

**DAVIE COUNTY
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

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DAVIE COUNTY NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

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Mark S. Jones, Vice-Chairman

Carlyle P. Humphrey

Richard B. Poindexter

Terry Renegar

COUNTY OFFICIALS

Beth M. Dirks County Manager

James J. Stockert Deputy County Manager

Robin M. West Finance Director

E. Edward Vogler, Jr. County Attorney

M. Brent Shoaf Register of Deeds

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DAVIE COUNTY, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Davie County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davie County, North Carolina, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Davie County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Governmental Auditing Standards*, issued by the Comptroller 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. The financial statements of the Davie County Watershed Improvement Commission were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davie County as of June 30, 2013, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, in 2013 Davie County adopted new accounting guidance, GASB Statement No.65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davie County's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013 on our consideration of Davie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davie County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 21, 2013

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Management's Discussion and Analysis

As management of Davie County, we offer readers of Davie County's financial statements this narrative overview and analysis of the financial activities of Davie County for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follows this narrative.

Financial Highlights

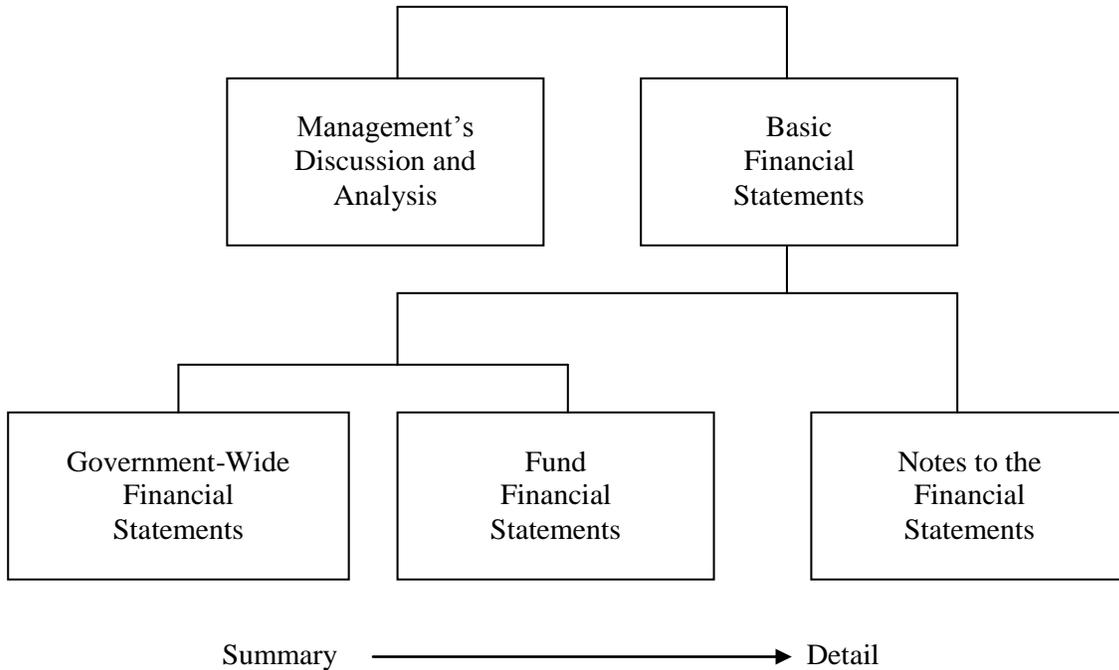
- The assets and deferred outflows of resources of Davie County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$44,263,680.
- The government's total net position increased by \$2,306,024 due to increases in net position in the governmental activities and business-type activities.
- As of the close of the current fiscal year, Davie County's governmental funds reported combined ending fund balances of \$13,828,775, an increase of \$175,872 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,165,321, or 16% of total General Fund expenditures for the fiscal year.
- Davie County has AA- and Aa2 General Obligation bond ratings.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Davie County's basic financial statements. Davie 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 (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 fiscal condition of Davie County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information concerning the County's financial status.

The next statements (Exhibits C through J) are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary funds statements, and 4) the fiduciary funds statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's nonmajor governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and solid waste services offered by Davie County. The final category is the component units. The government-wide financial statements include one component unit, the Davie County Watershed Improvement Commission, for which Davie County is financially accountable.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

Fund financial statements provide a more detailed look at 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. Davie 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 Davie County can be divided into two categories: governmental funds and proprietary 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 give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Davie 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. Davie County maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Davie County uses enterprise funds to account for its water and sewer activity and for its solid waste operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Davie County has five 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 pages 26 through 61 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Davie County's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found beginning on page 62 of this report.

Government-Wide Financial Analysis

As noted earlier, total net position, over time, may serve as a useful indicator of a government's financial condition. The assets and deferred outflows of resources of Davie County exceeded liabilities and deferred inflows of resources by \$44,263,680 as of June 30, 2013. The County's net position increased by \$2,306,024 for the fiscal year ended June 30, 2013. One of the largest portions of net position 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. Davie County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Davie County's investment in its capital assets is reported net of related debt, the resources needed to repay that debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Davie County's Net Position
Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 16,929,372	\$ 16,728,383	\$ 7,933,935	\$ 8,090,316	\$ 24,863,307	\$24,818,699
Capital assets	18,192,902	18,249,360	25,790,580	24,290,817	43,983,482	42,540,177
Total assets	<u>35,122,274</u>	<u>34,977,743</u>	<u>33,724,515</u>	<u>32,381,133</u>	<u>68,846,789</u>	<u>67,358,876</u>
Deferred Outflows of Resources	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>-</u>
Liabilities:						
Long-term liabilities	21,713,509	19,897,331	334,141	325,069	22,047,650	20,222,400
Other liabilities	<u>1,933,030</u>	<u>4,714,383</u>	<u>661,066</u>	<u>445,551</u>	<u>2,594,096</u>	<u>5,159,934</u>
Total liabilities	<u>23,646,539</u>	<u>24,611,714</u>	<u>995,207</u>	<u>770,620</u>	<u>24,641,746</u>	<u>25,382,334</u>
Deferred Inflows of Resources	<u>26,363</u>	<u>18,886</u>	<u>-</u>	<u>-</u>	<u>26,363</u>	<u>18,886</u>
Net Position:						
Net investment in capital assets	17,932,902	17,859,360	25,790,580	24,290,817	43,723,482	42,150,177
Restricted	5,583,497	5,831,175	-	-	5,583,497	5,831,175
Unrestricted	<u>(11,982,027)</u>	<u>(13,343,392)</u>	<u>6,938,728</u>	<u>7,319,696</u>	<u>(5,043,299)</u>	<u>(6,023,696)</u>
Total net position	<u>\$ 11,534,372</u>	<u>\$ 10,347,143</u>	<u>\$ 32,729,308</u>	<u>\$ 31,610,513</u>	<u>\$ 44,263,680</u>	<u>\$ 41,957,656</u>

Several particular aspects of the County's financial operations influenced the total unrestricted governmental net position.

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.64%.
- Continued low cost of debt due to the County's high bond rating.
- Decrease in long-term liabilities.

Davie County's Changes in Net Position
Figure 3

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,440,920	\$ 4,419,103	\$ 5,036,239	\$ 4,559,082	\$ 9,477,159	\$ 8,978,185
Operating grants and contributions	8,570,885	6,813,717	-	-	8,570,885	6,813,717
Capital grants and contributions	4,680,833	520,428	874,862	-	5,555,695	520,428
General revenues:						
Property taxes	27,308,475	27,069,728	-	-	27,308,475	27,069,728
Other taxes	6,189,696	6,119,017	-	-	6,189,696	6,119,017
Other	<u>1,557,835</u>	<u>1,522,697</u>	<u>1,345</u>	<u>2,855</u>	<u>1,559,180</u>	<u>1,525,552</u>
Total revenues	<u>52,748,644</u>	<u>46,464,690</u>	<u>5,912,446</u>	<u>5,229,768</u>	<u>58,661,090</u>	<u>51,026,627</u>
Expenses:						
General government	5,899,015	5,704,797	-	-	5,899,015	5,704,797
Public safety	13,879,750	12,336,756	-	-	13,879,750	12,336,756
Environmental protection	53,069	607,833	-	-	53,069	607,833
Economic and physical development	5,027,639	2,970,497	-	-	5,027,639	2,970,497
Human services	10,904,555	10,891,088	-	-	10,904,555	10,891,088
Culture and recreation	1,174,922	1,182,139	-	-	1,174,922	1,182,139
Education	13,270,743	12,661,133	-	-	13,270,743	12,661,133
Interest and fiscal changes	1,159,379	1,080,309	-	-	1,159,379	1,080,309
Solid waste	-	-	250,214	331,100	250,214	331,100
Water and sewer	-	-	<u>4,735,780</u>	<u>4,342,801</u>	<u>4,735,780</u>	<u>4,342,801</u>
Total expenses	<u>51,369,072</u>	<u>47,434,552</u>	<u>4,985,994</u>	<u>4,763,043</u>	<u>56,355,066</u>	<u>52,108,453</u>
Increase (decrease) in net position						
before transfers	1,379,572	(969,862)	926,452	(111,964)	2,306,024	(1,081,826)
Transfers, net	<u>(192,343)</u>	<u>(175,168)</u>	<u>192,343</u>	<u>175,168</u>	-	-
Increase (decrease) in net position	1,187,229	(1,145,030)	1,118,795	63,204	2,306,024	(1,081,826)
Net position, July 1	10,536,284	11,492,173	31,610,513	31,547,309	42,146,797	43,039,482
Prior period adjustment	<u>(189,141)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,141)</u>	<u>-</u>
Net position, July 1 - restated	<u>10,347,143</u>	<u>11,492,173</u>	<u>31,610,513</u>	<u>31,547,309</u>	<u>41,957,656</u>	<u>43,039,482</u>
Net position, June 30	<u>\$ 11,534,372</u>	<u>\$ 10,347,143</u>	<u>\$ 32,729,308</u>	<u>\$ 31,610,513</u>	<u>\$ 44,263,680</u>	<u>\$ 41,957,656</u>

Governmental Activities. Governmental activities increased the County's net position by \$1,187,229. Key elements for the year are as follows:

- Revenues increased by \$6,283,964 in total over the prior year. An increase in Capital and Operating Grants accounts for most of this increase, due to Economic Development projects. Ad valorem tax, sales tax revenue, and sales and services also increased.
- Expenditures increased across almost all County departments by \$3,934,520 from the prior year.
- Lease payments were received from Ashley Furniture of \$834,294 and a grant was received from The Golden LEAF Foundation of \$2,500,000 for the Ashley Furniture Project.

Business-Type Activities. Business-type activities increased Davie County's net position by \$1,118,795. A key element of this increase was the water and sewer rates were increased to help cover the cost of providing the service.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Davie County. At the end of the current fiscal year, fund balance available in the General Fund was \$9,542,173, while total fund balance reached \$12,685,934. As a measure of the General Fund's liquidity, it may be useful to compare both fund balance available and total fund balance to total fund expenditures. Fund balance available represents 18.86% of total General Fund expenditures, while total fund balance represents 25.07% of that same amount.

