780	\$ -	\$ 1,080	\$ 4,463,700
Construction in progress	782,609	90,604	782,609	90,604
Total capital assets not being depreciated	5,247,389	90,604	783,689	4,554,304
Capital assets being depreciated:				
Building improvements	1,663,114	50,726	-	1,713,840
Buildings	18,004,677	1,218,296	-	19,222,973
Equipment	3,209,058	649,355	-	3,858,413
Infrastructure	4,019,565	-	4,019,565	-
Land improvements	661,137	5,000	-	666,137
Vehicles	4,130,042	88,094	-	4,218,136
Total capital assets being depreciated	31,687,593	2,011,471	4,019,565	29,679,499

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

**Note C - Detail Notes on All Funds - continued:**

**(1) Assets - continued**

**Capital Assets - continued**

	Balances 07/01/09	Increases	Decreases	Balances 06/30/10
Governmental activities - continued:				
Less accumulated depreciation for:				
Building improvements	\$ 473,307	\$ 59,298	\$ -	\$ 532,605
Buildings	7,525,795	338,401	-	7,864,196
Equipment	1,868,786	223,082	-	2,091,868
Infrastructure	98,981	6,700	105,681	-
Land improvements	327,069	46,515	-	373,584
Vehicles	2,596,263	372,321	-	2,968,584
Total accumulated depreciation	12,890,201	\$ 1,046,317	\$ 105,681	13,830,837
Total capital assets being depreciated, net	18,797,392			15,848,662
Governmental activity capital assets, net	\$ 24,044,781		\$	20,402,966

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

General government	\$ 211,881
Public safety	483,101
Economic and physical development	3,744
Environmental protection	40,569
Human services	199,624
Cultural and recreational	107,398
Total depreciation expense	\$ 1,046,317

	Balances 07/01/09	Increases	Decreases	Balances 06/30/10
<b>Business-type activities:</b>				
Waste Disposal:				
Capital assets being depreciated:				
Buildings	\$ 203,914	\$ -	\$ -	\$ 203,914
Equipment	98,688	53,756	-	152,444
Land improvements	126,387	-	-	126,387
Vehicles	470,065	-	-	470,065
Total capital assets being depreciated	899,054	53,756	-	952,810
Less accumulated depreciation for:				
Buildings	187,838	12,194	-	200,032
Equipment	83,885	8,912	-	92,797
Land improvements	41,067	10,589	-	51,656
Vehicles	385,442	18,627	-	404,069
Total accumulated depreciation	698,232	50,322	-	748,554
Total capital assets being depreciated, net	200,822			204,256
Water:				
Capital assets being depreciated:				
Equipment	-	1,144	-	1,144
Infrastructure	-	4,000,433	-	4,000,433
Computer software	-	12,733	-	12,733
Total capital assets being depreciated	-	4,014,310	-	4,014,310

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

**Note C - Detail Notes on All Funds - continued:**

**(1) Assets - continued**

**Capital Assets - continued**

	Balances 07/01/09	Increases	Decreases	Balances 06/30/10
<b>Business-type activities - continued:</b>				
Less accumulated depreciation for:				
Equipment	\$ -	\$ 223	\$ -	\$ 223
Infrastructure	-	73,096	-	73,096
Computer software	-	2,829	-	2,829
Total accumulated depreciation	-	\$ 76,148	\$ -	76,148
Total capital assets being depreciated, net	-			3,938,162
Business-type activities capital assets, net	\$ 200,822			\$ 4,142,418

**(2) Liabilities**

**Payables**

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

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
<b>Governmental activities:</b>					
General	\$ 574,619	\$ 8,980	\$ 104,831	\$ 21,637	\$ 710,067
Other governmental	565,674	132,679	-	7,951	706,304
	\$ 1,140,293	\$ 141,659	\$ 104,831	\$ 29,588	\$ 1,416,371
<b>Business-type activities:</b>					
Waste disposal	\$ 79,080	\$ -	\$ -	\$ -	\$ 79,080

**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.

**Note C - Detail Notes on All Funds - continued:**

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**(2) Liabilities - continued**

Pension Plan Obligations - continued

2. Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.95% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of McDowell County are established and may be amended by the North Carolina General Assembly. The members and the County's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$960,672, \$1,054,860, and \$1,005,658, 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.

At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
<u>Active plan members</u>	<u>37</u>
<u>Total</u>	<u>38</u>

2. Summary of Significant Accounting Policies

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

**Note C - Detail Notes on All Funds - continued:**

**(2) Liabilities - continued**

Pension Plan Obligations - continued

2. Summary of Significant Accounting Policies - continued

*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.

b. Law Enforcement Officers' Special Separation Allowance - continued

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned as needed. For the current year, the County did not make a contribution to the plan, and there were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

Although the County has elected not to fund this retirement benefit based on actuarially determined periodic contributions, the annual required contribution for the current year was determined as part of the December 31, 2009 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 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 21 years.

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

Employer annual required contribution	\$	36,363
Interest on net pension obligation		16,747
Adjustment to annual required contribution		(14,551)
<hr/>		
Annual pension cost		38,559
Employer contributions made for fiscal year ending 06/30/10		-
<hr/>		
Increase in net pension obligation		38,559
Net pension obligation, beginning of fiscal year		230,996
<hr/>		
Net pension obligation, end of fiscal year	\$	269,555

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

**Note C - Detail Notes on All Funds - continued:**

**(2) Liabilities - continued**

Pension Plan Obligations - continued

b. Law Enforcement Officers' Special Separation Allowance - continued

3 Year Trend Information			
<u>For Year Ended</u> <u>June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2008	\$ 32,224	0.00%	\$ 195,063
2009	\$ 35,933	0.00%	\$ 230,996
2010	\$ 38,559	0.00%	\$ 269,555

4. Funded Status and Fund Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$485,024. The covered payroll (annual payroll of active employees covered by the plan) was \$1,394,364, and the ratio of the UAAL to the covered payroll was 34.78%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description

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

2. Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Additionally, the County has approved the contribution of \$16.67 per pay period. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010 were \$94,184 which consisted of \$84,974 from the County and \$9,210 from law enforcement officers.

**Note C - Detail Notes on All Funds - continued:**

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**(2) Liabilities - continued**

**Pension Plan Obligations - continued**

**d. Deferred Compensation Plan**

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

For all employees eligible to participate in either the 457 or 401(k) plan, the County has approved a contribution of a fixed amount, \$16.67 per pay period. For the year ended June 30, 2010, contributions of \$30,710 were made to the Section 457 plan, which consisted of \$10,635 from the County and \$20,075 from employees. For the year ended June 30, 2010, contributions of \$134,228 were made to the 401(k) plan, which consisted of \$83,583 from the County and \$50,645 from employees.

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

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

**e. Registers of Deeds' Supplemental Pension Fund**

**1. Plan Description**

McDowell County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Note C - Detail Notes on All Funds - continued:**

**(2) Liabilities - continued**

Pension Plan Obligations - continued

e. Registers of Deeds' Supplemental Pension Fund - continued

2. Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$3,277.

f. Other Postemployment Benefits

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

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

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

1. Funding Policy

The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. The County's members pay for dependent coverage based on group rates. The County has chosen to fund the healthcare benefits on a pay as you go basis.

**Note C - Detail Notes on All Funds - continued:**

**(2) Liabilities - continued**

Pension Plan Obligations - continued

f. Other Postemployment Benefits - continued

The current ARC rate is 3.31% of annual covered payroll. For the current year, the County contributed \$160,435. 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 1.82% and .29% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$24,886. The County's obligation to contribute to the plan is established and may be amended by the Board of Commissioners.

1. 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.

2. 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	\$	455,650
Interest on net OPEB obligation		-
Adjustments to annual required contribution		-
Annual OPEB cost (expense)		455,650
Contributions made		(160,435)
Increase in net OPEB obligation		295,215
Net OPEB obligation, beginning of year		295,098
Net OPEB obligation, end of year	\$	590,313

The net OPEB obligation at June 30, 2010 includes \$517,297 reported in the governmental activities and \$73,016 reported in the business-type activities.

**Note C - Detail Notes on All Funds - continued:**

**(2) Liabilities - continued**

Pension Plan Obligations - continued

f. Other Postemployment Benefits - continued

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

For Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 388,914	24.12%	\$ 295,098
2010	\$ 455,650	35.21%	\$ 590,313

3. Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,793,681. The covered payroll (annual payroll of active employees covered by the plan) was \$8,928,803, and the ratio of the UAAL to the covered payroll was 31.29 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

4. Actuarial Methods and Assumptions

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

**Note C - Detail Notes on All Funds - continued:**

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**(2) Liabilities - continued**

**Pension Plan Obligations - continued**

f. **Other Postemployment Benefits - continued**

In the December 31, 2007 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 11.00 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 9 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

g. **Other Employment Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30 2010, the County made contributions to the State for death benefits of \$13,037. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .15% 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, 2010

**Note C - Detail Notes on All Funds - continued:**

**(2) Liabilities - continued**

Closure and Postclosure Care Costs - Landfill

On April 8, 1994, the County stopped accepting solid waste at the municipal landfill. Since that date, solid waste has been transferred to a neighboring county. Revenue, in the form of tipping fees and operating transfers, is used to offset the cost of transporting and disposal. Because solid waste is no longer accepted after April 9, 1994, the County is not subject to the Environmental Protection Agency rule, "Solid Waste Disposal Facility Criteria". However, prior State and Federal laws and regulations require the County to place a final cover on its landfill facility and to perform certain maintenance and monitoring functions at the site. At June 30, 2010, 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)	\$ 59,604	\$ 59,604
Unearned rental income	-	371,164
Taxes receivable, net (General)	1,238,078	-
Taxes receivable, net (Special Revenue)	99,703	-
Other receivables (General)	141,955	-
EMS receivables (General)	655,710	-
Total	\$ 2,195,050	\$ 430,768

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, 2010, the County recognized \$78,139 in rental income, leaving a balance of \$371,164 in unearned income. Additionally, McDowell County receives a monthly rental of \$2,312 for the original shell space under a ten-year lease expiring in the year ending June 30, 2015, subject to annual Consumer Price Index adjustments.

**Note C - Detail Notes on All Funds - continued:**

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**(2) Liabilities - continued**

**Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one of the self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains worker's compensation coverage up to statutory limits. The pool is reinsured through commercial companies for losses in excess of \$350,000 (annual aggregate) for worker's compensation. The County carries commercial coverage for all other risks of loss.

There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three years. The McDowell County Health Care Benefit Plan is a self-funded program. It provides coverage to employees, retirees, covered dependents and eligible former employees. The total cost of health care coverage including premiums for stop-loss coverage, administrative fees and claims paid, less amounts withheld from employees and reimbursed under stop-loss coverage, totaled \$1,455,453 for the year ended June 30, 2010. The County purchases specific stop-loss coverage to limit its annual loss per person to \$50,000. The cost for health care excess coverage premiums in fiscal year 2009-2010 was \$319,763. 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 \$500,000 for the Old Fort library building, and \$481,600 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 (3), \$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**

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

**Long-Term Obligations:**

Long-term obligations of McDowell County include installment purchases of properties that are not considered assets of McDowell County, including obligations for the construction of McDowell County Schools (\$3,780,644), for improvements (\$523,670) and vehicles (\$25,656) to McDowell County Technical Community College, and for the construction of City of Marion water and sewer lines (\$95,795).

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

**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:

<u>McDowell County Schools</u>			
•	Installment purchase contract, executed in November 2001, due in 40 quarterly principal payments of \$124,552 plus interest at 4.17%, for improvements to Glenwood Elementary School.	\$	747,311
•	Installment purchase contract, executed in February 2002, due in 30 semiannual principal payments of \$216,667 plus interest at 4.59%, for improvements to North Cove Elementary School.		3,033,333
<u>McDowell County Technical Community College</u>			
•	Installment purchase contract, executed in September 2005, due in 30 semiannual principal payments of \$24,936 plus interest at 3.55%, for improvements to MTCC campus.		523,670
•	Installment purchase contract, executed in September 2008 for \$40,000, payable in 8 semi-annual installments of \$5,408 including interest at 3.55%, secured by vehicles purchased.		25,656
		\$	4,329,970

For McDowell County, the future minimum payments as of June 30, 2010, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2011	\$ 991,406	\$ 176,600
2012	742,660	135,105
2013	488,520	109,178
2014	483,207	87,424
2015	483,207	65,763
2016-2020	1,116,034	78,495
2021-2025	24,936	44
Total principal payments	\$ 4,329,970	
Total interest payments		\$ 652,609

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds - continued:**

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**(2) Liabilities - continued**

Installment Purchases - Other

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

Governmental Activities

- Installment purchase contract, executed in June 2002 for \$404,200, payable in 20 semi-annual installments of \$25,308 including interest at 4.49%, to finance waterlines to the Pleasant Gardens community. \$ 95,795
- Installment purchase contract, executed in November 2004 for \$344,250, payable in 20 semi-annual installments of \$20,669 including interest at 3.62%, secured by recreation facility purchased. 170,247
- Installment purchase contract, executed in October 2006 for \$75,000, payable in 8 semi-annual installments of \$10,249 including interest at 4.05%, secured by ambulance purchased. 10,046
- Installment purchase contract, executed in October 2006 for \$84,000, payable in 8 semi-annual installments of \$11,454 including interest at 3.95%, secured by GIS digitized mapping equipment purchased. 11,233
- Installment purchase contract, executed in October 2006 for \$76,407, payable in 8 semi-annual installments of \$10,392 including interest at 3.83%, secured by vehicles purchased. 10,197
- Installment purchase contract, executed in March 2007 for \$52,451, payable in 8 semi-annual installments of \$7,166 including interest at 4.04%, secured by vehicles purchased. 13,909
- Installment purchase contract, executed in April 2002 for \$1,980,916, payable in 30 semi-annual installments of \$66,030 plus interest at 4.60%, secured by Senior Center. 924,427
- 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%. 224,800
- Installment purchase contract, executed in November 2006 for \$495,000, payable in 8 semi-annual installments of \$67,049 including interest at 3.64%, secured by Nebo waterlines. 65,851

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds - continued:**

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**(2) Liabilities - continued**

**Installment Purchases - Other - continued**

**Governmental Activities - continued**

- Installment purchase contract, executed in February 2003 as a current refunding of existing contracts, in the amount of \$2,004,580, including call premium of \$33,058, payable in 20 semi-annual installments of \$100,229 plus interest at 3.475%, secured by a correction facility and a library. The call premium is included in the balance of installment purchase obligations, net of amortization over the 4 year remaining life of the refunded debt. \$ 601,374
- Installment purchase contract, executed in May 2005 for \$1,340,000, payable in 24 semi-annual installments of \$55,833 plus interest at 3.67%, secured by land acquired for future expansion. 781,667
- Installment purchase contract, executed in December 2001 for \$275,000, payable in 20 semi-annual installments of \$13,750 plus interest at 4.375%, secured by EMS station. 41,250
- Installment purchase contract, executed in September 2007 for \$48,237, payable in 8 semi-annual installments of \$6,552 including interest at 3.77%, secured by assets purchased. 18,938
- Installment purchase contract, executed in January 2008 for \$76,035, payable in 8 semi-annual installments of \$10,199 including interest at 3.19%, secured by vehicles purchased. 39,220
- Installment purchase contract, executed in May 2008 for \$25,303, payable in 8 semi-annual installments of \$3,394 including interest at 3.19%, secured by vehicles purchased. 13,052
- Installment purchase contract, executed in May 2008 for \$67,411, payable in 8 semi-annual installments of \$8,982 including interest at 2.88%, secured by vehicles purchased. 34,669
- Installment purchase contract, executed in April 2008 for \$965,663, payable in 30 semi-annual installments of \$32,189 plus interest at 3.51%, to construct a Nutrition Center in the Old Fort area. 836,908
- Installment purchase contract, executed in March 2008 for \$306,939, payable in 8 semi-annual installments of \$40,753 including interest at 2.72%, secured by vehicles purchased. 157,615

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds - continued:**

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**(2) Liabilities - continued**

Installment Purchases - Other - continued

Governmental Activities - continued

• Installment purchase contract, executed in January 2008 for \$562,500, payable in 30 semi-annual installments of \$18,750 plus interest at 3.83%, to finance the purchase of the McDowell House.	\$ 487,500
• Installment purchase contract, executed in September 2007 for \$146,559, payable in 8 semi-annual installments of \$19,916 including interest at 3.79%, secured by vehicles purchased.	57,554
• Installment purchase contract, executed in December 2008 for \$167,000, payable in 8 semi-annual installments of \$22,427 including interest at 3.19%, secured by vehicles purchased.	127,357
• Installment purchase contract, executed in December 2008 for \$1,056,000, payable in 30 semi-annual principal payments of \$35,200 plus interest at 4.19%, for improvement to Baldwin Avenue property.	950,400
• Installment purchase contract, executed in November 2009 for \$91,225, payable in 8 semi-annual installments of \$11,403 plus interest at 3.67%, secured by vehicles purchased.	79,822
• 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.	112,500
	<hr/> <b>\$ 5,866,331</b>

Business-Type Activities:

• Installment purchase contract, executed in September 2005 for \$130,497, payable in 10 semi-annual installments of \$14,249 including interest at 3.375%, secured by waste disposal equipment.	\$ 14,011
• Installment purchase contract, executed in May 2010 for \$54,058, payable in 8 semi-annual installments of \$7,231 including interest at 3.06%, secured by weighing scales.	54,057
	<hr/> <b>\$ 68,068</b>

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

**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
2011	\$ 1,150,317	\$ 218,983
2012	1,011,390	176,454
2013	803,806	139,489
2014	551,135	109,522
2015	448,807	88,140
2016-2020	1,348,843	223,870
2021-2025	552,033	40,451
Total principal payments	\$ 5,866,331	
Total interest payments		\$ 996,909

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2011	\$ 26,916	\$ 1,794
2012	13,303	1,158
2013	13,713	748
2014	14,136	325
Total principal payments	\$ 68,068	
Total interest payments		\$ 4,025

McDowell County, North Carolina

Notes to Financial Statements - Continued

June 30, 2010

**Note C - Detail Notes on All Funds - continued:**

**(2) Liabilities - continued**

Long-Term Obligations - Summary

At June 30, 2010, McDowell County had a legal debt margin of \$241,606,451. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/09	Increases	Decreases	Balance 06/30/10	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases, including amortized call premium	\$ 12,277,337	\$ 216,225	\$ 2,264,203	\$ 10,229,359	\$ 2,141,723
Unfunded pension benefit obligation	230,996	38,559	-	269,555	-
Compensated absences	585,059	501,792	486,772	600,079	-
Other postemployment benefits	233,868	283,429	-	517,297	-
	\$ 13,327,260	\$ 1,040,005	\$ 2,750,975	\$ 11,616,290	\$ 2,141,723

	Balance 07/01/09	Increases	Decreases	Balance 06/30/10	Current Portion of Balance
<b>Business-type activities:</b>					
Installment purchases	\$ 41,334	\$ 54,058	\$ 27,324	\$ 68,068	\$ 26,916
Compensated absences	9,883	10,617	8,413	12,087	-
Other postemployment benefits	61,230	11,786	-	73,016	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
	\$ 142,447	\$ 76,461	\$ 35,737	\$ 183,171	\$ 26,916

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, 2010, there was one series of revenue bonds outstanding with a principal amount payable of \$4,175,000.

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds - continued:**

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**(3) Interfund Balances and Activity**

At June 30, 2010, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	Housing Relocation & Stabilization Services Project	\$ 40,777
General Fund	Watson Rd CDBG Project	11,992
General Fund	Financial Assistance Project	18,635
General Fund	Sherwood Forest Project	4,961
General Fund	Single Family Rehabilitation Project	23,989
		<hr/>
		\$ 100,354

Payables to the General Fund from the Housing Relocation & Stabilization Services Project, Watson Rd CDBG Project, Financial Assistance Project, Sherwood Forest Project, and Single Family Rehabilitation Project are required due to cash overdrafts in the payable funds. All interfund balances will be paid during the year ending June 30, 2011.

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.	\$ 1,042,474
Transfer from the Schools Capital Reserve Fund to the individual project funds for school construction projects, as follows:	
Eastfield Elementary Wall (\$1,029) and Schools Capital Projects (\$259,407).	260,436
Transfer from the General Fund to the Water Fund, to support cost of services not recovered by user charges.	81,000
Transfer from the General Fund to the Industrial Park Project Fund, to provide resources for projects and for retirement of Industrial Park debt.	96,981
Transfers from the Schools Capital Reserve Fund to the Debt Service Fund, to provide resources for the retirement of debt obligations of funds other than the General Fund.	1,129,949

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds - continued:**

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**(3) Interfund Balances and Activity - continued**

Transfer from the General Fund to the Trail Project to provide resources for the project.	25,000
Transfer from the McDowell Tech Baldwin Avenue Facility Project to the General Fund, for resources not used in the project.	14,203
Transfer from the General Fund to the Revaluation Fund, to accumulate resources for the revaluation process.	5,000
Transfer from the General Fund to the Recreation Fund, to support cost of recreation administration not funded by service fees.	263,814
Transfer from the General Fund to the Forest Service Project to provide resources for the project.	46,390
	<hr/>
	\$ 2,965,247

**(4) Transfers**

Transfers at the government-wide level at June 30, 2010 included \$3,971,997 in capital assets transferred from governmental activities to business-type activities. The capital assets transferred consisted of infrastructure 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.

**(5) Net Assets and Fund Equity**

**Restricted Net Assets**

At June 30, 2010, restricted net assets on the statement of net assets include unexpended resources for specific operating and capital expenditures for public safety (\$602,667), general government (\$28,437), and human services (\$314,722).

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

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**Note C - Detail Notes on All Funds - continued:**

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**(5) Net Assets and Fund Equity - continued**

Designated Fund Balance

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

	General Fund	Special Revenue	Total
Co-op extension	\$ 15,058	\$ -	\$ 15,058
Asset forfeiture	92,473	-	92,473
Emergency telephone - regular	42,202	-	42,202
Emergency telephone	-	484,622	484,622
Watershed	19,046	-	19,046
Jail	109,090	-	109,090
DSS-NCSSA	314,722	-	314,722
PEG Channel	28,437	-	28,437
Volunteer Center	1,425	-	1,425
2010 - 2011 fund balance appropriated	210,101	-	210,101
	\$ 832,554	\$ 484,622	\$ 1,317,176

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**Note D - Related Organization:**

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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:**

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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

## McDowell County, North Carolina

### Notes to Financial Statements - Continued

June 30, 2010

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#### **Note E - Joint Ventures - continued:**

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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, 2010. 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 \$69,792 for the year ended June 30, 2010. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2010. Complete financial statements for the community college may be obtained from the community college's administrative offices at 54 College Drive, Marion, North Carolina 28752.

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 \$112,364 for the year ended June 30, 2010.

#### 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.

## McDowell County, North Carolina

### Notes to Financial Statements - Continued

June 30, 2010

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#### **Note F - Jointly Governed Organizations:**

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McDowell County maintains an affiliation with Smoky Mountain Center for the provision of mental health, developmental disabilities and substance abuse services. McDowell County appoints one County commissioner and one at-large member to serve on the board. The remaining members are appointed in the same manner by the other fourteen counties (Alexander, Alleghany, Ashe, Avery, Caldwell, Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain, Watauga and Wilkes.) In addition, the County has made a financial commitment to the Center. For the year ended June 30, 2010, 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, 2010, the County contributed \$172,975 to the general operations of the Health Department.

The board of directors of McDowell Economic Development Association (MEDA), a 501(c)(3) organization, is comprised of twenty directors. McDowell County appoints three directors to serve on the Board. The remaining directors are appointed as follows: one by the City of Marion, one by the Town of Old Fort, one by the McDowell County Chamber of Commerce, one by the McDowell Technical Community College, and one by the McDowell County Board of Education. This board then elects seven additional directors from members of the Organization. Five ex-officio members are comprised of the County Manager, the County attorney, the Director of Isothermal Planning and Development Commission, the Director of Small Business Center and the Director of the McDowell Chamber of Commerce. In addition, the County has made a financial commitment to MEDA. For the year ended June 30, 2010, the County contributed \$68,774 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, 2010.

#### **Note G - Related Party Transaction:**

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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.

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

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**Note G - Related Party Transaction - continued:**

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For the year ended June 30, 2010, one County commissioner is also an employee of McDowell County, one commissioner's spouse is an employee of McDowell County, one commissioner is employed by McDowell Technical Community College, and one commissioner is employed by McDowell County Schools.

**Note H - Benefit Payments Issued by the State:**

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

	Federal	State
Temporary Assistance for Needy Families	\$ 316,253	\$ -
Medicaid	40,955,559	14,297,551
Food Stamp Program	10,492,049	-
Low-Income Home Energy Assistance Block Grant	362,985	-
State/County Special Assistance to Adults	-	507,720
Foster Care Adoption Assistance	206,546	42,203
CWS Adoption Subsidy	-	263,057
Work First Benefits	9,829	-
Total	\$ 52,343,221	\$ 15,110,531

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**Note I - Summary Disclosure of Significant Contingencies:**

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**Federal and State Assisted Programs**

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

**Construction Commitments**

At June 30, 2010, the County is committed to approximately \$90,000 in remaining activity under one construction contract.

**McDowell County, North Carolina**

Notes to Financial Statements - Continued

June 30, 2010

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**Note I - Summary Disclosure of Significant Contingencies - continued:**

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**Industrial Recruitment and Economic Development Incentives**

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

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

During the year ended June 30, 2010, \$16,667 was paid under an economic development incentive agreement. Future installments of three active agreements amount to \$152,667, \$152,667, \$152,666, \$31,000 and \$31,000 for the years ending June 30, 2011, 2012, 2013, 2014 and 2015, respectively. Future payments totaling \$75,000 have been approved under one agreement for the year ending June 30, 2011 and 2012, with timing of payment based on the achievement of compliance goals.

**Note J - Cafeteria Plan:**

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

**Note K - Concentration of Credit Risk:**

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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, 2010

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**Note K - Concentration of Credit Risk - continued:**

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The Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 48% of the revenue of the fund. Sales to this customer amounted to \$354,165 for the year ended June 30, 2010, with an account receivable balance of \$35,008 at June 30, 2010.

**Note L - Use of Estimates:**

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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:**

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In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 16, 2010; the date of the financial statement is November 16, 2010.