At June 30, 2013, the governmental funds of Davie County reported a combined fund balance of \$13,828,775, an increase of 1% over the prior year.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into 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 \$2,359,739. The major portion of this increase was attributable to changes in amounts of funding received from the State of North Carolina and other grants. Budget-to-actual variances include a shortfall in federal and State grants, charges for sales and services, and licensing and permits due to the economy. Lower than expected expenditures of \$47,872,428 minimized the effect on changes in fund balance.

Proprietary Funds. Davie County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to \$18,942, and those for the Water and Sewer Fund equaled \$6,919,786. The total increase in net position for both funds was \$8,984 and \$1,109,811, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of Davie County's business-type activities.

Capital Assets and Debt Administration

Capital Assets. Davie County's capital assets for its governmental and business-type activities as of June 30, 2013 total \$43,983,482 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchase of replacement vehicles for Sheriff's Office, Emergency Medical Services, and Public Utilities.
- Purchase of Computer System for the Sheriff's Office and second phase of Northwoods paperless system conversion for Social Services.
- Moving Development Services and Public Utilities into the completed Dodge Building.

Davie County's Capital Assets
Figure 4

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 621,225	\$ 621,225	\$ 366,731	\$ 366,731	\$ 987,956	\$ 987,956
Buildings	22,143,463	21,947,947	508,082	508,082	22,651,545	22,456,029
Furniture, equipment and computer	4,692,837	4,328,397	1,496,550	1,323,234	6,189,387	5,651,631
Vehicles and motor equipment	2,494,908	2,155,384	-	-	2,494,908	2,155,384
Water/sewer lines	-	-	36,452,971	36,452,971	36,452,971	36,452,971
Construction in progress	<u>1,264,706</u>	<u>1,219,818</u>	<u>2,658,868</u>	<u>562,315</u>	<u>3,923,574</u>	<u>1,782,133</u>
	31,217,139	30,272,771	41,483,202	39,213,333	72,700,341	69,486,104
Less:						
Accumulated depreciation	<u>13,024,237</u>	<u>12,023,411</u>	<u>15,692,622</u>	<u>14,922,516</u>	<u>28,716,859</u>	<u>\$ 26,945,927</u>
Capital assets, net	<u>\$ 18,192,902</u>	<u>\$ 18,249,360</u>	<u>\$ 25,790,580</u>	<u>\$ 24,290,817</u>	<u>\$ 43,983,482</u>	<u>\$ 42,540,177</u>

Additional information on Davie County's capital assets can be found beginning on page 40 of this audited financial report.

Long-Term Debt. As of June 30, 2013, Davie County had total bonded debt outstanding of \$6,610,000, all of which is debt backed by the full faith and credit of the County.

	<u>Balance</u> <u>July 01, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation debt	\$ 7,590,000	\$ 5,130,000	\$ 6,110,000	\$ 6,610,000	\$ 900,000
Unamortized premiums	-	490,861	-	490,861	49,086
Installment purchase contracts	390,000	-	130,000	260,000	130,000
Qualified Zone Academy					
Bonds	602,600	-	-	602,600	-
Certificates of participation	11,005,000	-	850,000	10,155,000	850,000
Unamortized premiums	148,060	-	13,304	134,756	13,304
Other post-employment benefits	1,442,360	244,396	-	1,686,756	-
Compensated absences	1,477,667	1,346,533	1,325,733	1,498,467	1,125,000
Net pension obligation	<u>241,644</u>	<u>33,425</u>	<u>-</u>	<u>275,069</u>	<u>-</u>
 Total governmental activities	 <u>\$ 22,897,331</u>	 <u>\$ 7,245,215</u>	 <u>\$ 8,429,037</u>	 <u>\$ 21,713,509</u>	 <u>\$ 3,067,390</u>
Business-Type Activities:					
Accrued landfill post-closure care costs	\$ 213,041	\$ -	\$ 10,150	\$ 202,891	\$ 18,000
Other post-employment benefits	96,533	15,932	-	112,465	-
Compensated absences	<u>101,495</u>	<u>99,690</u>	<u>96,400</u>	<u>104,785</u>	<u>68,000</u>
 Total business-type activities	 <u>\$ 411,069</u>	 <u>\$ 115,622</u>	 <u>\$ 106,550</u>	 <u>\$ 420,141</u>	 <u>\$ 86,000</u>

As mentioned in the financial highlights section of this document, Davie County maintained its Aa2 bond rating from Moody's Investor Service and AA- rating from Standard & Poor's Corporation. This bond rating is a clear indication of the sound financial condition of Davie County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Davie County is approximately \$328,200,000. The County has no authorized, but unissued, bonds at June 30, 2013.

Additional information regarding Davie County's long-term debt can be found beginning on page 51 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

Even though the slow economic recovery and unemployment rate of 8.3%, which is lower than the statewide average of 8.8% and lower than the June 2012 level of 8.7%, has affected the revenue stream to the County, revenues have increased in all areas over the prior year. The County has managed to keep firm control over expenditures to minimize the effect on net position.

The following key economic indicators reflect the growth and prosperity of the County.

- Ashley Furniture, a manufacturer and distributor of home furnishings based in Arcadia, WI, has opened a new facility in Davie County. Over the next five years, Ashley Furniture will create 550 new jobs and invest \$80 million in land, building, machinery, and equipment. Over the past fiscal year, the County has successfully assisted the Company in 1,000,000 sq ft expansion plans.
- Construction was completed in August 2013 on Phase one of Wake Forest Baptist Health – West Campus of an outpatient healthplex with inpatient beds to be added in 2017.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: A revenue neutral property tax rate of 66 cents has been approved. There are no major increases in County fees. There was a 2% decrease in allocations to outside agencies. Budgeted expenditures in the General Fund are expected to decrease by 4.2% to \$46,220,165.

Business-Type Activities: The water and sewer rates for tap fees and higher gallon usage will increase beginning January 1, 2014. The budget for General operating expenses decreased by 2.5% overall.

Requests for Information

This financial 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, Davie County, 123 South Main Street, Mocksville, North Carolina 27028. Budget information and audited financial statements can also be found at <http://www.daviecountync.gov/index.aspx?nid=95>.

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Davie County Watershed Improvement Commission
Assets:				
Cash and cash equivalents	\$ 11,491,058	\$ 5,602,683	\$ 17,093,741	\$ 257,666
Taxes receivable, net	825,777	-	825,777	-
Accounts receivable, net	455,528	965,669	1,421,197	-
Due from other governments	3,810,527	895,689	4,706,216	-
Accrued interest on investments	1,985	-	1,985	-
Restricted cash and cash equivalents	310,349	156,158	466,507	-
Inventories	34,148	313,736	347,884	-
Capital assets:				
Land and construction in progress	1,885,931	3,025,599	4,911,530	-
Other capital assets, net of depreciation	16,306,971	22,764,981	39,071,952	-
Total capital assets	18,192,902	25,790,580	43,983,482	-
Total assets	35,122,274	33,724,515	68,846,789	257,666
Deferred Outflows of Resources	85,000	-	85,000	-
Liabilities:				
Accounts payable and accrued liabilities	1,933,030	380,251	2,313,281	108
Prepaid fees	-	38,657	38,657	-
Liabilities to be paid from restricted assets:				
Customer deposits	-	156,158	156,158	-
Long-term liabilities:				
Due within one year	3,067,390	86,000	3,153,390	-
Due in more than one year	18,646,119	334,141	18,980,260	-
Total liabilities	23,646,539	995,207	24,641,746	108
Deferred Inflows of Resources	26,363	-	26,363	-
Net Position:				
Net investment in capital assets	17,932,902	25,790,580	43,723,482	-
Restricted for:				
Stabilization for State statute	4,653,881	-	4,653,881	-
Register of Deeds	152,987	-	152,987	-
Education	310,349	-	310,349	-
Public safety	466,280	-	466,280	-
Unrestricted (deficit)	(11,982,027)	6,938,728	(5,043,299)	257,558
Total net position	\$ 11,534,372	\$ 32,729,308	\$ 44,263,680	\$ 257,558

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

DAVIE COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 5,899,015	\$ 431,929	\$ 1,873,858	\$ -
Public safety	13,879,750	1,828,944	827,018	-
Environmental protection	53,069	-	-	-
Economic and physical development	5,027,639	30,945	899,497	4,442,695
Human services	10,904,555	2,149,102	4,821,991	238,138
Cultural and recreational	1,174,922	-	148,521	-
Education	13,270,743	-	-	-
Interest and fiscal charges	1,159,379	-	-	-
Total governmental activities	<u>51,369,072</u>	<u>4,440,920</u>	<u>8,570,885</u>	<u>4,680,833</u>
Business-Type Activities:				
Water and Sewer Fund	4,735,780	4,937,384	-	874,862
Solid Waste Fund	250,214	98,855	-	-
Total business-type activities	<u>4,985,994</u>	<u>5,036,239</u>	<u>-</u>	<u>874,862</u>
Total primary government	<u>\$ 56,355,066</u>	<u>\$ 9,477,159</u>	<u>\$ 8,570,885</u>	<u>\$ 5,555,695</u>
Component Unit:				
Davie County Watershed Improvement Commission	\$ 24,726	\$ -	\$ -	\$ -
Total component unit	<u>\$ 24,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales tax

Other taxes

Investment earnings, unrestricted

Other unrestricted intergovernmental revenue

Total general revenues, excluding transfers

Transfers to/from other funds

Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

Prior period adjustment

Beginning of year - as restated

End of year - June 30

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Davie County Watershed Improvement Commission</u>
\$ (3,593,228)	\$ -	\$ (3,593,228)	
(11,223,788)	-	(11,223,788)	
(53,069)	-	(53,069)	
345,498	-	345,498	
(3,695,324)	-	(3,695,324)	
(1,026,401)	-	(1,026,401)	
(13,270,743)	-	(13,270,743)	
(1,159,379)	-	(1,159,379)	
<u>(33,676,434)</u>	<u>-</u>	<u>(33,676,434)</u>	
-	1,076,466	1,076,466	
-	(151,359)	(151,359)	
-	925,107	925,107	
<u>(33,676,434)</u>	<u>925,107</u>	<u>(32,751,327)</u>	
			\$ (24,726)
			<u>(24,726)</u>
27,308,475	-	27,308,475	-
6,099,680	-	6,099,680	-
90,016	-	90,016	-
10,369	1,345	11,714	1,065
1,547,466	-	1,547,466	30,000
35,056,006	1,345	35,057,351	31,065
(192,343)	192,343	-	-
<u>34,863,663</u>	<u>193,688</u>	<u>35,057,351</u>	<u>31,065</u>
<u>1,187,229</u>	<u>1,118,795</u>	<u>2,306,024</u>	<u>6,339</u>
10,536,284	31,610,513	42,146,797	251,219
(189,141)	-	(189,141)	-
<u>10,347,143</u>	<u>31,610,513</u>	<u>41,957,656</u>	<u>251,219</u>
<u>\$ 11,534,372</u>	<u>\$ 32,729,308</u>	<u>\$ 44,263,680</u>	<u>\$ 257,558</u>

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

DAVIE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General	Capital Projects Fund	Emergency Telephone System Fund	
Assets:				
Cash and cash equivalents	\$ 11,023,917	\$ -	\$ 467,141	\$ 11,491,058
Taxes receivable, net	825,777	-	-	825,777
Accounts receivable, net	455,528	-	-	455,528
Due from other governments	2,580,354	1,186,371	43,802	3,810,527
Due from other funds	406,539	-	-	406,539
Accrued interest on investments	1,985	-	-	1,985
Restricted cash and cash equivalents	310,349	-	-	310,349
Inventories	34,148	-	-	34,148
Total assets	<u>\$ 15,638,597</u>	<u>\$ 1,186,371</u>	<u>\$ 510,943</u>	<u>\$ 17,335,911</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,673,453	\$ 147,073	\$ 861	\$ 1,821,387
Due to other funds	-	406,539	-	406,539
Total liabilities	<u>1,673,453</u>	<u>553,612</u>	<u>861</u>	<u>2,227,926</u>
Deferred Inflows of Resources:				
Prepaid taxes	26,363	-	-	26,363
Taxes receivable	825,777	-	-	825,777
Other receivables	427,070	-	-	427,070
Total deferred inflows of resources	<u>1,279,210</u>	<u>-</u>	<u>-</u>	<u>1,279,210</u>
Fund Balances:				
Non-spendable:				
Inventories	34,148	-	-	34,148
Restricted:				
Stabilization for State statute	3,109,613	1,500,466	43,802	4,653,881
Restricted, all other	463,336	-	466,280	929,616
Assigned	913,516	-	-	913,516
Unassigned	8,165,321	(867,707)	-	7,297,614
Total fund balances	<u>12,685,934</u>	<u>632,759</u>	<u>510,082</u>	<u>13,828,775</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,638,597</u>	<u>\$ 1,186,371</u>	<u>\$ 510,943</u>	

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

DAVIE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,192,902
Accounts receivable that were not available within the period of availability, and, therefore, are not reported in the funds.	85,000
Deferred inflows of resources in fund statements	1,252,847
Some liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(21,825,152)</u>
Net position of governmental activities, per Exhibit A	<u>\$ 11,534,372</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Emergency Telephone System Fund</u>	
Revenues:				
Taxes	\$ 33,146,346	\$ -	\$ 262,809	\$ 33,409,155
Intergovernmental	7,934,023	4,680,833	-	12,614,856
Charges for services	3,963,519	-	-	3,963,519
Permits and fees	731,231	-	-	731,231
Interest on investments	10,146	131	92	10,369
Miscellaneous	1,326,034	858,294	-	2,184,328
Total revenues	<u>47,111,299</u>	<u>5,539,258</u>	<u>262,901</u>	<u>52,913,458</u>
Expenditures:				
General government	5,545,758	-	-	5,545,758
Public safety	13,769,425	-	144,295	13,913,720
Environmental protection	49,870	44,888	-	94,758
Economic and physical development	792,166	4,233,208	-	5,025,374
Human services	10,621,055	232,993	-	10,854,048
Cultural and recreational	1,153,057	15,513	-	1,168,570
Education	12,842,640	428,103	-	13,270,743
Debt service:				
Principal	1,875,000	-	-	1,875,000
Interest and fees	1,223,457	-	-	1,223,457
Total expenditures	<u>47,872,428</u>	<u>4,954,705</u>	<u>144,295</u>	<u>52,971,428</u>
Revenues over (under) expenditures	<u>(761,129)</u>	<u>584,553</u>	<u>118,606</u>	<u>(57,970)</u>
Other Financing Sources (Uses):				
Transfers in	3,334,294	2,537,505	-	5,871,799
Transfers out	(2,729,848)	(3,334,294)	-	(6,064,142)
Bond refunding debt issued	5,130,000	-	-	5,130,000
Payment to bond refunding escrow agent	(5,215,000)	-	-	(5,215,000)
Bond premium	490,861	-	-	490,861
Proceeds from sale of capital assets	20,324	-	-	20,324
Total other financing sources (uses)	<u>1,030,631</u>	<u>(796,789)</u>	<u>-</u>	<u>233,842</u>
Net change in fund balances	269,502	(212,236)	118,606	175,872
Fund Balances:				
Beginning of year - July 1	<u>12,416,432</u>	<u>844,995</u>	<u>391,476</u>	<u>13,652,903</u>
End of year - June 30	<u>\$ 12,685,934</u>	<u>\$ 632,759</u>	<u>\$ 510,082</u>	<u>\$ 13,828,775</u>

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

DAVIE COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the Statement of Activities are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 175,872
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	(56,458)
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 the governmental funds. Neither transaction has any effect on net position.	1,469,139
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(221,239)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(180,085)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 1,187,229</u>

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

DAVIE COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 32,181,752	\$ 32,351,752	\$ 33,146,346	\$ 794,594
Intergovernmental	7,000,228	8,586,494	7,934,023	(652,471)
Charges for sales and services	4,619,533	4,633,933	3,963,519	(670,414)
Permits and fees	538,000	538,000	731,231	193,231
Interest on investments	7,500	7,500	10,146	2,646
Miscellaneous	830,508	1,419,581	1,326,034	(93,547)
Total revenues	<u>45,177,521</u>	<u>47,537,260</u>	<u>47,111,299</u>	<u>(425,961)</u>
Expenditures:				
General government	5,897,523	5,997,721	5,545,758	451,963
Public safety	13,791,724	14,154,453	13,769,425	385,028
Environmental protection	51,539	51,539	49,870	1,669
Economic and physical development	1,092,110	1,099,110	792,166	306,944
Human services	11,358,342	12,266,468	10,621,055	1,645,413
Cultural and recreational	1,146,073	1,199,664	1,153,057	46,607
Education	11,564,148	12,882,733	12,842,640	40,093
Debt service:				
Principal	1,905,457	1,905,457	1,875,000	30,457
Interest and fees	836,965	1,242,825	1,223,457	19,368
Total expenditures	<u>47,643,881</u>	<u>50,799,970</u>	<u>47,872,428</u>	<u>2,927,542</u>
Revenues over (under) expenditures	<u>(2,466,360)</u>	<u>(3,262,710)</u>	<u>(761,129)</u>	<u>2,501,581</u>
Other Financing Sources (Uses):				
Transfers to other funds	(517,140)	(3,079,645)	(2,729,848)	349,797
Transfers from other funds	-	3,334,294	3,334,294	-
Proceeds from sale of capital assets	10,000	10,000	20,324	10,324
Bond refunding issued	-	5,129,999	5,130,000	1
Payment to bond refunding escrow agent	-	(5,215,000)	(5,215,000)	-
Bond premium	-	490,861	490,861	-
Contingency	(100,000)	(40,596)	-	40,596
Total other financing sources (uses)	<u>(607,140)</u>	<u>629,913</u>	<u>1,030,631</u>	<u>400,718</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,073,500)</u>	<u>(2,632,797)</u>	<u>269,502</u>	<u>2,902,299</u>
Appropriated fund balance	<u>3,073,500</u>	<u>2,632,797</u>	<u>-</u>	<u>(2,632,797)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>269,502</u>	<u>\$ 269,502</u>
Fund Balance:				
Beginning of year - July 1			<u>12,416,432</u>	
End of year - June 30			<u>\$ 12,685,934</u>	

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Major</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,358,281	\$ 244,402	\$ 5,602,683
Accounts receivable, net	965,669	-	965,669
Due from other governments	875,070	20,619	895,689
Inventory, at cost	313,736	-	313,736
Cash and cash equivalents, restricted	156,158	-	156,158
Total current assets	<u>7,668,914</u>	<u>265,021</u>	<u>7,933,935</u>
Capital assets:			
Land and other non-depreciable assets	2,980,309	45,290	3,025,599
Other capital assets, net of depreciation	<u>22,730,022</u>	<u>34,959</u>	<u>22,764,981</u>
Capital assets, net	<u>25,710,331</u>	<u>80,249</u>	<u>25,790,580</u>
Total non-current assets	<u>25,710,331</u>	<u>80,249</u>	<u>25,790,580</u>
Total assets	<u>33,379,245</u>	<u>345,270</u>	<u>33,724,515</u>
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	337,063	43,188	380,251
Prepaid fees	38,657	-	38,657
Liabilities to be paid from restricted assets:			
Customer deposits	156,158	-	156,158
Current portion of compensated absences	68,000	-	68,000
Accrued landfill post-closure liabilities	-	<u>18,000</u>	<u>18,000</u>
Total current liabilities	<u>599,878</u>	<u>61,188</u>	<u>661,066</u>
Non-current liabilities:			
Compensated absences payable	36,785	-	36,785
Other post-employment benefits	112,465	-	112,465
Accrued landfill post-closure liabilities	-	<u>184,891</u>	<u>184,891</u>
Total non-current liabilities	<u>149,250</u>	<u>184,891</u>	<u>334,141</u>
Total liabilities	<u>749,128</u>	<u>246,079</u>	<u>995,207</u>
Net Position:			
Net investment in capital assets	25,710,331	80,249	25,790,580
Unrestricted	<u>6,919,786</u>	<u>18,942</u>	<u>6,938,728</u>
Total net position	<u>\$ 32,630,117</u>	<u>\$ 99,191</u>	<u>\$ 32,729,308</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major		Total
	Water and Sewer Fund	Solid Waste Fund	
Operating Revenues:			
Charges for sales and services	\$ 4,766,786	\$ 98,855	\$ 4,865,641
Miscellaneous	170,598	-	170,598
Total operating revenues	<u>4,937,384</u>	<u>98,855</u>	<u>5,036,239</u>
Operating Expenses:			
Salaries and benefits	1,118,985	-	1,118,985
Other operating expenses	2,794,792	249,048	3,043,840
Depreciation	822,003	1,166	823,169
Total operating expenses	<u>4,735,780</u>	<u>250,214</u>	<u>4,985,994</u>
Operating income (loss)	<u>201,604</u>	<u>(151,359)</u>	<u>50,245</u>
Non-Operating Revenues (Expenses):			
Interest on investments	1,345	-	1,345
Total non-operating revenues (expenses)	<u>1,345</u>	<u>-</u>	<u>1,345</u>
Income (loss) before contributions and transfers	202,949	(151,359)	51,590
Capital contributions	874,862		874,862
Transfer from General Fund, net	32,000	160,343	192,343
Total contributions and transfers	<u>906,862</u>	<u>160,343</u>	<u>1,067,205</u>
Change in net position	1,109,811	8,984	1,118,795
Net Position:			
Beginning of year - July 1	<u>31,520,306</u>	<u>90,207</u>	<u>31,610,513</u>
End of year - June 30	<u>\$ 32,630,117</u>	<u>\$ 99,191</u>	<u>\$ 32,729,308</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major		
	Water and Sewer	Solid Waste	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 3,946,477	\$ 110,264	\$ 4,056,741
Cash paid for goods and services	(2,680,795)	(253,949)	(2,934,744)
Cash paid to employees for services	(1,099,763)	-	(1,099,763)
Customer deposits paid, net	90	-	90
Net cash provided (used) by operating activities	<u>166,009</u>	<u>(143,685)</u>	<u>22,324</u>
Cash Flows from Non-Capital Financing Activities:			
Interfund transfer in (out)	32,000	160,343	192,343
Net cash provided (used) by non-capital financing activities	<u>32,000</u>	<u>160,343</u>	<u>192,343</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,325,087)	-	(2,325,087)
Capital contributions	874,862	-	874,862
Net cash provided (used) by capital and related financing activities	<u>(1,450,225)</u>	<u>-</u>	<u>(1,450,225)</u>
Cash Flows from Investing Activities:			
Interest on investments	1,345	-	1,345
Net increase (decrease) in cash and cash equivalents	(1,250,871)	16,658	(1,234,213)
Cash and Cash Equivalents:			
Beginning of year - July 1	6,765,310	227,744	6,993,054
End of year - June 30	<u>\$ 5,514,439</u>	<u>\$ 244,402</u>	<u>\$ 5,758,841</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 201,604	\$ (151,359)	\$ 50,245
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	822,003	1,166	823,169
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,022,198)	11,409	(1,010,789)
(Increase) decrease in inventory	(67,042)	-	(67,042)
Increase (decrease) in accounts payable and accrued liabilities	181,037	5,249	186,286
Increase (decrease) in customer deposits	90	-	90
Increase (decrease) in unearned revenues	31,293	-	31,293
Increase (decrease) in other post-employment benefits	15,932	-	15,932
Increase (decrease) in accrued landfill post-closure liabilities	-	(10,150)	(10,150)
Increase (decrease) in compensated absences payable	3,290	-	3,290
Net cash provided (used) by operating activities	<u>\$ 166,009</u>	<u>\$ (143,685)</u>	<u>\$ 22,324</u>