**McDowell County, North Carolina**

**Law Enforcement Officers' Special Separation Allowance**

**Required Supplemental Financial Data**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2003	\$ 106,152	\$ 280,428	\$ 174,276	\$ 174,276	37.85%	\$ 1,162,304	14.99%
12-31-2004	\$ 107,059	\$ 282,789	\$ 175,730	\$ 175,730	37.86%	\$ 1,157,410	15.18%
12-31-2005	\$ 111,001	\$ 251,700	\$ 140,699	\$ 140,699	44.10%	\$ 1,242,611	11.32%
12-31-2006	\$ 117,895	\$ 272,044	\$ 154,149	\$ 154,149	43.34%	\$ 1,329,919	11.59%
12-31-2007	\$ 114,975	\$ 318,234	\$ 203,259	\$ 203,259	36.13%	\$ 1,423,656	14.28%
12-31-2008	\$ 123,278	\$ 343,036	\$ 219,758	\$ 219,758	35.94%	\$ 1,332,335	16.49%
12-31-2009	\$ 121,823	\$ 606,847	\$ 485,024	\$ 485,024	20.07%	\$ 1,394,364	34.78%

**McDowell County, North Carolina**

**Law Enforcement Officers' Special Separation Allowance**

**Required Supplemental Financial Data**

**Schedule of Employer Contributions and Notes to the Required Schedules**

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Year Ending June 30	Annual Pension Cost	Percentage Contributed
2008	\$ 32,224	0.00%
2009	\$ 35,933	0.00%
2010	\$ 38,559	0.00%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/09
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost of living adjustments	N/A

**McDowell County, North Carolina**

**Other Postemployment Benefits**

**Required Supplemental Financial Data**

**Schedule of Funding Progress**

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

**McDowell County, North Carolina**

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Employer Contributions and Notes to the Required Schedules

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Year Ending June 30	Annual Pension Cost	Percentage Contributed
2009	\$ 388,914	24.12%
2010	\$ 455,650	35.21%

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Notes to the Required Schedules:

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

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

**McDowell County, North Carolina**

**General Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
<b>Revenue:</b>			
Ad valorem taxes:			
Current year property taxes	\$ 16,177,484	\$ 16,358,934	\$ 181,450
Discount	(75,000)	(72,914)	2,086
Delinquent tax	355,000	454,859	99,859
Tax interest	79,000	153,498	74,498
Tax penalties	10,000	-	(10,000)
<b>Total</b>	<b>16,546,484</b>	<b>16,894,377</b>	<b>347,893</b>
Local option sales taxes:			
Article 39 one percent	2,525,000	2,539,516	14,516
Article 40 one-half percent	1,649,200	1,668,710	19,510
Article 42 one-half percent	529,522	379,061	(150,461)
Article 44 one-half percent	137,000	124,838	(12,162)
<b>Total</b>	<b>4,840,722</b>	<b>4,712,125</b>	<b>(128,597)</b>
Other taxes and licenses:			
Deed stamp excise tax	115,000	94,565	(20,435)
Real estate transfer tax	230,000	201,016	(28,984)
Scrap tire disposal tax	70,000	51,455	(18,545)
Occupancy tax	200,000	246,086	46,086
Cable franchise	210,500	212,083	1,583
Privilege licenses	1,000	1,775	775
<b>Total</b>	<b>826,500</b>	<b>806,980</b>	<b>(19,520)</b>
Unrestricted intergovernmental:			
Payments in lieu of taxes	337,514	310,873	(26,641)
Restricted intergovernmental:			
State and federal grants:			
Social services	6,645,604	5,795,772	(849,832)
State aid library	107,078	103,404	(3,674)
Aging	561,994	400,843	(161,151)
Soil and water	22,000	23,419	1,419
Veterans service	2,000	2,000	-
Criminal Justice Partnership Program	76,160	78,538	2,378
Juvenile Crime Prevention	129,010	223,599	94,589
Emergency management	20,000	23,344	3,344
Water reserve	77,740	-	(77,740)
Water reserve - in-kind	38,860	-	(38,860)
Other	108,709	167,155	58,446
Court facility fees	129,500	91,300	(38,200)
Officer fees	42,500	25,449	(17,051)
ABC profits for law enforcement	7,500	7,013	(487)
<b>Total</b>	<b>7,968,655</b>	<b>6,941,836</b>	<b>(1,026,819)</b>

**McDowell County, North Carolina**

**General Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
<b>Permits and fees:</b>			
Building inspections	\$ 125,000	\$ 102,995	\$ (22,005)
Sign revenue	1,750	1,134	(616)
Homeowners recovery	2,000	1,115	(885)
<b>Register of deeds:</b>			
Birth certificates	35,000	25,920	(9,080)
Acknowledgement and oath	1,300	1,020	(280)
Copies	21,500	17,966	(3,534)
Marriage license	8,500	7,075	(1,425)
Flood plain fees	19,000	12,361	(6,639)
Sundry	52,500	39,396	(13,104)
Other	10,200	7,583	(2,617)
<b>Total</b>	<b>276,750</b>	<b>216,565</b>	<b>(60,185)</b>
<b>Sales and services:</b>			
NCDMV notary	27,500	34,814	7,314
NCDMV reimbursement	80,000	83,434	3,434
Tax mapping	5,500	1,139	(4,361)
Library fines	17,500	16,889	(611)
Library donations	8,601	14,258	5,657
Library copies	6,750	6,363	(387)
Library fax fees	2,250	2,577	327
Rent - dialysis clinic	28,300	31,017	2,717
Rent - senior center	66,000	66,000	-
Fax fees	50	3	(47)
Vending income	750	503	(247)
Rent - Mental Health	16,000	36,333	20,333
Rent - Isothermal	5,667	3,103	(2,564)
Tower rental	35,000	37,643	2,643
Rent - ESC	18,448	14,184	(4,264)
Adoption fees	12,500	11,392	(1,108)
Canteen fees	127,100	122,401	(4,699)
Sheriff - process fees	36,500	34,541	(1,959)
Sheriff DOC reimbursement	90,000	60	(89,940)
Sheriff - permits	4,500	3,882	(618)
Jail phone reimbursement	31,500	30,719	(781)
Sheriff - concealed weapons permit	25,700	23,775	(1,925)
Sheriff - employee fund	4,000	809	(3,191)
Soil and water rent	1,200	1,200	-
Jail lease revenue	511,450	561,980	50,530
Jail fees	25,000	26,152	1,152
EMS collections	1,726,015	1,964,981	238,966
EMS Medicaid	74,913	140,328	65,415
Sheriff - in school cop match	35,858	35,858	-

**McDowell County, North Carolina**

**General Fund**

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

Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>Sales and services - continued:</b>			
Landline 911	\$ 18,000	\$ 544	\$ (17,456)
Animal control other	8,000	2,772	(5,228)
Other	62,569	555,227	492,658
<b>Total</b>	<b>3,113,121</b>	<b>3,864,881</b>	<b>751,760</b>
<b>Investment earnings</b>	<b>138,000</b>	<b>71,839</b>	<b>(66,161)</b>
<b>Miscellaneous:</b>			
Auction proceeds	3,500	1,734	(1,766)
Sale of property	10,000	21,250	11,250
Paper execution fees	100,000	99,097	(903)
Asset forfeiture fee	53,613	62,067	8,454
SRO funds	500	-	(500)
Civil license revocation	3,800	3,542	(258)
Miscellaneous	8,801	8,885	84
City of Marion elections	5,150	5,150	-
Town of Old Fort elections	1,000	1,000	-
4-H donations	14,000	12,622	(1,378)
Cooperative extension donations	2,571	2,053	(518)
Other	158,668	290,184	131,516
<b>Total</b>	<b>361,603</b>	<b>507,584</b>	<b>145,981</b>
<b>Total revenue</b>	<b>34,409,349</b>	<b>34,327,060</b>	<b>(82,289)</b>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Board of commissioners:</b>			
Operating expenditures		145,072	
<b>Total</b>	<b>166,008</b>	<b>145,072</b>	<b>20,936</b>
<b>Human resources:</b>			
Operating expenditures		319,165	
<b>Total</b>	<b>319,167</b>	<b>319,165</b>	<b>2</b>
<b>County administration:</b>			
Salaries and employee benefits		273,244	
Operating expenditures		13,162	
<b>Total</b>	<b>289,491</b>	<b>286,406</b>	<b>3,085</b>
<b>Finance:</b>			
Salaries and employee benefits		302,823	
Operating expenditures		161,626	
Capital expenditures		2,971	
<b>Total</b>	<b>467,905</b>	<b>467,420</b>	<b>485</b>

**McDowell County, North Carolina**

**General Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
<b>Tax - assessment:</b>			
Salaries and employee benefits	\$	\$ 274,454	\$
Operating expenditures		114,345	
Capital expenditures		1,220	
<b>Total</b>	<b>390,025</b>	<b>390,019</b>	<b>6</b>
<b>Tax - collections:</b>			
Salaries and employee benefits		161,538	
Operating expenditures		59,334	
Capital expenditures		2,000	
<b>Total</b>	<b>225,924</b>	<b>222,872</b>	<b>3,052</b>
<b>Legal</b>	<b>28,787</b>	<b>26,441</b>	<b>2,346</b>
<b>Board of elections:</b>			
Salaries and employee benefits		94,291	
Operating expenditures		82,155	
<b>Total</b>	<b>172,425</b>	<b>176,446</b>	<b>(4,021)</b>
<b>Register of deeds:</b>			
Salaries and employee benefits		179,468	
Operating expenditures		163,322	
Capital expenditures		5,546	
<b>Total</b>	<b>367,172</b>	<b>348,336</b>	<b>18,836</b>
<b>Clerk of court:</b>			
Operating expenditures		2,434	
Capital expenditures		6,546	
<b>Total</b>	<b>10,500</b>	<b>8,980</b>	<b>1,520</b>
<b>Garage:</b>			
Salaries and employee benefits		139,040	
Operating expenditures		16,053	
<b>Total</b>	<b>159,902</b>	<b>155,093</b>	<b>4,809</b>
<b>Facility maintenance:</b>			
Salaries and employee benefits		312,072	
Operating expenditures		533,730	
Capital expenditures		51,157	
<b>Total</b>	<b>947,821</b>	<b>896,959</b>	<b>50,862</b>

**McDowell County, North Carolina**

**General Fund**

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

Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>DMV Operations:</b>			
Salaries and employee benefits	\$	\$ 109,561	\$
Operating expenditures		2,116	
<b>Total</b>	<b>111,711</b>	<b>111,677</b>	<b>34</b>
<b>Total general government</b>	<b>3,656,838</b>	<b>3,554,886</b>	<b>101,952</b>
<b>Public safety:</b>			
<b>Sheriff:</b>			
Salaries and employee benefits		2,076,455	
Operating expenditures		415,667	
Capital expenditures		117,542	
<b>Total</b>	<b>2,642,177</b>	<b>2,609,664</b>	<b>32,513</b>
<b>Jail:</b>			
Salaries and employee benefits		753,238	
Operating expenditures		668,283	
Capital expenditures		2,962	
<b>Total</b>	<b>1,447,104</b>	<b>1,424,483</b>	<b>22,621</b>
<b>EMS:</b>			
Salaries and employee benefits		1,236,174	
Operating expenditures		299,612	
Capital expenditures		19,643	
<b>Total</b>	<b>1,566,181</b>	<b>1,555,429</b>	<b>10,752</b>
<b>Emergency management:</b>			
Salaries and employee benefits		105,491	
Operating expenditures		28,859	
Capital expenditures		34,594	
<b>Total</b>	<b>163,585</b>	<b>168,944</b>	<b>(5,359)</b>
<b>Fire protection</b>	<b>494,431</b>	<b>494,430</b>	<b>1</b>
<b>Sheriff's dispatch:</b>			
Salaries and employee benefits		199,079	
Operating expenditures		10,614	
Capital expenditures		1,459	
<b>Total</b>	<b>229,838</b>	<b>211,152</b>	<b>18,686</b>
<b>Emergency communication:</b>			
Salaries and employee benefits		231,037	
Operating expenditures		10,820	
Capital expenditures		93,527	
<b>Total</b>	<b>327,429</b>	<b>335,384</b>	<b>(7,955)</b>

**McDowell County, North Carolina**

**General Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
Day reporting center	\$ 76,160	\$ 78,538	\$ (2,378)
Animal control:			
Salaries and employee benefits		26,042	
Operating expenditures		36,941	
Capital expenditures		1,274	
Total	73,913	64,257	9,656
Building inspections:			
Salaries and employee benefits		213,058	
Operating expenditures		21,924	
Total	245,986	234,982	11,004
Medical examiner	22,500	22,500	-
Rescue squad	153,199	152,270	929
Total public safety	7,442,503	7,352,033	90,470
Environmental protection:			
Waste collections:			
Salaries and employee benefits		277,103	
Operating expenditures		131,606	
Capital expenditures		5,150	
Total	421,224	413,859	7,365
Soil and water district technician:			
Salaries and employee benefits		39,643	
Operating expenditures		5,094	
Capital expenditures		55	
Total	45,682	44,792	890
Soil and water conservation:			
Salaries and employee benefits		12,845	
Operating expenditures		10,703	
Capital expenditures		955	
Total	25,917	24,503	1,414
Watershed commission	9,800	9,799	1
Water reserve	117,019	-	117,019
Total environmental protection	619,642	492,953	126,689

**McDowell County, North Carolina**

**General Fund**

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

Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Keep McDowell Beautiful	\$ 27,850	\$ 27,907	\$ (57)
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
Total	12,563	12,563	-
Forest Service	63,750	50,455	13,295
Cooperative extension:			
Salaries and employee benefits		49,082	
Operating expenditures		104,088	
Capital expenditures		3,122	
Total	183,146	156,292	26,854
Isothermal planning commission:			
Isothermal operating expenditures		11,014	
Development		382	
Total	11,773	11,396	377
McDowell Economic Development Association:			
Salaries and employee benefits		55,615	
Operating expenditures		13,159	
Total	69,967	68,774	1,193
Total economic and physical development	369,049	327,387	41,662
Human services:			
Health department	172,975	172,975	-
Mental health	67,856	67,856	-
Alcohol and substance abuse	4,000	-	4,000
Volunteer center:			
Salaries and employee benefits		19,742	
Operating expenditures		6,261	
Total	29,458	26,003	3,455
Juvenile Crime Prevention Council	139,128	136,953	2,175