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

DAVIE COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 24,368
Taxes receivable	<u>194,341</u>
Total assets	<u>\$ 218,709</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 20,495
Intergovernmental payable	<u>198,214</u>
Total liabilities	<u>\$ 218,709</u>

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

The accounting policies of Davie County (the "County") and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable.

Davie County Watershed Improvement Commission

Davie County Watershed Improvement Commission (the "Commission") exists to operate and maintain a watershed improvement program in the County. The members of the Commission's governing board are appointed by the County. The Commission, which has a June 30 year-end, is presented as if it were a governmental fund.

Davie County Industrial Facilities and Pollution Control Financing Authority

Davie County Industrial Facilities 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	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Davie County Watershed Improvement Commission	Discrete	The Commission's governing board is appointed by the County's Board of Commissioners.	Davie County Watershed Improvement Commission P.O. Box 413 Mocksville, NC 27028
Davie County Industrial Facilities and Pollution Control Financing Authority	Discrete	The Authority is governed by a 12-member Board of Commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

B. Basis of Presentation

Government-Wide Statements:

The Statement of Net Position and the Statement of Activities display information about the primary government (the "County") and its component units. 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County has the following fund categories:

Governmental Funds - account for the County's general governmental activities. Governmental funds include the following fund types:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Special Revenue Funds - Special revenue funds are used to account for specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains one special revenue funds: the Emergency Telephone System Fund. The Emergency Telephone System Fund was established pursuant to North Carolina G.S. 159-26(b)(2), which mandates the treatment of 911 charges and expenditures.

Capital Project Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The County has one capital projects fund within its governmental fund types.

The General Fund and the Capital Project Fund are the major governmental funds of the County for the year ended June 30, 2013.

Proprietary Funds include the following fund types:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The County reports the Water and Sewer Fund and the Solid Waste Fund as major enterprise funds for the year ended June 30, 2013. The Water and Sewer Fund is used to account for the operations of water and sewer lines within the County, and the Solid Waste Fund is used to account for the maintenance and operation of solid waste sites.

Fiduciary Funds - account for the assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include the following fund type:

Agency Funds - Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are used to account for assets the County holds on behalf of others. The County maintains five agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Inmate Trust Fund, which accounts for the funds held on behalf of County inmates; the Property Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; the NCDMV Interest Fund, which accounts for the 3% 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; and the Deed of Trust Fund, which accounts for the fees 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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

C. Measurement Focus and 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, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving or (giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are 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 non-operating 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 enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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 non-operating 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. 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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 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, Davie County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes, which were billed during this period, are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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 revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions 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, then by general revenues.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, special revenue fund, and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Capital Projects Fund. The Enterprise Capital Projects Fund is consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund and at the fund level for the special revenue fund, enterprise funds, and Capital Projects Fund. The County Manager is authorized by the budget ordinance to transfer appropriations between departments of the same fund up to \$1,000 with an official report of such transfers to the Board at the next regular meeting of the Board of Commissioners. During the year, several amendments to the original budget became 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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

F. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity

Deposits and Investments

All deposits of the County are made in Board-designated official depositories and are secured as required by State law [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 moneys 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 Assets

Restricted cash and cash equivalents held by the County is for sinking fund deposits to fund the repayment of the Qualified Zone Academy Bonds. 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, 2012.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

The inventories of the County are valued at cost (first-in, first-out method), which approximates market. The County's General Fund inventory consists of expendable supplies and are recorded as expenditures when consumed, rather than when purchased. The inventory of the County's enterprise funds consists of materials and supplies held for consumption. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000 for land, buildings, improvements, plant assets, furniture and equipment, vehicles and motor equipment, and computer equipment and software. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is not capitalized.

The County holds title to certain Davie County Board of Education 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 give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Davie County Board of Education.

Property, plant, and equipment in the proprietary funds are recorded at original cost at the time of acquisition. Property, plant, and equipment donated to these proprietary fund-type operations are recorded at the estimated fair market value at the date of donation. Capital assets transferred from other funds are carried at cost less estimated depreciation up to time of transfer. Any material interest incurred during the construction phase of proprietary fund-type capital assets is reflected in the capitalized value of the asset constructed.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>Estimated Useful Lives</u>
Governmental Activities:	
Buildings	40 years
Furniture and equipment	5 - 10 years
Vehicles and motor equipment	5 years
Computer equipment and software	3 - 5 years
Business-Type Activities:	
Buildings	50 years
Equipment	5 - 10 years
Water/sewer lines	25 - 50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion, a charge on refunding that had previously been classified as an asset. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category – prepaid property taxes, other receivables, and property taxes receivable.

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 County's sick leave policy 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statutes.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for Register of Deeds – portion of fund balance restricted by State statute for automation enhancement (software) improvements.

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as police, fire, EMS, and Emergency Telephone System.

Restricted for Education – portion of fund balance restricted by revenue source to be used to support public education.

Restricted fund balance at June 30, 2013 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Restricted, all other:		
Register of Deeds	\$ 152,987	\$ -
Public safety	-	466,280
Education	310,349	-
Total	<u>\$ 463,336</u>	<u>\$ 466,280</u>

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Davie County's governing body (highest level of decision making authority, Board of Commissioners). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that Davie County intends to use for specific purposes. The County's governing body has the authority to assign fund balance.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Assigned fund balance at June 30, 2013 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Subsequent year's expenditures	<u>\$ 913,516</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

Davie County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

The County has not officially adopted a fund balance policy.

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

Total fund balance - General Fund		\$ 12,685,934
Less:		
Inventories		34,148
Stabilization by State statute		3,109,613
Fund balance available for appropriation		\$ 9,542,173

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	General Fund	Capital Projects Fund
Encumbrances	\$ 92,277	\$ 314,095

2. Detail Notes On All Funds

A. Assets

Deposits

All deposits of the County 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 these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The 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 does not have a policy regarding custodial credit risk for deposits.

At June 30, 2013, the County's deposits had a carrying amount of \$12,727,805 and a bank balance of \$13,722,515. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$12,722,515 was covered by collateral held under the Pooling Method. Cash on hand was \$2,525.

Investments

At June 30, 2013, the County's investments consisted of \$4,854,286 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard & Poor's. The County has no policy regarding credit risk.

Property Tax - Use - Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forest land 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.

<u>Year</u> <u>Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,372,863	\$ 777,113	\$ 3,149,976
2010	2,396,698	569,216	2,965,914
2011	2,023,712	298,498	2,322,210
2012	<u>2,421,698</u>	<u>139,248</u>	<u>2,560,946</u>
Total	<u>\$ 9,214,971</u>	<u>\$ 1,784,075</u>	<u>\$ 10,999,046</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Receivables

Receivables shown in Exhibit A at June 30, 2013 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$ 817,828	\$ 1,398,928	\$ 2,580,354	\$ 1,985	\$ 4,799,095
Other governmental	-	-	1,230,173	-	1,230,173
Total receivables	817,828	1,398,928	3,810,527	1,985	6,029,268
Allowance for doubtful accounts	<u>(362,300)</u>	<u>(573,151)</u>	-	-	<u>(935,451)</u>
Total governmental activities	<u>\$ 455,528</u>	<u>\$ 825,777</u>	<u>\$ 3,810,527</u>	<u>\$ 1,985</u>	<u>\$ 5,093,817</u>
Business-Type Activities:					
Solid Waste Fund	\$ -	\$ -	\$ 20,619	\$ -	\$ 20,619
Water and Sewer Fund	1,050,669	-	875,070	-	1,925,739
Allowance for doubtful accounts	<u>(85,000)</u>	-	-	-	<u>(85,000)</u>
Total business-type activities	<u>\$ 965,669</u>	<u>\$ -</u>	<u>\$ 895,689</u>	<u>\$ -</u>	<u>\$ 1,861,358</u>

Due from other governments consisted of the following:

Governmental Activities:	
Sales tax reimbursement	\$ 484,749
Grants	2,509,496
Other	816,282
Total	<u>\$ 3,810,527</u>
Business-Type Activities:	
Grants	\$ 875,070
Scrap tire tax and white goods disposal tax	20,619
Total	<u>\$ 895,689</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Capital Assets