**McDowell County, North Carolina**

**General Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
<b>Social Services:</b>			
<b>Administration:</b>			
Salaries and employee benefits	\$	\$ 4,494,721	\$
Operating expenditures		2,267,611	
Capital expenditures		92,076	
<b>Total</b>		<b>6,854,408</b>	
Foster care		517,405	
Adoption assistance program		157,889	
Crisis energy program		233,101	
TANF - County participation		65,771	
Medicaid - County participation		840	
Special assistance		467,124	
Aid to blind		1,733	
General assistance		1,608	
<b>Total social services</b>	<b>9,152,560</b>	<b>8,299,879</b>	<b>852,681</b>
<b>Senior Center:</b>			
Salaries and employee benefits		439,510	
Operating expenditures		381,817	
Capital expenditures		10,297	
<b>Total</b>	<b>901,620</b>	<b>831,624</b>	<b>69,996</b>
<b>Juvenile Placement:</b>			
Operating expenditures		19,669	
<b>Total</b>	<b>20,000</b>	<b>19,669</b>	<b>331</b>
<b>Total human services</b>	<b>10,487,597</b>	<b>9,554,959</b>	<b>932,638</b>
<b>Cultural and recreational:</b>			
<b>Library:</b>			
Salaries and employee benefits		450,781	
Operating expenditures		183,273	
Capital expenditures		22,199	
<b>Total cultural and recreational</b>	<b>669,450</b>	<b>656,253</b>	<b>13,197</b>

**McDowell County, North Carolina**

**General Fund**

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

Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>Miscellaneous:</b>			
Carson House	\$ 10,000	\$ 10,000	\$ -
City of Marion hold harmless	150,000	136,320	13,680
Family services	25,903	25,907	(4)
MACA	18,500	18,500	-
Tourism Development Authority	194,000	237,474	(43,474)
Hospice	7,500	7,500	-
Champion	17,224	17,224	-
Parking Lot	12,500	12,500	-
July 4 <sup>th</sup>	500	500	-
Davidson's Fort	2,500	-	2,500
Health coalition	5,000	5,000	-
Other	418,676	408,022	10,654
<b>Total miscellaneous</b>	<b>862,303</b>	<b>878,947</b>	<b>(16,644)</b>
<b>Education:</b>			
<b>Public schools:</b>			
Current expense	7,027,103	7,004,417	22,686
Capital outlay	331,000	331,000	-
<b>McDowell Technical College:</b>			
Current expense	808,450	808,450	-
Capital outlay	30,998	30,998	-
Building payments	182,226	182,156	70
<b>Total education</b>	<b>8,379,777</b>	<b>8,357,021</b>	<b>22,756</b>
<b>Debt service:</b>			
Building inspections	9,092	9,092	-
County administration	2,702	2,700	2
EMS	168,151	168,150	1
Facility maintenance	6,789	6,788	1
Garage	2,900	-	2,900
Waste collections	34,232	34,232	-
Register of deeds	863	-	863
Sheriff	106,619	105,662	957
McDowell Technical Community College	10,815	10,815	-
Other debt service	946,152	947,962	(1,810)
<b>Total debt service - principal and interest</b>	<b>1,288,315</b>	<b>1,285,401</b>	<b>2,914</b>
<b>Total expenditures</b>	<b>33,775,474</b>	<b>32,459,840</b>	<b>1,315,634</b>
<b>Revenue over expenditures</b>	<b>633,875</b>	<b>1,867,220</b>	<b>1,233,345</b>

**McDowell County, North Carolina**

**General Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
<b>Other financing sources (uses):</b>			
Installment purchase obligations issued	\$ 216,225	\$ 216,225	\$ -
Transfers from:			
Capital Project Funds:			
McDowell Tech Baldwin Avenue	14,203	14,203	-
Transfers to:			
Capital Project Funds:			
Trail project	(25,000)	(25,000)	-
Forest Service	(46,390)	(46,390)	-
Industrial Park Project	(96,981)	(96,981)	-
Special Revenue Funds:			
Revaluation	(5,000)	(5,000)	-
Recreation	(263,814)	(263,814)	-
Enterprise Funds	(1,123,474)	(1,123,474)	-
Fund balance appropriated	696,356	-	(696,356)
<b>Total other financing uses</b>	<b>(633,875)</b>	<b>(1,330,231)</b>	<b>(696,356)</b>
Excess of revenue and other financing sources over expenditures and other financing uses	\$ -	536,989	\$ 536,989
<b>Fund balance - beginning of year</b>		10,930,888	
<b>Fund balance - end of year</b>	\$	11,467,877	

## **McDowell County, North Carolina**

### Combining Statements for Nonmajor Funds

Year Ended June 30, 2010

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#### *Special Revenue Funds:*

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

#### *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:*

- Eastfield Elementary Wall and Schools Capital Projects – These funds account for school construction projects, funded by the Schools Capital Reserve Fund.
- Industrial Park Capital Project – The County uses this fund to account for economic development projects.
- 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).
- Forest Service Project – The County uses this fund to account for expenditures related to the relocation of the Forest Service facility.
- Senior Center Project – The County uses this fund to account for the construction and renovation of Senior Center properties.
- Watson Road CDBG Project – The County uses this fund to account for the expenditures related to water line extensions on the upper part of Watson Road, funded by Community Development Block Grants.
- 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 uses this fund to account for the development of a water system to the Nebo community, partially funded by grants.

## **McDowell County, North Carolina**

### **Combining Statements for Nonmajor Funds - Continued**

**Year Ended June 30, 2010**

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

Combining Balance Sheets

Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds			Debt Service Fund
	Fire and Rescue Districts	Revaluation	Recreation	Debt Service Fund
<b>Assets</b>				
Cash and investments	\$ 36,167	\$ 133,406	\$ 34,247	\$ 9
Taxes receivable - net	99,703	-	-	-
Accounts receivable -other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 135,870</b>	<b>\$ 133,406</b>	<b>\$ 34,247</b>	<b>\$ 9</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 36,167	\$ 9,500	\$ 23,272	\$ -
Due to other funds	-	-	-	-
Deferred revenue	99,703	-	-	-
<b>Total liabilities</b>	<b>135,870</b>	<b>9,500</b>	<b>23,272</b>	<b>-</b>
<b>Fund balances:</b>				
Reserved by State statute	-	-	-	-
<b>Unreserved:</b>				
Designated	-	-	-	-
Undesignated	-	123,906	10,975	9
<b>Total fund balances</b>	<b>-</b>	<b>123,906</b>	<b>10,975</b>	<b>9</b>
<b>Total liabilities and fund balances</b>	<b>\$ 135,870</b>	<b>\$ 133,406</b>	<b>\$ 34,247</b>	<b>\$ 9</b>

**McDowell County, North Carolina**

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2010

	Capital Project Funds				
	Eastfield Elementary Wall Project	School Capital Projects	Industrial Park Project	Trail Project	
<b><u>Assets</u></b>					
Cash and investments	\$	-	-	59,075	\$ 19,195
Taxes receivable - net		-	-	-	-
Accounts receivable - other governments		-	-	-	-
<b>Total assets</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>59,075</b>	<b>\$ 19,195</b>
<b><u>Liabilities and fund balances</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$	-	-	5,083	\$ -
Due to other funds		-	-	-	-
Deferred revenue		-	-	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>5,083</b>	<b>-</b>
<b>Fund balances:</b>					
Reserved by State statute		-	-	-	-
<b>Unreserved:</b>					
Designated		-	-	-	-
Undesignated		-	-	53,992	19,195
<b>Total fund balances</b>		<b>-</b>	<b>-</b>	<b>53,992</b>	<b>19,195</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>59,075</b>	<b>\$ 19,195</b>

**McDowell County, North Carolina**

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2010

	Capital Project Funds			
	Housing Relocation & Stabilization Services Project	Forest Service Project	Senior Center Project	Watson Road CDBG Project
<b><u>Assets</u></b>				
Cash and investments	\$ -	\$ -	\$ 16,373	\$ -
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	40,752	-	-	15,000
<b>Total assets</b>	<b>\$ 40,752</b>	<b>\$ -</b>	<b>\$ 16,373</b>	<b>\$ 15,000</b>
<b><u>Liabilities and fund balances</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	40,777	-	-	11,992
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>40,777</b>	<b>-</b>	<b>-</b>	<b>11,992</b>
<b>Fund balances:</b>				
Reserved by State statute	40,752	-	-	15,000
<b>Unreserved:</b>				
Designated	-	-	-	-
Undesignated	(40,777)	-	16,373	(11,992)
<b>Total fund balances (deficit)</b>	<b>(25)</b>	<b>-</b>	<b>16,373</b>	<b>3,008</b>
<b>Total liabilities and fund balances</b>	<b>\$ 40,752</b>	<b>\$ -</b>	<b>\$ 16,373</b>	<b>\$ 15,000</b>

**McDowell County, North Carolina**

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2010

	Capital Project Funds				
	Financial Assistance Project	Nebo Water System Project	Sherwood Forest Project	CDBG - 2008 Scattered Site Housing Project	Foothills Pilot Plant Project
<b>Assets</b>					
Cash and investments	\$ -	\$ 143,225	\$ -	\$ 269	\$ 8,324
Taxes receivable - net	-	-	-	-	-
Accounts receivable - other governments	22,950	-	-	15,646	64,741
<b>Total assets</b>	<b>\$ 22,950</b>	<b>\$ 143,225</b>	<b>\$ -</b>	<b>\$ 15,915</b>	<b>\$ 73,065</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 4,116	\$ -	\$ -	\$ 15,646	\$ 840
Due to other funds	18,635	-	4,961	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>22,751</b>	<b>-</b>	<b>4,961</b>	<b>15,646</b>	<b>840</b>
<b>Fund balances:</b>					
Reserved by State statute	22,950	-	-	15,646	64,741
<b>Unreserved:</b>					
Designated	-	-	-	-	-
Undesignated	(22,751)	143,225	(4,961)	(15,377)	7,484
<b>Total fund balances (deficit)</b>	<b>199</b>	<b>143,225</b>	<b>(4,961)</b>	<b>269</b>	<b>72,225</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,950</b>	<b>\$ 143,225</b>	<b>\$ -</b>	<b>\$ 15,915</b>	<b>\$ 73,065</b>

**McDowell County, North Carolina**

Combining Balance Sheets – Continued

Nonmajor Governmental Funds

June 30, 2010

	Capital Project Funds				Totals June 30, 2010
	McDowell Tech Baldwin Avenue Facility Project	PRC Industries Building Reuse Project	Single Family Rehabilitation Project	Harmony Grove Road Water Line Extension Project	
<b>Assets</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	450,290
Taxes receivable - net	-	-	-	-	99,703
Accounts receivable - other governments	-	-	23,989	-	183,078
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,989</b>	<b>\$ -</b>	<b>733,071</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	94,624
Due to other funds	-	-	23,989	-	100,354
Deferred revenue	-	-	-	-	99,703
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>23,989</b>	<b>-</b>	<b>294,681</b>
<b>Fund balances:</b>					
Reserved by State statute	-	-	23,989	-	183,078
Unreserved:					
Undesignated	-	-	(23,989)	-	255,312
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>438,390</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,989</b>	<b>\$ -</b>	<b>733,071</b>

**McDowell County, North Carolina**

Combining Statements of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2010

	Special Revenue Funds			
	Fire and Rescue Districts	Revaluation	Recreation	Debt Service Fund
<b>Revenue:</b>				
Ad valorem taxes	\$ 1,522,913	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	-	57,248
Sales and services	-	-	37,170	-
Investment earnings	-	278	313	-
Miscellaneous revenue	-	-	-	-
<b>Total revenue</b>	<b>1,522,913</b>	<b>278</b>	<b>37,483</b>	<b>57,248</b>
<b>Expenditures:</b>				
General government	-	52,573	-	-
Public safety	1,522,913	-	-	-
Economic and physical development	-	-	-	-
Human services	-	-	-	-
Cultural and recreational	-	-	332,465	-
Debt service	-	-	-	1,187,197
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>1,522,913</b>	<b>52,573</b>	<b>332,465</b>	<b>1,187,197</b>
Revenue under expenditures	-	(52,295)	(294,982)	(1,129,949)
<b>Other financing sources (uses):</b>				
Operating transfer in from General Fund	-	5,000	263,814	-
Operating transfer out to General Fund	-	-	-	-
Operating transfer in from Capital Project Fund	-	-	-	1,129,949
<b>Total other financing sources</b>	<b>-</b>	<b>5,000</b>	<b>263,814</b>	<b>1,129,949</b>
Decrease in fund balance	-	(47,295)	(31,168)	-
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>171,201</b>	<b>42,143</b>	<b>9</b>
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ 123,906</b>	<b>\$ 10,975</b>	<b>\$ 9</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2010

	Capital Project Funds			
	Eastfield Elementary Wall Project	School Capital Projects	Industrial Park Project	Trail Project
<b>Revenue:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	96,750	1,849
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>96,750</b>	<b>1,849</b>
<b>Expenditures:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	17,667	-
Human services	-	-	-	-
Cultural and recreational	-	-	-	-
Debt service	-	-	-	-
Capital outlay	1,029	259,407	140,707	7,654
<b>Total expenditures</b>	<b>1,029</b>	<b>259,407</b>	<b>158,374</b>	<b>7,654</b>
Revenue under expenditures	(1,029)	(259,407)	(61,624)	(5,805)
<b>Other financing sources (uses):</b>				
Operating transfer in from General Fund	-	-	96,981	25,000
Operating transfer out to General Fund	-	-	-	-
Operating transfer in from Capital Project Fund	1,029	259,407	-	-
<b>Total other financing sources</b>	<b>1,029</b>	<b>259,407</b>	<b>96,981</b>	<b>25,000</b>
Increase in fund balance	-	-	35,357	19,195
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>-</b>	<b>18,635</b>	<b>-</b>
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,992</b>	<b>\$ 19,195</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2010

	Capital Project Funds			
	Housing Relocation & Stabilization Services Project	Forest Service Project	Senior Center Project	Watson Road CDBG Project
<b>Revenue:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	75,909	-	-	29,337
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	13,301	-
<b>Total revenue</b>	<b>75,909</b>	<b>-</b>	<b>13,301</b>	<b>29,337</b>
<b>Expenditures:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Human Services	75,934	-	-	-
Cultural and recreational	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	36,036	1,260	26,329
<b>Total expenditures</b>	<b>75,934</b>	<b>36,036</b>	<b>1,260</b>	<b>26,329</b>
Revenue over (under) expenditures	(25)	(36,036)	12,041	3,008
<b>Other financing sources (uses):</b>				
Operating transfer in from General Fund	-	46,390	-	-
Operating transfer out to General Fund	-	-	-	-
Operating transfer in from Capital Project Fund	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>46,390</b>	<b>-</b>	<b>-</b>
Increase (decrease) in fund balance	(25)	10,354	12,041	3,008
<b>Fund balances (deficit) – beginning of year</b>	<b>-</b>	<b>(10,354)</b>	<b>4,332</b>	<b>-</b>
<b>Fund balances (deficit) – end of year</b>	<b>\$ (25)</b>	<b>\$ -</b>	<b>\$ 16,373</b>	<b>\$ 3,008</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2010

	Capital Project Funds				
	Financial Assistance Project	Nebo Water System Project	Sherwood Forest Project	CDBG - 2008 Scattered Site Housing Project	Foothills Pilot Plant Project
<b>Revenue:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	151,889	-	27,614	215,934	64,741
Sales and services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous revenue	-	-	7,012	-	20,000
<b>Total revenue</b>	<b>151,889</b>	<b>-</b>	<b>34,626</b>	<b>215,934</b>	<b>84,741</b>
<b>Expenditures:</b>					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Economic and physical development	-	-	-	-	-
Human services	151,690	-	-	-	-
Cultural and recreational	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	24,689	39,587	215,588	90,737
<b>Total expenditures</b>	<b>151,690</b>	<b>24,689</b>	<b>39,587</b>	<b>215,588</b>	<b>90,737</b>
Revenue over (under) expenditures	199	(24,689)	(4,961)	346	(5,996)
<b>Other financing sources (uses):</b>					
Operating transfer in from General Fund	-	-	-	-	-
Operating transfer out to General Fund	-	-	-	-	-
Operating transfer in from Capital Project Fund	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase (decrease) in fund balance	199	(24,689)	(4,961)	346	(5,996)
<b>Fund balances (deficit) – beginning of year</b>	<b>-</b>	<b>167,914</b>	<b>-</b>	<b>(77)</b>	<b>78,221</b>
<b>Fund balances (deficit) – end of year</b>	<b>\$ 199</b>	<b>\$ 143,225</b>	<b>\$ (4,961)</b>	<b>\$ 269</b>	<b>\$ 72,225</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2010

	Capital Project Funds				Totals June 30, 2010
	McDowell Tech Baldwin Avenue Facility Project	PRC Industries Building Reuse Project	Single Family Rehabilitation Project	Harmony Grove Road Water Line Extension Project	
<b>Revenue:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,522,913
Restricted intergovern- mental revenue	-	-	142,969	-	864,240
Sales and services	-	-	-	-	37,170
Investment earnings	-	-	-	-	591
Miscellaneous revenue	-	-	-	-	40,313
<b>Total revenue</b>	-	-	142,969	-	2,465,227
<b>Expenditures:</b>					
General government	-	-	-	-	52,573
Public safety	-	-	-	-	1,522,913
Economic and physical development	-	-	-	-	17,667
Human services	-	-	-	-	227,624
Cultural and recreational	-	-	-	-	332,465
Debt service	-	-	-	-	1,187,197
Capital outlay	304,800	-	142,969	-	1,290,792
<b>Total expenditures</b>	304,800	-	142,969	-	4,631,231
Revenue over (under) Expenditures	(304,800)	-	-	-	(2,166,004)
<b>Other financing sources (uses):</b>					
Operating transfer in from General Fund	-	-	-	-	437,185
Operating transfer out to General Fund	(14,203)	-	-	-	(14,203)
Operating transfer in from Capital Project Fund	-	-	-	-	1,390,385
<b>Total other financing sources (uses)</b>	(14,203)	-	-	-	1,813,367
Decrease in fund balance	(319,003)	-	-	-	(352,637)
<b>Fund balances – beginning of year</b>	319,003	-	-	-	791,027
<b>Fund balances – end of year</b>	\$ -	\$ -	\$ -	\$ -	\$ 438,390

**McDowell County, North Carolina**

**Fire and Rescue Districts Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
<b>Revenue:</b>			
Ad valorem taxes:			
Fire districts:			
Marion Area	\$ 254,922	\$ 253,324	\$ (1,598)
Ashford/North Cove	94,684	93,954	(730)
Dysartsville	98,025	98,104	79
Glenwood	100,848	100,336	(512)
Nebo	229,725	228,627	(1,098)
Pleasant Gardens	98,150	97,279	(871)
Sugar Hill	98,456	97,613	(843)
Woodlawn/Sevier	59,253	57,710	(1,543)
Crooked Creek	88,049	87,890	(159)
Old Fort Area	71,141	70,324	(817)
Hankins/North Fork	39,498	38,436	(1,062)
Long Town	26,920	26,642	(278)
County	58,423	57,761	(662)
Rescue district:			
McDowell County Rescue	216,552	214,913	(1,639)
<b>Total revenue</b>	<b>1,534,646</b>	<b>1,522,913</b>	<b>(11,733)</b>
<b>Expenditures:</b>			
Public safety:			
Fire district allocations:			
Marion Area	254,922	253,330	1,592
Ashford/North Cove	94,684	93,956	728
Dysartsville	98,025	98,131	(106)
Glenwood	100,848	100,290	558
Nebo	229,725	228,516	1,209
Pleasant Gardens	98,150	97,283	867
Sugar Hill	98,456	97,612	844
Woodlawn/Sevier	59,253	57,718	1,535
Crooked Creek	88,049	87,867	182
Old Fort Area	71,141	70,364	777
Hankins/North Fork	39,498	38,437	1,061
Long Town	26,920	26,640	280
County	58,423	57,856	567
Rescue district allocation:			
McDowell County Rescue	216,552	214,913	1,639
<b>Total expenditures</b>	<b>1,534,646</b>	<b>1,522,913</b>	<b>11,733</b>
<b>Revenue over expenditures</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balance - beginning of year</b>			<b>-</b>
<b>Fund balance - end of year</b>		<b>\$ -</b>	

**McDowell County, North Carolina**

Revaluation Fund

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

Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>Revenue:</b>			
Investment earnings	\$ -	\$ 278	\$ 278
Total revenue	-	278	278
<b>Expenditures:</b>			
General government:			
Capital expenditures	136,400	52,573	83,827
Total expenditures	136,400	52,573	83,827
Revenue under expenditures	(136,400)	(52,295)	84,105
<b>Other financing sources:</b>			
Transfer from General Fund	5,000	5,000	-
Fund balance appropriated	131,400	-	(131,400)
Total other financing sources	136,400	5,000	(131,400)
<b>Revenue and other financing sources under expenditures</b>	\$ -	(47,295)	\$ (47,295)
<b>Fund balance - beginning of year</b>		171,201	
<b>Fund balance - end of year</b>		\$ 123,906	

**McDowell County, North Carolina**

## Recreation Fund

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

Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>Revenue:</b>			
Sales and services	\$ 99,550	\$ 37,170	\$ (62,380)
Investment earnings	5,750	313	(5,437)
Total revenue	105,300	37,483	(67,817)
<b>Expenditures:</b>			
Cultural and recreational:			
Salaries and benefits		118,837	
Operating expenditures		199,922	
Capital expenditures		13,706	
Total expenditures	386,764	332,465	54,299
Revenue under expenditures	(281,464)	(294,982)	(13,518)
<b>Other financing sources:</b>			
Transfer from General Fund	263,814	263,814	-
Fund balance appropriated	17,650	-	(17,650)
Total other financing sources	281,464	263,814	(17,650)
Revenue and other financing sources under expenditures	\$ -	(31,168)	\$ (31,168)
Fund balance - beginning of year		42,143	
Fund balance - end of year		\$ 10,975	

**McDowell County, North Carolina**

**Emergency Telephone System Fund**

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

**Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)
<b>Revenue:</b>			
Restricted intergovernmental	\$ 300,000	\$ 307,358	\$ 7,358
Investment earnings	2,000	1,456	(544)
<b>Total revenue</b>	<b>302,000</b>	<b>308,814</b>	<b>6,814</b>
<b>Expenditures:</b>			
Public safety:			
Operating expenditures	93,230	87,238	5,992
Capital expenditures	561,174	470,350	90,824
<b>Total expenditures</b>	<b>654,404</b>	<b>557,588</b>	<b>96,816</b>
Revenue under expenditures	(352,404)	(248,774)	103,630
<b>Other financing sources:</b>			
Fund balance appropriated	352,404	-	(352,404)
<b>Total other financing sources</b>	<b>352,404</b>	<b>-</b>	<b>(352,404)</b>
<b>Revenue and other financing sources under expenditures</b>	<b>\$ -</b>	<b>(248,774)</b>	<b>\$ (248,774)</b>
<b>Fund balance - beginning of year</b>		<b>759,009</b>	
<b>Fund balance - end of year</b>		<b>\$ 510,235</b>	

**McDowell County, North Carolina**

Debt Service Fund

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

Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>Revenue:</b>			
Restricted intergovernmental revenue	\$ 57,248	\$ 57,248	\$ -
Total revenue	57,248	57,248	-
<b>Expenditures:</b>			
Debt service	1,187,084	1,187,197	(113)
Total expenditures	1,187,084	1,187,197	(113)
Revenue under expenditures	(1,129,836)	(1,129,949)	(113)
<b>Other financing sources:</b>			
Transfer from Schools Capital Reserve Fund	1,129,836	1,129,949	113
Total other financing sources	1,129,836	1,129,949	113
<b>Revenue and other financing sources over expenditures</b>	\$ -	- \$	-
<b>Fund balance - beginning of year</b>		9	
<b>Fund balance - end of year</b>	\$	-	

**McDowell County, North Carolina****Schools Capital Reserve Fund****Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual**

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Public school building fund	\$ 138,745	\$ -	\$ 65,240	\$ 65,240
Local option sales tax	1,858,751	-	1,858,751	1,858,751
Investment earnings	690,000	-	4,184	4,184
<b>Total revenue</b>	<b>2,687,496</b>	<b>-</b>	<b>1,928,175</b>	<b>1,928,175</b>
<b>Other financing sources (uses):</b>				
Transfer from General Fund	11,123,655	13,340,239	-	13,340,239
Transfer to Capital Projects Fund	(2,811,852)	(718,750)	(260,436)	(979,186)
Transfer to Debt Service Fund	(10,539,299)	(9,409,789)	(1,129,949)	(10,539,738)
Transfer to Water/Sewer Project Fund	(460,000)	(460,000)	-	(460,000)
<b>Total other financing sources (uses)</b>	<b>(2,687,496)</b>	<b>2,751,700</b>	<b>(1,390,385)</b>	<b>1,361,315</b>
<b>Increase in fund balance</b>	<b>\$ -</b>	<b>\$ 2,751,700</b>	<b>537,790</b>	<b>\$ 3,289,490</b>
<b>Fund balance - beginning of year</b>			<b>2,751,700</b>	
<b>Fund balance - end of year</b>			<b>\$ 3,289,490</b>	

**McDowell County, North Carolina**

Eastfield Elementary Wall Capital Project

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

From Inception and for the Year Ended June 30, 2010

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Expenditures:</b>				
Capital outlay	\$ 250,000	\$ 220,601	\$ 1,029	\$ 221,630
Total expenditures	250,000	220,601	1,029	221,630
Revenue under expenditures	(250,000)	(220,601)	(1,029)	(221,630)
<b>Other financing sources:</b>				
Operating transfer in from Schools Capital Reserve Fund	250,000	220,601	1,029	221,630
Total other financing sources	250,000	220,601	1,029	221,630
<b>Increase in fund balance</b>	\$ -	\$ -	-	\$ -
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance - end of year</b>			\$ -	

**McDowell County, North Carolina**

Schools Capital Projects Fund

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Expenditures:</b>				
Capital outlay:				
Gym floor	\$ 193,400	\$ 109,221	\$ 67,919	\$ 177,140
MacBook	68,745	-	65,240	65,240
Sewer	30,000	-	30,231	30,231
Roof	660,588	-	7,769	7,769
Wiring	296,000	202,796	88,248	291,044
Water/Sewer	275,000	-	-	-
Security cameras	31,500	-	-	-
Early college	70,000	-	-	-
Improvements	562,000	-	-	-
Accounting charges	374,619	-	-	-
<b>Total expenditures</b>	<b>2,561,852</b>	<b>312,017</b>	<b>259,407</b>	<b>571,424</b>
<b>Revenue under expenditures</b>	<b>(2,561,852)</b>	<b>(312,017)</b>	<b>(259,407)</b>	<b>(571,424)</b>
<b>Other financing sources:</b>				
Operating transfer in from Schools Capital Reserve Fund	2,561,852	312,017	259,407	571,424
<b>Total other financing sources</b>	<b>2,561,852</b>	<b>312,017</b>	<b>259,407</b>	<b>571,424</b>
<b>Increase in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance - beginning of year</b>				-
<b>Fund balance - end of year</b>			\$ -	