Governmental Capital Assets

A summary of changes in the County's governmental capital assets are as follows:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Construction in progress	\$ 1,219,818	\$ 44,888	\$ -	\$ -	\$ 1,264,706
Land	<u>621,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621,225</u>
Total non-depreciable capital assets	<u>1,841,043</u>	<u>44,888</u>	<u>-</u>	<u>-</u>	<u>1,885,931</u>
Depreciable Capital Assets:					
Buildings	21,947,947	195,516	-	-	22,143,463
Furniture and equipment, computer equipment, and software	4,328,397	473,903	120,238	10,775	4,692,837
Vehicles and motor equipment	<u>2,155,384</u>	<u>561,027</u>	<u>221,503</u>	<u>-</u>	<u>2,494,908</u>
Total depreciable capital assets	<u>28,431,728</u>	<u>1,230,446</u>	<u>341,741</u>	<u>10,775</u>	<u>29,331,208</u>
Less Accumulated Depreciation:					
Buildings	7,244,157	564,808	-	-	7,808,965
Furniture and equipment, computer equipment, and software	3,613,950	319,582	117,988	8,620	3,824,164
Vehicles and motor equipment	<u>1,165,304</u>	<u>444,504</u>	<u>218,700</u>	<u>-</u>	<u>1,391,108</u>
Total accumulated depreciation	<u>12,023,411</u>	<u>\$ 1,328,894</u>	<u>\$ 336,688</u>	<u>\$ 8,620</u>	<u>13,024,237</u>
Total depreciable capital assets	<u>16,408,317</u>				<u>16,306,971</u>
Governmental activity capital assets, net	<u>\$ 18,249,360</u>				<u>\$ 18,192,902</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

Governmental Activities:

General government	\$	624,643
Public safety		616,936
Environmental protection		3,199
Human services		84,116
Total	\$	<u>1,328,894</u>

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2013 are as follows:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-Type Activities:				
Solid Waste:				
Non-Depreciable Capital Assets:				
Land	\$ 45,290	\$ -	\$ -	\$ 45,290
 Depreciable Capital Assets:				
Buildings	58,300	-	-	58,300
Equipment	<u>36,797</u>	<u>-</u>	<u>-</u>	<u>36,797</u>
Total depreciable capital assets	<u>95,097</u>	<u>-</u>	<u>-</u>	<u>95,097</u>
 Less Accumulated Depreciation:				
Buildings	22,175	1,166	-	23,341
Equipment	<u>36,797</u>	<u>-</u>	<u>-</u>	<u>36,797</u>
Total accumulated depreciation	<u>58,972</u>	<u>\$ 1,166</u>	<u>\$ -</u>	<u>60,138</u>
Total depreciable capital assets	<u>36,125</u>			<u>34,959</u>
Solid waste capital assets, net	<u>\$ 81,415</u>			<u>\$ 80,249</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Balance</u> <u>July 01, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Water/Sewer:					
Non-Depreciable Capital Assets:					
Land	\$ 321,441	\$ -	\$ -	\$ -	\$ 321,441
Construction-in-progress	<u>562,315</u>	<u>2,096,553</u>	<u>-</u>	<u>-</u>	<u>2,658,868</u>
Total non-depreciable capital assets	<u>883,756</u>	<u>2,096,553</u>	<u>-</u>	<u>-</u>	<u>2,980,309</u>
Depreciable Capital Assets:					
Water/sewer lines	36,452,971	-	-	-	36,452,971
Buildings	449,782	-	-	-	449,782
Equipment	<u>1,286,437</u>	<u>228,534</u>	<u>44,443</u>	<u>(10,775)</u>	<u>1,459,753</u>
Total depreciable capital assets	<u>38,189,190</u>	<u>228,534</u>	<u>44,443</u>	<u>(10,775)</u>	<u>38,362,506</u>
Less Accumulated Depreciation:					
Water/sewer lines	13,827,948	690,446	-	-	14,518,394
Buildings	136,643	14,023	-	-	150,666
Equipment	<u>898,953</u>	<u>117,534</u>	<u>44,443</u>	<u>(8,620)</u>	<u>963,424</u>
Total accumulated depreciation	<u>14,863,544</u>	<u>\$ 822,003</u>	<u>\$ 44,443</u>	<u>\$ (8,620)</u>	<u>15,632,484</u>
Total capital assets being depreciated, net	<u>23,325,646</u>				<u>22,730,022</u>
Water/Sewer capital assets, net	<u>\$ 24,209,402</u>				<u>\$ 25,710,331</u>
Business-type activities capital assets, net	<u>\$ 24,290,817</u>				<u>\$ 25,790,580</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2013 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 18,192,902	\$ 25,790,580
Long-term debt	(18,253,217)	-
Long-term debt for assets not owned by the County	<u>17,993,217</u>	<u>-</u>
Net investment in capital assets	<u>\$ 17,932,902</u>	<u>\$ 25,790,580</u>

B. Liabilities

Payables

Payables shown in Exhibit A at June 30, 2013 were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:			
General	\$ 1,673,453	\$ 111,646	\$ 1,785,099
Other governmental	147,931	-	147,931
Total	<u>\$ 1,821,384</u>	<u>\$ 111,646</u>	<u>\$ 1,933,030</u>
Business-Type Activities:			
Solid waste	\$ 43,188	\$ -	\$ 43,188
Water and sewer	337,063	-	337,063
Total	<u>\$ 380,251</u>	<u>\$ -</u>	<u>\$ 380,251</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. Davie County contributes to the state-wide 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.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$822,366, \$817,520, and \$759,232, respectively. The contributions made by the County equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description. Davie 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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	<u>54</u>
Total	<u><u>56</u></u>

A separate report was not issued for the plan.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return, and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

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

Employer annual required contribution	\$ 59,252
Interest on net pension obligation	12,082
Adjustment to annual required contribution	<u>(15,038)</u>
Annual pension cost	56,296
Employer contributions made	<u>22,871</u>
Increase (decrease) in net pension obligation	33,425
Net pension:	
Beginning of year - July 1	<u>241,644</u>
End of year - June 30	<u>\$ 275,069</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 56,592	59.87%	\$ 217,189
2012	51,834	52.82%	241,644
2013	56,296	40.63%	275,069

Funded Status and Funding Progress. As of December 31, 2012, 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 \$460,774. The covered payroll (annual payroll of active employees covered by the plan) was \$2,001,053, and the ratio of the UAAL to the covered payroll was 23.03%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires that the County contribute each month an amount equal to five percent of each officer’s salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 were \$124,059, which consisted of \$99,643 from the County and \$24,416 from the law enforcement officers.

Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits them to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

401(k) Deferred Compensation Plan

The County also has an approved 401(k) retirement plan covering substantially all employees not engaged in law enforcement. For the year ended June 30, 2013, the County contributed 3% of participating full-time employees' salaries for those employees who voluntarily contributed at least 1% of their salary. The County's contributions were calculated using a covered payroll of \$8,560,117; the County's total payroll was \$12,828,421. The total contribution for the fiscal year ended was \$540,938, which consisted of \$256,696 from the County and \$284,242 from the employees. The County's required contribution and the employees' voluntary contributions represented 3% and 3.42%, respectively, of the covered payroll amount.

Register of Deeds' Supplemental Pension Fund

Plan Description. Davie County also contributes to the Register of Deeds' Supplemental Pension Fund (the "Fund"), a non-contributory, 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 Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 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, 2013, the County's required and actual contributions were \$3,655.

Other Post-Employment Benefits – Healthcare Benefits

Plan Description. According to a County resolution, the County administers a single-employer defined benefit healthcare plan. At retirement, all employees with twenty years or more of credited service who retire under the County's retirement plan have the option to purchase individual medical coverage at the County's group rate. The cost of insurance is borne by the retirees at a prorata share based on years of service. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently, 21 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2013, the County made payments for post-retirement health benefit premiums of \$191,676. The County obtains healthcare coverage through private insurers. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Membership of the plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	21	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	245	49
Total	266	49

Funding Policy. The County pays 50% of the cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the County Board. The County's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 4.22% of annual covered payroll. For the current year, the County contributed \$191,676, or 1.62% of annual covered payroll. The County purchases insurance from a private carrier for healthcare coverage. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 15.04% and 3.12% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$271,045. The County's obligation to contribute to the Plan is established and may be amended by the County Board.

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

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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:

	<u>Governmental</u> <u>Activities</u>	<u>Business -Type</u> <u>Activities</u>	<u>Total</u>
Annual required contribution	\$ 421,759	\$ 27,494	\$ 449,253
Interest on net OPEB obligation	57,789	3,767	61,556
Adjustments to annual required contribution	(55,206)	(3,599)	(58,805)
Annual OPEB cost (expense)	424,341	27,663	452,004
Contributions made	(179,945)	(11,731)	(191,676)
Increase (decrease) in net OPEB obligation	244,396	15,932	260,328
Net OPEB obligation:			
Beginning of year - July 1	1,442,360	96,533	1,538,893
End of year - June 30	<u>\$ 1,686,756</u>	<u>\$ 112,465</u>	<u>\$ 1,799,221</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 493,940	30.5%	\$ 1,134,223
2012	495,825	18.4%	1,538,893
2013	452,004	42.4%	1,799,221

Funding Status and Funding Progress. As of December 31, 2012, 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 \$4,799,578. The covered payroll (annual payroll of active employees covered by the plan) was \$11,833,725, and the ratio of the UAAL to the covered payroll was 40.6 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 information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

In the December 31, 2012 actuarial valuation, the projected 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 8.50 to 5.00 percent annually. Both rates included a 3.00 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 five-year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2012 was 30 years.

As of June 30, 2013, management has decided that OPEB will continue to be funded on a pay-as-you-go basis. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Commissioners.

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's twelve highest months' salary in a row during the twenty-four months prior to the employee's death, but the benefit must be between \$25,000 and \$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. For the fiscal year ended June 30, 2013, the County made contributions to the State for death benefits of \$12,212. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.11% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Operating Leases

The County is committed under various operating leases for land, buildings, and equipment. For the year ended June 30, 2013, total lease expenditures under these operating leases totaled \$22,341. For the current year, the operating leases were for storage spaces, Child Advocacy Center, and the Cooleemee Branch Library. These are annual commitments that expire in June of each fiscal year. Therefore, there are no future obligations.

Long-Term Obligations

Installment Purchases Contracts

As authorized by State law [G.S. 160A-20 and 153A-158.1], the County financed various property acquisitions for use by Davie County Board of Education by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Davie County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

On December 1, 2005, the County entered into an installment purchase contract for the acquisition and construction of a senior center. The installment purchase was issued pursuant to a deed of trust on the senior center.

Serviced by the County's General Fund:

Installment purchase contract due in installments of
\$130,000 through May 1, 2015; interest at 3.39%;
secured by Deed of Trust on the Senior Center \$ 260,000

For the County, the future minimum payments as of June 30, 2013 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 130,000	\$ 8,814
2015	130,000	4,407
Total	<u>\$ 260,000</u>	<u>\$ 13,221</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

General Obligation Bonds Payable

All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund.