**McDowell County, North Carolina**

**Industrial Park Capital Project**

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

**From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Restricted intergovernmental revenue	\$ 1,754,384	\$ 1,479,717	\$ 96,750	\$ 1,576,467
Investment earnings	43,880	43,470	-	43,470
Miscellaneous revenue	-	1,701	-	1,701
Private grants and contributions	825,000	961,000	-	961,000
<b>Total revenue</b>	<b>2,623,264</b>	<b>2,485,888</b>	<b>96,750</b>	<b>2,582,638</b>
<b>Expenditures:</b>				
Economic incentives	2,198,741	2,284,203	17,667	2,301,870
Administrative expenses	-	593	-	593
Capital outlay	4,757,521	4,329,066	140,707	4,469,773
<b>Total expenditures</b>	<b>6,956,262</b>	<b>6,613,862</b>	<b>158,374</b>	<b>6,772,236</b>
Revenue under expenditures	(4,332,998)	(4,127,974)	(61,624)	(4,189,598)
<b>Other financing sources (uses):</b>				
Transfer from General Fund	5,063,764	4,877,374	96,981	4,974,355
Transfer to General Fund	(145,000)	(145,000)	-	(145,000)
Transfer to Debt Service Fund	(2,319,166)	(2,319,165)	-	(2,319,165)
Proceeds from asset sale	167,400	167,400	-	167,400
Installment purchase obligations issued	1,566,000	1,566,000	-	1,566,000
<b>Total other financing sources</b>	<b>4,332,998</b>	<b>4,146,609</b>	<b>96,981</b>	<b>4,243,590</b>
<b>Increase in fund balance</b>	<b>\$ -</b>	<b>\$ 18,635</b>	<b>35,357</b>	<b>\$ 53,992</b>
<b>Fund balance - beginning of year</b>			<b>18,635</b>	
<b>Fund balance - end of year</b>			<b>\$ 53,992</b>	

**McDowell County, North Carolina**

Trail Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Restricted intergovernmental revenue	\$ 2,000	\$ -	\$ 1,849	\$ 1,849
Total revenue	2,000	-	1,849	1,849
<b>Expenditures:</b>				
Improvements	27,000	-	7,654	7,654
Total expenditures	27,000	-	7,654	7,654
Revenue under expenditures	(25,000)	-	(5,805)	(5,805)
<b>Other financing sources:</b>				
Transfer from General Fund	25,000	-	25,000	25,000
Total other financing sources	25,000	-	25,000	25,000
<b>Increase in fund balance</b>	\$ -	\$ -	19,195	\$ 19,195
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance - end of year</b>			\$ 19,195	

**McDowell County, North Carolina**

Housing Relocation and Stabilization Services Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Restricted intergovernmental revenue:				
ARRA	\$ 399,841	\$ -	\$ 75,909	\$ 75,909
<b>Total revenue</b>	<b>399,841</b>	<b>-</b>	<b>75,909</b>	<b>75,909</b>
<b>Expenditures:</b>				
Case management	283,884	-	46,616	46,616
Housing search and replacement	41,791	-	975	975
Credit repair	45,168	-	-	-
Other	28,998	-	28,343	28,343
<b>Total expenditures</b>	<b>399,841</b>	<b>-</b>	<b>75,934</b>	<b>75,934</b>
<b>Decrease in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(25)</b>	<b>\$ (25)</b>
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance (deficit) - end of year</b>			<b>\$ (25)</b>	

**McDowell County, North Carolina**

Forest Service Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Private capital grant	\$ 70,000	\$ 70,000	\$ -	\$ 70,000
Total revenue	70,000	70,000	-	70,000
<b>Expenditures:</b>				
Improvements	283,110	247,074	36,036	283,110
Total expenditures	283,110	247,074	36,036	283,110
Revenue under expenditures	(213,110)	(177,074)	(36,036)	(213,110)
<b>Other financing sources:</b>				
Transfer in from General Fund	213,110	166,720	46,390	213,110
Total other financing sources	213,110	166,720	46,390	213,110
<b>Increase (decrease) in fund balance</b>	\$ -	\$ (10,354)	10,354	\$ -
<b>Fund balance (deficit) - beginning of year</b>			(10,354)	
<b>Fund balance - end of year</b>			\$ -	

**McDowell County, North Carolina**

Senior Center Capital Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Miscellaneous income	\$ 284,477	\$ 248,040	\$ 13,301	\$ 261,341
Investment earnings	10,000	10,000	-	10,000
<b>Total revenue</b>	<b>294,477</b>	<b>258,040</b>	<b>13,301</b>	<b>271,341</b>
<b>Expenditures:</b>				
Capital outlay	3,795,486	3,776,992	1,260	3,778,252
<b>Total expenditures</b>	<b>3,795,486</b>	<b>3,776,992</b>	<b>1,260</b>	<b>3,778,252</b>
Revenue over (under) expenditures	(3,501,009)	(3,518,952)	12,041	(3,506,911)
<b>Other financing sources (uses):</b>				
Transfer to General Fund	(32,070)	(9,795)	-	(9,795)
Installment purchase obligations issued	3,533,079	3,533,079	-	3,533,079
<b>Total other financing sources</b>	<b>3,501,009</b>	<b>3,523,284</b>	<b>-</b>	<b>3,523,284</b>
<b>Increase in fund balance</b>	<b>\$ -</b>	<b>\$ 4,332</b>	<b>12,041</b>	<b>\$ 16,373</b>
<b>Fund balance - beginning of year</b>			<b>4,332</b>	
<b>Fund balance - end of year</b>			<b>\$ 16,373</b>	

**McDowell County, North Carolina**

Watson Road CDBG Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Restricted intergovernmental revenue:				
CDBG Grant #07-C-1721	\$ 247,760	\$ 134,743	\$ 11,329	\$ 146,072
Rural Center	256,750	147,087	18,008	165,095
Local revenue	-	7,267	-	7,267
<b>Total revenue</b>	<b>504,510</b>	<b>289,097</b>	<b>29,337</b>	<b>318,434</b>
<b>Expenditures:</b>				
CDBG Grant #07-C-1721	247,760	134,743	11,329	146,072
Rural Center	256,750	147,087	15,000	162,087
Project cost	38,440	45,707	-	45,707
<b>Total expenditures</b>	<b>542,950</b>	<b>327,537</b>	<b>26,329</b>	<b>353,866</b>
Revenue over (under) expenditures	(38,440)	(38,440)	3,008	(35,432)
<b>Other financing sources:</b>				
Transfer from Nebo Water System Project	38,440	38,440	-	38,440
<b>Total other financing sources</b>	<b>38,440</b>	<b>38,440</b>	<b>-</b>	<b>38,440</b>
<b>Increase in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,008</b>	<b>\$ 3,008</b>
<b>Fund balance - beginning of year</b>				<b>-</b>
<b>Fund balance - end of year</b>			<b>\$ 3,008</b>	

**McDowell County, North Carolina**

Financial Assistance Project

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

From Inception and for the Year Ended June 30, 2010

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Restricted intergovernmental revenue:				
ARRA	\$ 350,157	\$ -	\$ 151,889	\$ 151,889
Total revenue	350,157	-	151,889	151,889
<b>Expenditures:</b>				
Rent assistance	233,100	-	101,198	101,198
Deposits	31,125	-	18,555	18,555
Utilities	73,107	-	30,833	30,833
Other	12,825	-	1,104	1,104
Total expenditures	350,157	-	151,690	151,690
Increase in fund balance	\$ -	\$ -	199	\$ 199
Fund balance - beginning of year			-	
Fund balance - end of year			\$ 199	

**McDowell County, North Carolina**

**Nebo Water System Project**

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

**From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
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
<b>Total revenue</b>	<b>2,697,800</b>	<b>2,459,216</b>	<b>-</b>	<b>2,459,216</b>
<b>Expenditures:</b>				
Little Mountain construction	1,406,998	1,232,796	630	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	63,990	117	64,107
Legal	30,000	4,045	250	4,295
Contingency	103,778	32,350	-	32,350
Additional waterlines	-	5,721	23,692	29,413
<b>Total expenditures</b>	<b>3,008,160</b>	<b>2,612,562</b>	<b>24,689</b>	<b>2,637,251</b>
Revenue under expenditures	(310,360)	(153,346)	(24,689)	(178,035)
<b>Other financing sources (uses):</b>				
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)
<b>Total other financing sources</b>	<b>310,360</b>	<b>321,260</b>	<b>-</b>	<b>321,260</b>
<b>Increase (decrease) in fund balance</b>	<b>\$ -</b>	<b>\$ 167,914</b>	<b>(24,689)</b>	<b>\$ 143,225</b>
<b>Fund balance - beginning of year</b>			<b>167,914</b>	
<b>Fund balance - end of year</b>			<b>\$ 143,225</b>	

**McDowell County, North Carolina**

## Sherwood Forest Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenue:</b>				
Intergovernmental revenue:				
Appalachian Regional Commission	\$ 200,000	\$ 136,888	\$ 7,376	\$ 144,264
Rural Center	179,800	159,998	20,238	180,236
Local revenue	-	-	7,012	7,012
<b>Total revenue</b>	<b>379,800</b>	<b>296,886</b>	<b>34,626</b>	<b>331,512</b>
<b>Expenditures:</b>				
Project costs	392,400	318,086	39,587	357,673
<b>Total expenditures</b>	<b>392,400</b>	<b>318,086</b>	<b>39,587</b>	<b>357,673</b>
Revenue under expenditures	(12,600)	(21,200)	(4,961)	(26,161)
<b>Other financing sources:</b>				
Transfer from Nebo Water System Project	12,600	21,200	-	21,200
<b>Total other financing Sources</b>	<b>12,600</b>	<b>21,200</b>	<b>-</b>	<b>21,200</b>
<b>Decrease in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(4,961)</b>	<b>\$ (4,961)</b>
<b>Fund balance - beginning of year</b>				<b>-</b>
<b>Fund balance (deficit) - end of year</b>			<b>\$ (4,961)</b>	

**McDowell County, North Carolina**

**CDBG - 2008 Scattered Site Housing Capital Project**

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

**From Inception and for the Year Ended June 30, 2010**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	
<b>Revenue:</b>					
Restricted intergovernmental revenue	\$ 400,000	\$ 18,279	\$ 215,934	\$ 234,213	
Total revenue	400,000	18,279	215,934	234,213	
<b>Expenditures:</b>					
Relocation and rehabilitation	400,000	18,356	215,588	233,944	
Total expenditures	400,000	18,356	215,588	233,944	
<b>Increase (decrease) in fund balance</b>	\$ -	\$ (77)	346	\$ 269	
<b>Fund balance (deficit) - beginning of year</b>			(77)		
<b>Fund balance - end of year</b>			\$ 269		

**McDowell County, North Carolina**

**Foothills Pilot Plant Capital Project**

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

**From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Restricted intergovernmental revenue:				
ARC/USDA	\$ 236,000	\$ -	\$ -	\$ -
Rural Center	265,000	30,000	64,741	94,741
Local revenue	200,500	90,250	20,000	110,250
<b>Total revenue</b>	<b>701,500</b>	<b>120,250</b>	<b>84,741</b>	<b>204,991</b>
<b>Expenditures:</b>				
Facility development	434,422	9,900	51,047	60,947
Other project costs	267,078	32,129	39,690	71,819
<b>Total expenditures</b>	<b>701,500</b>	<b>42,029</b>	<b>90,737</b>	<b>132,766</b>
<b>Increase (decrease) in fund balance</b>	<b>\$ -</b>	<b>\$ 78,221</b>	<b>(5,996)</b>	<b>\$ 72,225</b>
<b>Fund balance - beginning of year</b>			78,221	
<b>Fund balance - end of year</b>			\$ 72,225	

**McDowell County, North Carolina**

McDowell Tech Baldwin Avenue Facility Capital Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Expenditures:</b>				
Construction	\$ 981,050	\$ 724,496	\$ 304,800	\$ 1,029,296
Legal	10,000	12,426	-	12,426
Contingency	50,747	75	-	75
<b>Total expenditures</b>	<b>1,041,797</b>	<b>736,997</b>	<b>304,800</b>	<b>1,041,797</b>
Revenue under expenditures	(1,041,797)	(736,997)	(304,800)	(1,041,797)
<b>Other financing sources (uses):</b>				
Installment purchase obligation issued	1,056,000	1,056,000	-	1,056,000
Transfer to General Fund	(14,203)	-	(14,203)	(14,203)
<b>Total other financing sources (uses)</b>	<b>1,041,797</b>	<b>1,056,000</b>	<b>(14,203)</b>	<b>1,041,797</b>
<b>Increase (decrease) in fund balance</b>	<b>\$ -</b>	<b>\$ 319,003</b>	<b>(319,003)</b>	<b>\$ -</b>
<b>Fund balance - beginning of year</b>			319,003	
<b>Fund balance - end of year</b>			\$ -	

**McDowell County, North Carolina**

**PRC Industries Building Reuse Project**

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

**From Inception and for the Year Ended June 30, 2010**

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

**McDowell County, North Carolina**

Single Family Rehabilitation Project

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenue:</b>				
Restricted intergovernmental revenue:				
NC Housing	\$ 304,048	\$ 2,325	\$ 142,969	\$ 145,294
Total revenue	304,048	2,325	142,969	145,294
<b>Expenditures:</b>				
Project cost	304,048	2,325	142,969	145,294
Total expenditures	304,048	2,325	142,969	145,294
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 Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenue:</b>				
Rural Center Grant	\$ 152,220	\$ -	\$ -	\$ -
EPA	143,660	-	-	-
Local	8,560	-	-	-
<b>Total revenue</b>	<b>304,440</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Construction	225,800	-	-	-
Contingency	22,600	-	-	-
Design	22,600	-	-	-
Other	33,440	-	-	-
<b>Total expenditures</b>	<b>304,440</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance - beginning of year</b>				<b>-</b>
<b>Fund balance - end of year</b>			<b>\$ -</b>	

**McDowell County, North Carolina**

Enterprise Fund - Waste Disposal Fund

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

Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Operating revenue:			
Charges for services:			
Tipping fees	\$ 665,000	\$ 664,895	\$ (105)
Recycling revenue	42,000	48,573	6,573
Solid waste disposal	25,000	30,282	5,282
Other operating revenue	34,500	37,786	3,286
Total operating revenue	766,500	781,536	15,036
Nonoperating revenue:			
Investment earnings	1,000	757	(243)
Total nonoperating revenue	1,000	757	(243)
Total revenue	767,500	782,293	14,793
<b>Other financing sources:</b>			
Transfer from General Fund	1,042,474	1,042,474	-
Installment purchase obligation issued	54,058	54,058	-
Capital contributions	4,700	-	(4,700)
Total other financing sources	1,101,232	1,096,532	(4,700)
Total revenue and other financing sources	1,868,732	1,878,825	10,093
<b>Expenditures:</b>			
Facility operations:			
Salaries and employee benefits		243,354	
Operating expenses		1,521,915	
Capital outlay		53,756	
Total expenditures	1,868,732	1,819,025	49,707
<b>Revenue and other sources over expenditures</b>	\$ -	\$ 59,800	\$ 59,800
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenue and other sources over expenditures		\$ 59,800	\$ 59,800
Capital expenditures		53,756	53,756
Depreciation		(50,322)	(50,322)
Debt issued		(54,058)	(54,058)
Debt service principal		27,324	27,324
Increase in accrued vacation pay		(2,205)	(2,205)
Increase in other postemployment benefits		(11,786)	(11,786)
Change in net assets - GAAP		\$ 22,509	\$ 22,509

**McDowell County, North Carolina**

Enterprise Fund - Water Fund

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

Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Operating revenue:			
Charges for services:			
Water sales	\$ 52,000	\$ 36,836	\$ (15,164)
New customers	1,100	974	(126)
Tap fees	1,900	1,250	(650)
Miscellaneous	1,500	1,526	26
<b>Total revenue</b>	<b>56,500</b>	<b>40,586</b>	<b>(15,914)</b>
<b>Other financing sources:</b>			
Transfer from General Fund	81,000	81,000	-
Capital contributions	-	3,971,997	3,971,997
<b>Total other financing sources</b>	<b>81,000</b>	<b>4,052,997</b>	<b>3,971,997</b>
<b>Total revenue and other financing sources</b>	<b>137,500</b>	<b>4,093,583</b>	<b>3,956,083</b>
<b>Expenditures:</b>			
Operating:			
Water purchase	35,500	20,919	14,581
Contract services	22,500	20,250	2,250
Supplies	2,000	860	1,140
Maintenance and equipment	77,500	55,285	22,215
<b>Total expenditures</b>	<b>137,500</b>	<b>97,314</b>	<b>40,186</b>
<b>Revenue over expenditures</b>	<b>\$ -</b>	<b>3,996,269</b>	<b>\$ 3,996,269</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenue and other sources over expenditures		\$	3,996,269
Capital expenditures			42,313
Depreciation			(76,148)
<b>Change in net assets - GAAP</b>		<b>\$</b>	<b>3,962,434</b>

**McDowell County, North Carolina**

Internal Service Fund - Self-Insurance Fund

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

Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Operating revenue:			
Charges for services:			
Employee contributions	\$ 350,000	\$ 340,276	\$ (9,724)
Employer contributions	1,570,000	1,525,320	(44,680)
Cobra payments	40,000	54,167	14,167
Nonoperating revenue:			
Interest earned	-	7	7
<b>Total revenue</b>	<b>1,960,000</b>	<b>1,919,770</b>	<b>(40,230)</b>
<b>Expenditures:</b>			
Employee benefits:			
Claims	1,504,000	1,389,950	114,050
Life Insurance	25,000	17,777	7,223
Fees	431,000	421,771	9,229
<b>Total expenditures</b>	<b>1,960,000</b>	<b>1,829,498</b>	<b>130,502</b>
<b>Revenue over expenditures</b>	<b>\$ -</b>	<b>90,272</b>	<b>\$ 90,272</b>
<b>Net assets (deficit), beginning of year</b>		<b>(81,383)</b>	
<b>Net assets, end of year</b>		<b>\$ 8,889</b>	

**McDowell County, North Carolina**

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b><u>Social Services Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 41,306	\$ 295,316	\$ 280,631	\$ 55,991
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 41,306	\$ 295,316	\$ 280,631	\$ 55,991
<b><u>Fines and Forfeitures Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ -	\$ 261,932	\$ 261,932	\$ -
Accounts receivable - other governments	30,953	12,013	30,953	12,013
Total	\$ 30,953	\$ 273,945	\$ 292,885	\$ 12,013
<u>Liabilities</u>				
Due to other governments	\$ 30,953	\$ 273,945	\$ 292,885	\$ 12,013
<b><u>Motor Vehicle Tax Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 10,990	\$ 155,679	\$ 154,588	\$ 12,081
<u>Liabilities</u>				
Due to other governments	\$ 10,990	\$ 155,679	\$ 154,588	\$ 12,081
<b><u>Inmates Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 5,255	\$ 153,922	\$ 140,465	\$ 18,712
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 5,255	\$ 153,922	\$ 140,465	\$ 18,712
<b><u>Employee Sec 125 Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 6,222	\$ 47,999	\$ 47,693	\$ 6,528
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 6,222	\$ 47,999	\$ 47,693	\$ 6,528
<b><u>DMV Interest Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 1,566	\$ 20,520	\$ 20,490	\$ 1,596
<u>Liabilities</u>				
Due to other governments	\$ 1,566	\$ 20,520	\$ 20,490	\$ 1,596

**McDowell County, North Carolina**

**Agency Funds**

**Combining Statement of Fiduciary Assets and Liabilities – Continued**

**Year Ended June 30, 2010**

	Balance July 1, 2009		Additions		Deductions		Balance June 30, 2010
<b><u>Tax Penalty Schools Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 22,686		\$ 22,686		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 22,686		\$ 22,686		\$ -
<b><u>DMV Operations Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 2,234,060		\$ 2,234,060		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 2,234,060		\$ 2,234,060		\$ -
<b><u>Rescue Squad Billing Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 554		\$ 43,522		\$ 43,878		\$ 198
<u>Liabilities</u>							
Due to other governments	\$ 554		\$ 43,522		\$ 43,878		\$ 198
<b><u>Deed of Trust Fee Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 4,280		\$ 3,660		\$ 620
Accounts receivable - other governments	-		105		-		105
<b>Total</b>	<b>\$ -</b>		<b>\$ 4,385</b>		<b>\$ 3,660</b>		<b>\$ 725</b>
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 4,385		\$ 3,660		\$ 725
<b><u>Totals - All Agency Funds:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 65,893		\$ 3,239,916		\$ 3,210,083		\$ 95,726
Accounts receivable - other governments	30,953		12,118		30,953		12,118
<b>Total</b>	<b>\$ 96,846</b>		<b>\$ 3,252,034</b>		<b>\$ 3,241,036</b>		<b>\$ 107,844</b>
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 52,783		\$ 497,237		\$ 468,789		\$ 81,231
Due to other governments	44,063		2,754,797		2,772,247		26,613
<b>Total</b>	<b>\$ 96,846</b>		<b>\$ 3,252,034</b>		<b>\$ 3,241,036</b>		<b>\$ 107,844</b>

**McDowell County, North Carolina**

**General Fund**

**Schedule of Ad Valorem Taxes Receivable**

June 30, 2010

Year of Levy	Uncollected Balance June 30, 2009	Additions	Collections and Adjustments	Uncollected Balance June 30, 2010
2009	\$ -	\$ 17,044,474	\$ 16,361,845	\$ 682,629
2008	640,467	-	374,049	266,418
2007	208,757	-	43,472	165,285
2006	172,052	-	26,628	145,424
2005	149,602	-	18,113	131,489
2004	123,767	-	13,303	110,464
2003	115,384	-	9,140	106,244
2002	101,936	-	4,374	97,562
2001	94,061	-	4,992	89,069
2000	78,513	-	3,015	75,498
1999	82,803	-	82,803	-
	\$ 1,767,342	\$ 17,044,474	\$ 16,941,734	1,870,082
Less allowance for uncollectible ad valorem taxes				(632,004)
Ad Valorem taxes receivable - net				\$ 1,238,078
<b>Reconciliation with revenues:</b>				
Taxes - Ad Valorem:				
General Fund				\$ 16,894,377
Releases				41,351
Discounts				72,914
Amounts written off for the 1999 levy per the statute of limitations				81,329
Other adjustments				5,261
				17,095,232
Less interest collected				(153,498)
Total collections and adjustments				\$ 16,941,734

**McDowell County, North Carolina**

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2010

	Total Levy				
	County-wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Amount of Levy		
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 2,993,156,919	\$ 0.55	\$ 16,462,363	\$ 14,864,369	\$ 1,597,994
Penalties	-		19,579	19,579	-
<b>Total</b>	<b>2,993,156,919</b>		<b>16,481,942</b>	<b>14,883,948</b>	<b>1,597,994</b>
<b>Discoveries:</b>					
Current year taxes	130,002,720	0.55	715,015	715,015	-
Prior year taxes	7,770,621	0.55	42,739	42,739	-
Penalties	-		4,617	4,617	-
<b>Total</b>	<b>137,773,341</b>		<b>762,371</b>	<b>762,371</b>	<b>-</b>
<b>Abatements</b>	<b>(36,334,438)</b>		<b>(199,839)</b>	<b>(125,624)</b>	<b>(74,215)</b>
<b>Total property valuation</b>	<b>\$ 3,094,595,822</b>				
<b>Net levy</b>			<b>17,044,474</b>	<b>15,520,695</b>	<b>1,523,779</b>
<b>Uncollected taxes at June 30, 2010</b>			<b>682,629</b>	<b>411,102</b>	<b>271,527</b>
<b>Current year's taxes collected</b>			<b>\$ 16,361,845</b>	<b>\$ 15,109,593</b>	<b>\$ 1,252,252</b>
<b>Current levy collection percentage</b>			<b>96.00%</b>	<b>97.35%</b>	<b>82.18%</b>

**McDowell County, North Carolina**

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2010

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Secondary Market Disclosures

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Assessed Valuation:

Assessment Ratio <sup>1</sup>		100%
Real Property	\$	2,348,803,573
Personal Property		619,286,368
Public Service Companies <sup>2</sup>		126,505,881
<hr/>		
Total Assessed Valuation	\$	3,094,595,822
<hr/>		
Tax Rate per \$100	\$	0.55
Levy (includes discoveries and abatements) <sup>3</sup>	\$	17,044,474

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

Fire Protection and Rescue Districts	\$	1,537,414
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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, 2010

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Taxpayer	Type of Business	2010 Assessed Valuation	Percentage of Total Assessed Valuation
Baxter Healthcare	IV Solution	\$ 128,478,414	4.15%
Duke Energy	Utility	95,939,326	3.10%
The Ridges at Morgan Creek	Subdivision	34,244,967	1.11%
CSX Transportation	Railroad	32,698,783	1.06%
Verizon South	Telephone	26,784,680	0.87%
Rutherford EMC	Utility	23,653,549	0.76%
Great Meadows	Subdivision	16,481,358	0.53%
Norfolk Southern	Railroad	16,114,308	0.52%
Fall Creek Land Company	Subdivision	14,516,414	0.47%
IAC Group North America	Manufacturing	12,826,988	0.41%
Total		\$ 401,738,787	12.98%

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**McDowell County, North Carolina**

Compliance Section

Year Ended June 30, 2010

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**Independent Auditors' Report  
on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of County Commissioners  
McDowell County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise McDowell County's basic financial statements, and have issued our report thereon dated November 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 weakness 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, identified as 2010-1 and 2010-2.

### 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 16, 2010.

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

This report is intended solely for the information and use of the audit committee, management, others within the 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 Federal Program and Internal  
Control Over Compliance in Accordance with OMB Circular  
A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
McDowell County, North Carolina

Compliance

We have audited the compliance of McDowell County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of McDowell County's major federal programs for the year ended June 30, 2010. 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, 2010.

### Internal Control Over Compliance

Management of McDowell County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. 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 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-3 and 2010-4. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged in governance.

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

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 16, 2010

**Independent Auditors' Report on Compliance with  
Requirements Applicable to Each Major State Program  
and Internal Control Over Compliance in Accordance with  
Applicable Sections of OMB Circular A-133 and the  
State Single Audit Implementation Act**

To the Board of County Commissioners  
McDowell County, North Carolina

**Compliance**

We have audited the compliance of McDowell County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. 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 are applicable to each of its major State programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of McDowell County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. 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 necessarily 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 16, 2010

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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**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, 93.667, 93.558 93.767	Subsidized Child Care Cluster Children's Health Insurance Program - Health Choice

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2010

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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) or because the program was a major program selected by the N.C. State Auditor's Office (Children's Health Insurance Program - Health Choice).

Dollar threshold to distinguish  
between Type A and Type B Programs \$ 1,736,436

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

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

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

**Section II. Financial Statement Findings**

Material Weakness

Finding: 2010-1      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, 2010

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**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, or transactions could be mishandled.