General obligation indebtedness payable at June 30, 2013 is comprised of the following individual issues:

Serviced by the General Fund:

\$2,590,000 refunding bonds due on December 1 and June 1 in installments of \$105,000 to \$525,000 through June 1, 2016; interest at 3.00% to 4.00%.	\$ 1,065,000
\$5,130,000 refunding bonds due on November 1 and May 1 in installments of \$455,000 to \$1,160,000; interest at 2.00% to 4.00%.	5,130,000
\$8,825,000 school building serial bonds due on November 1 and May 1 in installments of \$315,000 to \$630,000 through May 1, 2024; interest at 3.5% to 4.875%.	<u>415,000</u>
Total serviced by the General Fund	<u>6,610,000</u>
Total general obligation bonds	<u><u>\$ 6,610,000</u></u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Annual debt service requirement to maturity for the County's general obligation bonds is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 900,000	\$ 455,441
2014	930,000	184,950
2015	570,000	156,850
2016	475,000	143,350
2017	485,000	129,100
2018-2022	2,090,000	412,800
2023-2027	1,160,000	23,600
Total	<u>\$ 6,610,000</u>	<u>\$ 1,506,091</u>

Refunding

On April 17, 2013, the County issued \$5,130,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust to be used for all future debt service payments of \$5,215,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$85,000. This amount is being netted against the new debt and amortized over the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$547,975 and resulted in an economic gain of \$497,455.

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Certificates of Participation

On January 24, 2006, the County issued \$17,050,000 in certificates of participation Series 2006, with an interest rate of 3.5% to 5.0% to finance the construction and equipping of a new middle school and the Davie Campus of Davidson County Community College. The debt is serviced by the General Fund and the principal amount outstanding as of June 30, 2013 is \$10,155,000. Debt service payments are due November 25 and May 25 in principal installments of \$850,000 plus interest from 3.5% to 5.0%.

Annual debt service requirements to maturity for the County’s Certificates of Participation are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 850,000	\$ 452,725
2015	850,000	418,725
2016	850,000	384,725
2017	845,000	342,225
2018	845,000	308,425
2019-2023	4,225,000	1,015,056
2024-2025	1,690,000	126,750
Total	\$ 10,155,000	\$ 3,048,631

Qualified Zone Academy Bonds

On March 17, 2004, the County issued \$602,600 in Qualified Zone Academy Bonds to finance the renovation of certain qualifying school facilities. Bonds qualifying as “Qualified Zone Academy Bonds” under Section 1397E of the Internal Revenue Code are interest-free obligations of the issuer. The creditor receives federal tax credits in lieu of receiving interest payments from the issuer. The principal of \$602,600 is payable in full on March 17, 2020; however, beginning March 17, 2005, the County was required to make annual sinking fund deposits to a restricted bank account in the amount of \$30,456 to fully fund the retirement of these bonds at maturity.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Long-Term Obligations Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2013:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation debt	\$ 7,590,000	\$5,130,000	\$6,110,000	\$ 6,610,000	\$ 900,000
Unamortized premiums		490,861		490,861	49,086
Installment purchase contracts	390,000	-	130,000	260,000	130,000
Qualified Zone Academy Bonds	602,600	-	-	602,600	-
Certificates of participation	11,005,000	-	850,000	10,155,000	850,000
Unamortized premiums	148,060	-	13,304	134,756	13,304
Other post-employment benefits	1,442,360	244,396	-	1,686,756	-
Compensated absences	1,477,667	1,346,533	1,325,733	1,498,467	1,125,000
Net pension obligation	<u>241,644</u>	<u>33,425</u>	<u>-</u>	<u>275,069</u>	<u>-</u>
Total governmental activities	<u>\$ 22,897,331</u>	<u>\$7,245,215</u>	<u>\$8,429,037</u>	<u>\$ 21,713,509</u>	<u>\$ 3,067,390</u>
Business-Type Activities:					
Accrued landfill post-closure care costs	\$ 213,041	\$ -	\$ 10,150	\$ 202,891	\$ 18,000
Other post-employment benefits	96,533	15,932	-	112,465	-
Compensated absences	<u>101,495</u>	<u>99,690</u>	<u>96,400</u>	<u>104,785</u>	<u>68,000</u>
Total business-type activities	<u>\$ 411,069</u>	<u>\$ 115,622</u>	<u>\$ 106,550</u>	<u>\$ 420,141</u>	<u>\$ 86,000</u>

Compensated absences, OPEB, and net pension obligation typically have been liquidated in the General Fund. Compensated absences are accounted for on an FIFO basis.

General Obligation Bonds (\$7,100,861 including unamortized premium), QZAB (\$602,600), and Certificates of Participation (\$10,289,756 including unamortized premium) represent debt not considered in the calculation of net investment in capital assets, net of debt for governmental activities, as these debt issues are not associated with capital assets owned by the County.

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

At June 30, 2013, the County had a legal debt margin of approximately \$328,200,000.

Conduit Debt Obligations

Davie County Industrial Facilities and Pollution Control Financing Authority have issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business 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, 2013, there was one series of industrial revenue bond outstanding, with an aggregate principal amount payable of \$16,062,430.

Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources is a charge on refunding of debt of \$85,000.

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 26,363
Taxes receivable, net (General Fund)	825,777	-
Other receivables (General Fund)	427,070	-
Total	<u>\$ 1,252,847</u>	<u>\$ 26,363</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

C. Interfund Balances and Activity

	Transfers	
	From	To
Transfers From/To Other Funds:		
General Fund	\$ 2,729,848	\$ -
Capital Projects Fund	-	2,537,505
Water and Sewer Fund	-	32,000
Capital Projects Fund	3,334,294	-
Solid Waste Fund	-	160,343
General Fund	-	3,334,294
Total	\$ 6,064,142	\$ 6,064,142

All transfers in the current year were for operations.

Interfund balances consisted of a due to the General Fund from the Capital Project Fund of \$406,539 for an advance to cover current year expenditures.

Transaction with Component Unit

The County contributed \$30,000 to the Davie County Watershed Improvement Commission for operations.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 212,057	\$ -
Aid for Dependent Children (penalties)	(1,015)	(278)
Medical Assistance Program-TitleXIX-Medicaid	26,920,488	14,905,381
Special Supplemental Nutrition Program for Women, Infants, and Children	642,665	-
Independent Living Grant	5,794	-
State/County Special Assistance for Adults	-	290,133
Permanency Planning (Child Welfare Services)	-	186,491
State Foster Care Benefits	-	66,057
Title IV-E Foster Care	102,695	30,694
Adoption Assistance	242,583	64,631
	<u>\$ 28,125,267</u>	<u>\$ 15,543,109</u>

3. Related Organization

The Council of Economic Development (Council) was established to coordinate and promote the economic development of the County. Two of the twelve Board members are appointed by the County. The Council maintains its own accounting system. The County contributed \$149,222 to the Council during the fiscal year ended June 30, 2013.

The Davie County Hospital Foundation, Inc. is a non-profit organization that was established to recruit physicians and provide office space for the physicians' medical practices. Four of the seven Board members are appointed by the County; however, the County's responsibility for this organization does not extend beyond making these appointments.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

4. Joint Ventures

The County, in conjunction with the State of North Carolina, participates in a joint venture to operate the Davie Campus of Davidson County Community College (Community College). The County appoints two members out of the fifteen-member Board of Trustees of the Community College. The President of the Community College's student government serves as an ex-officio non-voting 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 Davie Campus of Davidson County Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Davie Campus of Davidson County Community College's facilities. The County contributed \$595,194 and \$48,991 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2013. The Community College entered into a contract for the construction of a Davie Campus during the 2007 fiscal year. Davie County does 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, 2013. Complete financial statements for the Davie Campus of Davidson County Community College may be obtained from the Community College's administrative offices at P.O. Box 1287, Lexington, NC 27293 or 1205 Salisbury Road, Mocksville, North Carolina 27028.

The County participates in a joint venture to operate Northwest Child Development with three other local governments. Each participating government appoints two Board members to the sixteen-member Board of the Child Development. Northwest Child Development is a joint venture established to improve the quality of life for citizens of the participating governments. The County has an ongoing financial responsibility for the joint venture because Northwest Child Development's continued existence depends on the participating governments' continued funding. None of the participating governments has an equity interest in Northwest Child Development, so no equity interest has been reflected in the financial statement at June 30, 2013. The County contributed \$65,000 to Northwest Child Development during the fiscal year ended June 30, 2013. Complete financial statements for Northwest Child Development can be obtained from the Development's office at P.O. Box 38, Winston-Salem, North Carolina 27102.

The County also participates in a joint venture to operate Yadkin Valley Economic Development District, Inc. (District) with three other local governments. Each participating government appoints two Board members to the twenty-seven member Board of the District. The District is a joint venture established to improve the economic conditions for citizens of the participating governments. The County has an ongoing financial responsibility for the joint venture because the District's continued existence depends on the participating governments' continued funding. None of the participating governments has an equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2013. The County contributed \$45,710 to the District for the fiscal year ended June 30, 2013. Complete financial statements for the Yadkin Valley Economic Development District, Inc. can be obtained from the District's offices at P.O. Box 309, Boonville, North Carolina 27011.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The County, in conjunction with Forsyth County and Stokes County, participates in CenterPoint Human Services, an area mental health authority. The County appoints three members to the nineteen-member Board. CenterPoint Human Services is a joint venture established to provide the participating counties with legally mandated mental health services. The County has an ongoing financial responsibility to CenterPoint Human Services because CenterPoint's continued existence depends on the participating governments' continued funding. The County contributed \$216,013 to CenterPoint Human Services during the fiscal year ended June 30, 2013. None of the participating governments has any equity interest in CenterPoint Human Services so no equity interest has been reflected in the financial statement at June 30, 2013. Complete financial statements for CenterPoint Human Services can be obtained from its administrative office at 4045 University Parkway, Winston-Salem, North Carolina 27102.

5. Jointly Governed Organization

The County, in conjunction with four other counties and twenty-one other municipalities, established the Piedmont Triad Regional Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member of the council's governing board. The County paid membership fees of \$12,510 to the Council during the fiscal year ended June 30, 2013.

6. Closure and Post-Closure Care Costs – Landfill Facilities

State and federal laws and regulations have required the County to place a final cover on its landfill facility when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed its landfill prior to April 4, 1994. The County continues required monitoring during the post-closure care period for up to thirty years. Post-closure costs consist of water quality monitoring, maintenance of the landfill surface and vegetation, mowing, inspections, and recordkeeping. Costs during the monitoring period are estimated to be \$18,000 per year. A liability of \$202,891 is recorded on the books in the Solid Waste Fund to provide for future post-closure costs. Actual post-closure costs may be higher due to inflation, changes in technology, or changes in regulations.