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

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

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

**Material Weakness**

**Finding: 2010-2: Information and Communication**

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

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

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

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

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

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

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2010

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**Section III. Federal Award Findings and Questioned Costs**

**U.S. Department of Agriculture**

Passed through the North Carolina Department of Health and Human Services

Program Name: Food and Nutrition Services Cluster

CFDA # 10.551, 10.561

Finding: 2010-3

Criteria: Case files must contain proper documentation to verify eligibility. Case files should contain a completed, signed and dated Food and Nutrition Services application (DSS-8207). The form must be signed by the applicant and the caseworker.

Condition: Four case files were missing the signature of the caseworker and one case file was missing the signature of the applicant.

Questioned Cost: \$0. No impact on eligibility determination.

Context: Of the 2,072 case files, forty case files were examined and five case files were determined to be missing a signature on the application (DSS-8027).

Effect: Case files did not contain certain required documentation, although the missing information did not impact eligibility outcome.

Cause: The caseload increased during the current year with no increase in the number of caseworkers.

Recommendation: Procedures should be in place whereby the application form (DSS-8027) is reviewed for proper signatures.

Views of responsible officials and planned corrective action: The County agrees with the finding and will implement adequate review procedures to ensure that this problem does not recur.

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2010

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**Section III. Federal Award Findings and Questioned Costs – continued**

**U.S. Department of Health and Human Services**

Passed through the North Carolina Department of Health and Human Services

Program Name: Children’s Health Insurance Program – Health Choice

CFDA # 93.767

Finding: 2010-4

Criteria: Case files should contain income verification/budget that has been computed and documented correctly.

Condition: Four case files contained errors related to the calculation of income verification/budget.

Questioned Cost: \$0. The case files contained errors in the computation of income budget and documentation of wages, but with no impact on eligibility determination or fees paid.

Context: Of the 316 case files, twenty-five case files were examined and four case files were determined to have errors related to income verification or calculation.

Effect: Case files did not contain correct computations and documentation of income verification/budget.

Cause: The caseload increased during the current year with no increase in the number of caseworkers.

Recommendation: Procedures should be in place whereby all income verification/budget calculations are reviewed.

Views of responsible officials and planned corrective action: The County agrees with the finding and will implement adequate review procedures to ensure that this problem does not recur.

**Section IV. State Award Findings and Questioned Costs**

None reported.

**Section II: Financial Statement Findings**

Material Weaknesses

Finding 2010-1: Control Environment and Monitoring

*Name of contact person:* Alison Morgan, Finance Officer

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

*Proposed Completion Date:* Immediately.

Finding 2010-2: Information and Communication

*Name of contact person:* Alison Morgan, Finance Officer

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

*Proposed Completion Date:* Immediately.

**Section III. Federal Award Findings and Question Costs**

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

*Name of contract person:* Philip Hardin, Social Services Director

*Corrective Action:* The Food and Nutrition Services unit discussed the findings at the unit meeting on November 3, 2010 and will continue to discuss at subsequent unit meetings throughout the year. During the unit meetings, policies will be reviewed on client and caseworker signatures on the DSS-8207 and on what the client's signature on the Form 8207 indicates. Caseworkers will be directed to check all DSS-8207 forms given to them during the intake process to verify that all signatures are in place prior to filing. The lead worker will be directed to check signatures as a review is completed in the files for Form DSS-8194, SFFA, SDA and BNDX information.

*Proposed Completion Date:* Immediately.

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

*Name of contract person:* Philip Hardin, Social Services Director

*Corrective Action:* Health Choice unit meeting on October 27, 2010 included review of the proper deductions for determining eligibility for applications. A unit meeting on November 17, 2010 will include review of budgeting procedures. Policies and procedures will be reviewed with examples to ensure that caseworkers understand the budgeting process. This will be reported every 6 months. Once per month, caseworkers are designated cases to ex parte that is not their own, which will specifically include checking the budget and all other eligibility requirements. The feedback from this exercise will be discussed for learning and correction. Supervisors will ex parte 5 cases per caseworker each month to make sure the caseworkers are completing the correct budget. In addition, training on budgeting procedures will be identified for caseworkers to attend.

*Proposed Completion Date:* Immediately.

**McDowell County, North Carolina**

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2010

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

Status: Duties are separated as much as possible. Finding is repeated in 2008, 2009 and 2010.

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

Status: Corrected.

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

Status: Duties are separated as much as possible. Finding is repeated in 2009 and 2010.

**Finding:** 2008-2: Communication.

Status: Finding is repeated in 2009 and 2010.

**Finding:** 2008-3: Safeguarding of Financial Records.

Status: Corrected.

**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.

**McDowell County, North Carolina**

**Schedule of Expenditures of Federal and State Awards**

Year Ended June 30, 2010

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>Federal Awards:</b>			
<b>U.S. Department of Agriculture:</b>			
Passed through North Carolina Department of Health and Human Services and the Isothermal Planning and Development Commission:			
USDA Supplement Administration	10.570	\$ 42,574	\$ -
ARRA - USDA Supplement Administration	10.570	1,822	-
		44,396	-
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 Food and Nutrition Services Program	10.551	10,492,049	-
	10.561	356,638	-
<b>Total U.S. Department of Agriculture</b>		<b>10,893,083</b>	<b>-</b>
<b>Appalachian Regional Commission:</b>			
Passed through the U.S. Department of Agriculture, Rural Development Center:			
Appalachian Area Development	23.002	7,376	-
<b>Total Appalachian Regional Commission</b>		<b>7,376</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development:</b>			
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	200,101	-
ARRA - Re-Housing	14.257	27,697	-
		227,798	-
Passed through North Carolina Department of Commerce:			
Community Development Block Grants:			
Scattered Housing - 08-C-1829	14.228	215,934	-
Watson Road Water Extension Project	14.228	11,329	-
		227,263	-
Passed through North Carolina Housing Finance:			
Single Family Rehab Program	14.239	142,969	-
<b>Total U.S. Department of Housing and Urban Development</b>		<b>598,030</b>	<b>-</b>
<b>U.S. Department of Justice:</b>			
Direct federal:			
Office of Justice Programs:			
State Criminal Alien Assistance Program	16.606	3,418	-
<b>Total U.S. Department of Justice</b>		<b>3,418</b>	<b>-</b>

**McDowell County, North Carolina**

**Schedule of Expenditures of Federal and State Awards – Continued**

**Year Ended June 30, 2010**

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>U.S. Department of Interior:</b>			
National Parks Service:			
Overmountain Victory National Historic Trail, Rivers and Trails	15.880	\$ 15,200	\$ -
Total U.S. Department of Transportation		15,200	-
<b>U.S. Office of Library Services:</b>			
Passed through North Carolina Department of Cultural Resources, Library Services and Technology Act:			
EZ Technology Planning Grant	45.310	17,670	-
Total U.S. Office of Library Services		17,670	-
<b>U.S. Department of Homeland Security:</b>			
Passed through North Carolina Department of Crime Control and Public Safety:			
Homeland Security - 2006 - GE - T6	97.067	8,044	-
Homeland Security - 2008 - GE - T8	97.067	3,845	-
Homeland Security - 2008 - GE - T8	97.067	6,364	-
Homeland Security - Trailer Grant	97.067	14,665	-
Homeland Security - 2008 - GE - T8	97.067	958	-
		33,876	-
Passed through Buncombe County:			
Homeland Security	97.067	3,464	-
Total U.S. Department of Homeland Security		37,340	-
<b>Federal Emergency Management Agency:</b>			
Passed through North Carolina Division of Emergency Management:			
Disaster Relief:			
FEMA-1871-DR-NC, 2010 Winter Storm and Flood	97.039	18,885	6,295
FEMA-1871-DR-NC, 2010 Winter Storm and Flood	97.039	9,089	3,030
Total Federal Emergency Management Agency		27,974	9,325
<b>U.S. Department of Health and Human Services:</b>			
<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	5,807	-

**McDowell County, North Carolina**

**Schedule of Expenditures of Federal and State Awards – Continued**

**Year Ended June 30, 2010**

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>U.S. Department of Health and Human Services - continued:</b>			
<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	\$ 40,955,559	\$ 14,297,551
Division of Social Services:			
Medicaid Administration	93.778	610,750	75,408
ARRA - Medicaid Transportation	93.778	1,463	-
Adult Care Home Case Management	93.778	45,196	28,878
		41,612,968	14,401,837
NC Health Choice	93.767	18,522	2,301
		41,631,490	14,404,138
<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	-	12,654
Part C - Nutrition Services	93.045	211,847	12,462
Part D - In-Home Services	93.044	95,174	5,597
Part F - Disease Prevention	93.043	1,593	95
ARRA - HCCBG Congregate Nutrition	93.707	11,409	-
ARRA - HCCBG Delivered Meals	93.705	5,616	-
		325,639	30,808
<u>Subsidized Child Care Cluster:</u>			
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	80,000	-
Division of Child Development:			
Child Care and Development Fund - Discretionary	93.575	481,840	-
Temporary Assistance for Needy Families - Contingency			
	93.575	29,327	-
Child Care and Development Fund - Mandatory	93.596	161,556	-
Child Care and Development Fund - Matching	93.596	195,332	104,759
Child Care Development Fund Cluster		948,055	104,759

**McDowell County, North Carolina**

**Schedule of Expenditures of Federal and State Awards – Continued**

**Year Ended June 30, 2010**

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>U.S. Department of Health and Human Services - continued:</b>			
<u>Subsidized Child Care Cluster - continued:</u>			
Passed through North Carolina Department of Health and Human Services:			
<i>Administration for Children and Families:</i>			
Social Services Block Grant	93.667	\$ 16,046	\$ -
Temporary Assistance for Needy Families	93.558	167,668	89,004
ARRA - Temporary Assistance for Needy Families	93.714	59,375	-
Smart Start	N/A	-	21,600
Smart Start Quality TANF MOE	N/A	-	137,575
State Funding	N/A	-	135,693
Subsidized Child Care Cluster		1,191,144	488,631
Passed through North Carolina Department of Health and Human Services:			
Division of Social Services:			
<i>Foster Care and Adoption Cluster:</i>			
Title IV-E – Foster Care:			
Administrative	93.658	377,792	81,226
Benefit Payments	93.658	122,452	33,231
ARRA - Benefit Payments	93.658	4,603	-
ARRA - Adoption Assistance	93.659	8,894	-
Adoption Assistance	93.659	1,123	-
Adoption Assistance - Direct Benefit Payments	93.659	205,423	42,203
		720,287	156,660
Passed through North Carolina Department of Health and Human Services:			
Work First/Temporary Assistance for Needy Families (TANF):			
Direct Benefit Payments	93.558	316,253	-
Work First Benefits	93.558	9,829	-
Administration	93.558	636,674	992
Administration - Adoption Foster Care (TANF Share)	93.558	319,324	-
		1,282,080	992
LINKS	93.674	20,194	2,488
Social Services Block Grant	93.667	180,608	10,794
Family Preservation	93.556	1,735	-
Child Welfare Services:			
Permanency Planning	93.645	13,159	3,657
Child Support Enforcement	93.563	284,144	-
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:			
Administration	93.568	261,846	-
Direct Benefit Payments	93.568	362,985	-
		624,831	-
Total U.S. Department of Health and Human Services		46,281,118	15,098,168
Total Federal awards		57,881,209	15,107,493

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – Continued

Year Ended June 30, 2010

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>State Awards:</b>			
<b>North Carolina Department of Health and Human Services:</b>			
Division of Social Services:			
Smart Start		\$ -	\$ 47,395
Soil Conservation		-	23,419
Child Protective Services:			
Expansion Fund		-	459,119
Foster Care		-	132,898
Child Welfare Services:			
Direct Benefit Payments:			
Adoption Subsidy		-	263,057
Division of Aging:			
Direct Benefit Payments:			
State/County Special Assistance to Adults		-	507,720
Division of Youth Services:			
Juvenile Crime Prevention Council		-	129,005
<b>Total North Carolina Department of Health and Human Services</b>		<b>-</b>	<b>1,562,613</b>
<b>North Carolina Department of Corrections:</b>			
Criminal Justice Partnership Program		-	78,538
<b>North Carolina Department of Transportation:</b>			
Elderly and Handicapped Transportation Assistance Program (EDTAP)			
		-	78,281
Work First Transportation		-	16,313
<b>Total North Carolina Department of Transportation</b>		<b>-</b>	<b>94,594</b>
<b>North Carolina Department of Crime Control and Public Safety:</b>			
Division of Emergency Management:			
Emergency Management Preparedness Grant		-	23,344
<b>North Carolina Department of Cultural Resources:</b>			
State Aid to Libraries:			
Administration and Library Development		-	103,404
<b>North Carolina Department of Administration:</b>			
Division of Veterans Affairs:			
N.C. General Statute 165-6 (9)		-	2,000
<b>North Carolina Department of Commerce:</b>			
Rural Economic Development Center:			
Foothills Pilot		-	64,741
Sherwood Forest		-	20,238
Watson Road		-	18,008
One NC Fund		-	96,750
<b>Total North Carolina Department of Commerce</b>		<b>-</b>	<b>199,737</b>

**McDowell County, North Carolina**

**Schedule of Expenditures of Federal and State Awards – Continued**

Year Ended June 30, 2010

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>State Awards - continued:</b>			
<b>North Carolina Office of Rural Health and Community Care:</b>			
Access II Care of Western North Carolina		\$ -	\$ 50,421
<b>North Carolina Department of Environmental and Natural Resources:</b>			
Division of Parks and Recreation:			
Point Lookout Trail Enhancement		-	1,849
Total State awards		-	2,116,500
Total Federal and State awards		\$ 57,881,209	\$ 17,223,993

**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
Morganton Pressure Vessels/North Carolina Department of Commerce	n/a	\$ -	\$ 96,750