7. Construction Commitments

The government has several active construction projects as of June 30, 2013. The projects include scattered site housing and single family rehabilitation. At year-end, the government's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water Project	\$ 3,363,028	\$ 67,888
Wake Forest Baptist Hospital Sewer	1,829,758	170,242
Scattered Site Housing	272,679	93,153
Urgent Repair Grant	32,380	14,274
Ashley Furniture	6,733,208	175,035
Total	<u>\$ 12,231,053</u>	<u>\$ 520,592</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

8. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract for any one occurrence, with an annual aggregate of \$50 million for flood and earthquake, with sub-limits for other coverage per the County's contract. The County also purchases general, auto, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value or cost of repair, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence and an additional \$500,000 annual aggregate up to a \$2 million limit for liability coverage, \$145 million of aggregate annual losses in excess of \$100,000 per occurrence and an additional \$1 million annual aggregate for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 per occurrence and \$300,000 annual aggregate for workers' compensation. For health insurance, the County is reinsured through the pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000. Flood insurance is provided under the County's property policy up to \$25,000 per occurrence. The County has no property in areas designated "A" (an area close to a river, lake, or stream) by the Federal Emergency Management Agency (FEMA).

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. Individual bonds are as follows: Finance Director, \$50,000; Assistant Finance Director, Tax Administrator, and Tax Collections Supervisor, \$20,000; Payroll and Benefits Specialist, \$10,000. The remaining employees that have access to funds are bonded under a blanket bond with a commercial carrier.

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 fiscal years.

9. Claims and Judgments

At June 30, 2013, the County was 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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

10. Federal and State-Assisted Programs

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

11. Severance Pay Agreements

The County has employment agreements with the County Manager and the Deputy County Manager that result in the following payments if employment is terminated without cause:

- If termination without cause occurs, one year of salary based upon his/her then current salary, payable monthly at the regular pay period plus the monetary equivalent of accrued paid time off and any unreimbursed travel expenses.

The County has an employment agreement with the Finance Director that results in the following payments if employment is terminated without cause:

- If termination without cause occurs, six months of salary based upon her then current salary, payable monthly at the regular pay period plus the monetary equivalent of accrued paid time off and any unreimbursed travel expenses.

12. Change in Accounting Principles

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. Bond issuance costs, which were previously deferred and amortized, must be included in current expenditures. Previously deferred bond issuance costs totaling \$189,141 were recognized as an expenditure in the current year. As a result, beginning net position decreased.

DAVIE COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)					
12/31/2012	\$ -	\$ 460,774		\$ 460,774	0.00%	\$ 2,001,053	23.03%
12/31/2011	-	413,958		413,958	0.00%	1,860,051	22.26%
12/31/2010	-	387,516		387,516	0.00%	1,799,943	21.53%
12/31/2009	-	418,378		418,378	0.00%	1,886,912	22.17%
12/31/2008	-	309,275		309,275	0.00%	1,674,193	18.47%
12/31/2007	-	301,227		301,227	0.00%	1,512,980	19.91%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 59,252	38.60%
2012	53,931	50.77%
2011	57,280	59.15%
2010	40,100	91.00%
2009	36,355	98.54%
2008	41,270	86.80%

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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25% to 7.85%
Cost-of-living adjustments	N/A

*Includes inflation at 3.00%

DAVIE COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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 Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 4,819,574	\$ 4,819,574	0.00%	\$ 11,324,639	42.60%
12/31/2010	-	4,179,201	4,179,201	0.00%	11,585,798	36.10%
12/31/2012	-	4,799,578	4,799,578	0.00%	11,833,725	40.60%

Schedule of Employer Contributions

Year Ended June 30	Percentage of ARC Contributed	Percentage of ARC Contributed
2009	\$ 471,901	16.10%
2010	471,901	16.30%
2011	489,597	30.80%
2012	489,597	30.80%
2013	449,253	42.67%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	8.50% - 5.00%
Year of ultimate trend rate	2018

* Includes inflation at 3.00%

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 26,216,752	\$ 26,801,044	\$ 584,292
Penalties and interest	175,000	155,606	(19,394)
Total	<u>26,391,752</u>	<u>26,956,650</u>	<u>564,898</u>
Other Taxes:			
Local Option Sales Tax:			
Article 39 - one percent	2,025,000	2,331,276	306,276
Article 40 - one-half of one percent	1,400,000	1,587,782	187,782
Article 42 - one-half of one percent	1,700,000	1,659,908	(40,092)
Article 44 - one-half of one percent	-	4,499	4,499
Medicaid Hold Harmless payment	750,000	516,215	(233,785)
Total	<u>5,875,000</u>	<u>6,099,680</u>	<u>224,680</u>
Occupancy Tax	<u>85,000</u>	<u>90,016</u>	<u>5,016</u>
Unrestricted Intergovernmental Revenues:			
Hold Harmless revenue	1,295,633	1,319,468	23,835
Tax refunds - gasoline and sales	550	4,533	3,983
Towns of Mocksville, Cooleemee, and fire department reimbursement	239,544	223,465	(16,079)
Total	<u>1,535,727</u>	<u>1,547,466</u>	<u>11,739</u>
Restricted Intergovernmental Revenues:			
Federal and State grants	6,573,667	5,931,450	(642,217)
Court facilities fees	366,500	361,541	(4,959)
Controlled substance tax	20,600	2,496	(18,104)
Crime prevention	90,000	91,070	1,070
Total	<u>7,050,767</u>	<u>6,386,557</u>	<u>(664,210)</u>
Sales and Services:			
Emergency medical service fees	1,363,500	1,575,515	212,015
Health fees	161,506	66,737	(94,769)
Other fees	26,255	35,114	8,859
Rents	11,475	13,356	1,881
Tax collection fees	34,500	75,601	41,101
Health - client and third-party fees	3,036,697	2,197,196	(839,501)
Total	<u>4,633,933</u>	<u>3,963,519</u>	<u>(670,414)</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Licenses and Permits:			
Building permits	75,000	213,918	138,918
Inspection and other related fees	122,000	158,173	36,173
Other permits and fees	16,000	30,619	14,619
Register of Deeds	325,000	328,521	3,521
Total	<u>538,000</u>	<u>731,231</u>	<u>193,231</u>
Investment Earnings	<u>7,500</u>	<u>10,146</u>	<u>2,646</u>
Miscellaneous Revenues:			
Other revenues	1,372,161	1,269,084	(103,077)
Library - gifts, fines and fees	47,420	56,950	9,530
Total	<u>1,419,581</u>	<u>1,326,034</u>	<u>(93,547)</u>
Total revenues	<u>47,537,260</u>	<u>47,111,299</u>	<u>(425,961)</u>
Expenditures:			
General Government:			
Governing Board:			
Salaries and employee benefits		63,243	
Other operating expenditures		299,309	
Total	<u>440,034</u>	<u>362,552</u>	<u>77,482</u>
Administration:			
Salaries and benefits		417,083	
Other operating expenditures		10,023	
Capital outlay		646	
Total	<u>438,341</u>	<u>427,752</u>	<u>10,589</u>
Grants Administration:			
Salaries and employee benefits		63,826	
Other operating expenditures		3,967	
Total	<u>73,424</u>	<u>67,793</u>	<u>5,631</u>
Elections:			
Salaries and employee benefits		115,342	
Other operating expenditures		111,110	
Total	<u>238,238</u>	<u>226,452</u>	<u>11,786</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Finance:			
Salaries and employee benefits		335,494	
Other operating expenditures		63,133	
Capital outlay		<u>3,128</u>	
Total	<u>447,799</u>	<u>401,755</u>	<u>46,044</u>
Data Processing:			
Salaries and employee benefits		218,672	
Other operating expenditures		238,704	
Capital outlay		<u>136,166</u>	
Total	<u>690,428</u>	<u>593,542</u>	<u>96,886</u>
Taxes:			
Salaries and employee benefits		414,099	
Other operating expenditures		100,035	
Capital outlay		<u>3,132</u>	
Total	<u>548,029</u>	<u>517,266</u>	<u>30,763</u>
Revaluation:			
Salaries and employee benefits		108,080	
Other operating expenditures		<u>57,319</u>	
Total	<u>175,963</u>	<u>165,399</u>	<u>10,564</u>
Legal:			
Contracted services		455,545	
Other operating expenditures		<u>1,938</u>	
Total	<u>519,213</u>	<u>457,483</u>	<u>61,730</u>
Register of Deeds:			
Salaries and employee benefits		222,371	
Other operating expenditures		<u>52,911</u>	
Total	<u>285,186</u>	<u>275,282</u>	<u>9,904</u>
Public Buildings:			
Salaries and employee benefits		258,246	
Other operating expenditures		1,025,969	
Capital outlay		<u>145,642</u>	
Total	<u>1,480,247</u>	<u>1,429,857</u>	<u>50,390</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Court Facilities:			
Operating expenditures		136,423	
Capital outlay		<u>6,740</u>	
Total	<u>142,175</u>	<u>143,163</u>	<u>(988)</u>
DAVIENET:			
Operating expenditures		45,873	
Capital outlay		<u>10,645</u>	
Total	<u>86,004</u>	<u>56,518</u>	<u>29,486</u>
Geographic Information Systems:			
Salaries and employee benefits		139,432	
Other operating expenditures		83,790	
Total	<u>234,918</u>	<u>223,222</u>	<u>223,222</u>
Contributions to other agencies	<u>197,722</u>	<u>197,722</u>	<u>-</u>
Total general government	<u>5,997,721</u>	<u>5,545,758</u>	<u>663,489</u>
Public Safety:			
Sheriff:			
Salaries and employee benefits		3,206,113	
Other operating expenditures		603,767	
Capital outlay		<u>1,071,181</u>	
Total	<u>4,899,872</u>	<u>4,881,061</u>	<u>18,811</u>
Jail:			
Salaries and employee benefits		1,321,933	
Other operating expenditures		512,305	
Capital outlay		<u>26,182</u>	
Total	<u>1,928,765</u>	<u>1,860,420</u>	<u>68,345</u>
Davie Domestic Violence Service:			
Salaries and employee benefits		157,344	
Other operating expenditures		62,313	
Capital outlay		<u>15,086</u>	
Total	<u>280,877</u>	<u>234,743</u>	<u>46,134</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Davie Domestic Violence United Way:			
Salaries and employee benefits		16,509	
Other operating expenditures		<u>309</u>	
Total	<u>17,528</u>	<u>16,818</u>	<u>710</u>
Child Advocacy Center:			
Salaries and employee benefits		<u>3,892</u>	
Total	<u>4,150</u>	<u>3,892</u>	<u>258</u>
Child Advocacy Center - General:			
Other operating expenditures		<u>75,206</u>	
Total	<u>75,206</u>	<u>75,206</u>	<u>-</u>
Fire:			
Assistance to local fire departments		<u>2,223,089</u>	
Total	<u>2,223,089</u>	<u>2,223,089</u>	<u>-</u>
Inspections:			
Salaries and employee benefits		291,224	
Other operating expenditures		<u>25,639</u>	
Total	<u>324,010</u>	<u>316,863</u>	<u>7,147</u>
Medical Examiner:			
Professional services		<u>15,800</u>	
Total	<u>20,000</u>	<u>15,800</u>	<u>4,200</u>
Emergency Medical Service:			
Salaries and employee benefits		2,239,114	
Other operating expenditures		583,388	
Capital outlay		<u>202,727</u>	
Total	<u>3,194,940</u>	<u>3,025,229</u>	<u>169,711</u>
Emergency Management:			
Salaries and employee benefits		77,063	
Other operating expenditures		34,618	
Capital outlay		<u>5,756</u>	
Total	<u>134,665</u>	<u>117,437</u>	<u>17,228</u>
Animal Protection:			
Salaries and employee benefits		145,898	
Capital outlay		74,570	
Operating expenditures		<u>38,618</u>	
Total	<u>288,745</u>	<u>259,086</u>	<u>29,659</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Communication:			
Salaries and employee benefits		627,904	
Other operating expenditures		111,877	
Total	<u>761,606</u>	<u>739,781</u>	<u>21,825</u>
Contributions to Other Agencies:			
Total	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total public safety	<u>14,154,453</u>	<u>13,769,425</u>	<u>385,028</u>
Environmental Protection:			
Contributions to Other Agencies:			
Forestry service	<u>51,539</u>	<u>49,870</u>	<u>1,669</u>
Total environmental protection	<u>51,539</u>	<u>49,870</u>	<u>1,669</u>
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits		134,777	
Other operating expenditures		19,007	
Capital outlay		400	
Total	<u>180,132</u>	<u>154,184</u>	<u>25,948</u>
Agricultural Extension:			
Salaries and employee benefits		2,279	
Operating expenditures		174,315	
Capital outlay		663	
Total	<u>218,978</u>	<u>177,257</u>	<u>41,721</u>
Contributions to other agencies	<u>700,000</u>	<u>460,725</u>	<u>239,275</u>
Total economic and physical development	<u>1,099,110</u>	<u>792,166</u>	<u>306,944</u>
Human Services:			
Health:			
Administration-Basic Programs:			
Salaries and employee benefits		192,823	
Other operating expenditures		80,774	
Capital outlay		4,000	
Total	<u>303,228</u>	<u>277,597</u>	<u>25,631</u>
Clinical Services:			
Salaries and employee benefits		86,030	
Other operating expenditures		52,167	
Total	<u>179,743</u>	<u>138,197</u>	<u>41,546</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Family Planning:			
Salaries and employee benefits		234,885	
Other operating expenditures		<u>35,463</u>	
Total	<u>288,180</u>	<u>270,348</u>	<u>17,832</u>
Adolescent Pregnancy Prevention:			
Salaries and employee benefits		7,857	
Other operating expenditures		<u>20,219</u>	
Total	<u>31,136</u>	<u>28,076</u>	<u>3,060</u>
Maternal and Child Health:			
Salaries and employee benefits		495,245	
Other operating expenditures		<u>107,888</u>	
Total	<u>641,746</u>	<u>603,133</u>	<u>38,613</u>
Home Health Program:			
Salaries and employee benefits		1,102,484	
Other operating expenditures		818,592	
Total	<u>2,081,433</u>	<u>1,921,076</u>	<u>160,357</u>
Women, Infants, and Children:			
Salaries and employee benefits		188,542	
Other operating expenditures		<u>21,545</u>	
Total	<u>248,436</u>	<u>210,087</u>	<u>38,349</u>
Environmental Health:			
Salaries and employee benefits		289,320	
Other operating expenditures		42,810	
Capital outlay		<u>680</u>	
Total	<u>362,066</u>	<u>332,810</u>	<u>29,256</u>
Health - Other:			
Salaries and employee benefits		293,565	
Other operating expenditures		101,376	
Capital outlay		<u>19,728</u>	
Total	<u>547,072</u>	<u>414,669</u>	<u>132,403</u>
Total health	<u>4,683,040</u>	<u>4,195,993</u>	<u>487,047</u>
Mental Health:			
Contribution to Mental Health Authority	<u>216,013</u>	<u>216,013</u>	<u>-</u>
Total mental health	<u>216,013</u>	<u>216,013</u>	<u>-</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Social Services:			
Administration:			
Salaries and employee benefits		2,301,584	
Other operating expenditures		230,103	
Capital outlay		279,745	
Total	<u>2,946,990</u>	<u>2,811,432</u>	<u>135,558</u>
AFDC Program:			
AFDC program - foster care		175,855	
AFDC program - emergency assistance		7,675	
AFDC program - trans day care		892,276	
Total	<u>1,255,332</u>	<u>1,075,806</u>	<u>179,526</u>
Medicaid Program:			
County participation only	<u>15,000</u>	<u>1,754</u>	<u>13,246</u>
Other Programs:			
State boarding home		154,475	
General assistance		80,084	
Special assistance		290,750	
Aid to blind		2,713	
Chore services		8,629	
Crisis intervention		145,670	
Other programs		310,125	
Medicaid transportation		181,954	
Adoption assistance		186,519	
Links transitional housing		10,613	
Total	<u>1,774,054</u>	<u>1,371,532</u>	<u>402,522</u>
Total social services	<u>5,991,376</u>	<u>5,260,524</u>	<u>730,852</u>
Veteran's Service Officer:			
Salaries and employee benefits		42,660	
Other operating expenditures		3,032	
Total	<u>52,582</u>	<u>45,692</u>	<u>6,890</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Senior Center:			
Salaries and employee benefits		278,821	
Other operating expenditures		281,073	
Capital outlay		<u>8,087</u>	
Total	<u>987,605</u>	<u>567,981</u>	<u>419,624</u>
Contributions to other agencies	<u>335,852</u>	<u>334,852</u>	<u>1,000</u>
Total human services	<u>12,266,468</u>	<u>10,621,055</u>	<u>1,645,413</u>
Cultural and Recreational:			
Recreation:			
Operating expenditures		<u>404,448</u>	
Total	<u>404,948</u>	<u>404,448</u>	<u>500</u>
Library:			
Salaries and employee benefits		407,618	
Other operating expenditures		200,436	
Capital outlay		<u>729</u>	
Total	<u>660,716</u>	<u>608,783</u>	<u>51,933</u>
Contribution to other agencies	<u>134,000</u>	<u>139,826</u>	<u>(5,826)</u>
Total cultural and recreational	<u>1,199,664</u>	<u>1,153,057</u>	<u>46,607</u>
Education:			
Public schools - current expense		9,407,445	
Capital outlay - one-half cent tax		1,359,908	
Capital outlay - State and local		1,268,584	
Public schools - special project		143,153	
Community College		644,185	
Contributions to other agencies:			
Rowan Vocational Workshop		6,000	
Horizons Unlimited		<u>13,365</u>	
Total education	<u>12,882,733</u>	<u>12,842,640</u>	<u>40,093</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt Service:			
Principal retirement	1,905,457	1,875,000	30,457
Interest and fees	<u>1,242,825</u>	<u>1,223,457</u>	<u>19,368</u>
Total debt service	<u>3,148,282</u>	<u>3,098,457</u>	<u>49,825</u>
Total expenditures	<u>50,799,970</u>	<u>47,872,428</u>	<u>2,927,542</u>
Revenues over (under) expenditures	<u>(3,262,710)</u>	<u>(761,129)</u>	<u>2,501,581</u>
Other Financing Sources (Uses):			
Operating transfers to other funds:			
Capital Projects Fund	(2,562,505)	(2,537,505)	25,000
Solid Waste Fund	(485,140)	(160,343)	324,797
Water and Sewer Fund	<u>(32,000)</u>	<u>(32,000)</u>	<u>-</u>
Total	<u>(3,079,645)</u>	<u>(2,729,848)</u>	<u>349,797</u>
Operating transfers from other funds:			
Capital Projects Fund	<u>3,334,294</u>	<u>3,334,294</u>	<u>-</u>
Total	<u>3,334,294</u>	<u>3,334,294</u>	<u>-</u>
Proceeds from sale of capital assets	10,000	20,324	10,324
Bond refunding issued	5,129,999	5,130,000	1
Payment to bond refunding escrow agent	(5,215,000)	(5,215,000)	-
Bond premium	490,861	490,861	-
Contingency	<u>(40,596)</u>	<u>-</u>	<u>40,596</u>
Total other financing sources (uses)	<u>629,913</u>	<u>1,030,631</u>	<u>400,718</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,632,797)</u>	<u>269,502</u>	<u>2,902,299</u>
Appropriated fund balance	<u>2,632,797</u>	<u>-</u>	<u>(2,632,797)</u>
Net change in fund balance	<u>\$ -</u>	<u>269,502</u>	<u>\$ 269,502</u>
Fund Balance:			
Beginning of year - July 1		<u>12,416,432</u>	
End of year - June 30		<u>\$ 12,685,934</u>	

DAVIE COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Scattered Site Housing 2010	\$ 400,000	\$ 202,290	\$ 70,388	\$ 272,678	\$ (127,322)
Single Family Rehabilitation 2010	526,624	394,672	133,994	528,666	2,042
JP Green Milling Company CDBG Grant	90,000	90,000	-	90,000	-
Ashley Furniture - CDBG	712,595	-	712,595	712,595	-
Ashley Furniture - Rural Center	1,230,100	-	1,230,100	1,230,100	-
Ashley Furniture - Golden Leaf	2,500,000	-	2,500,000	2,500,000	-
Ashley Furniture - One NC Fund	1,662,000	-	-	-	(1,662,000)
One North Carolina Fund	75,000	-	-	-	(75,000)
State Grant - oil mitigation	1,346,137	1,106,717	(3,744)	1,102,973	(243,164)
2012 Urgent Repair Grant	75,000	-	37,500	37,500	(37,500)
Total restricted intergovernmental	8,617,456	1,793,679	4,680,833	6,474,512	(2,142,944)
Investment earnings:					
Recreation building	-	19,175	-	19,175	19,175
Urgent Repair Program	-	-	131	131	131
Oil spill mitigation	-	6,639	-	6,639	6,639
Total investment earnings	-	25,814	131	25,945	25,945
Miscellaneous:					
Ashley Furniture lease proceeds	2,500,000	-	834,294	834,294	(1,665,706)
Davie Economic Development	24,000	-	24,000	24,000	-
JP Green Milling Company Grant	23,500	23,500	-	23,500	-
Total miscellaneous	2,547,500	23,500	858,294	881,794	(1,665,706)
Total revenues	11,164,956	1,842,993	5,539,258	7,382,251	(3,782,705)
Expenditures:					
Environmental protection:					
Oil spill mitigation	1,391,379	1,219,257	44,888	1,264,145	127,234
Economic and physical development:					
One North Carolina Fund	75,000	-	-	-	75,000
Ashley Furniture	8,666,200	2,500,000	4,233,208	6,733,208	1,932,992
JP Green Milling Company Grant	113,500	113,500	-	113,500	-
Total economic and physical development	8,854,700	2,613,500	4,233,208	6,846,708	2,007,992

DAVIE COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Human services:					
Single Family Rehabilitation 2010	526,624	394,672	130,225	524,897	1,727
2012 Urgent Repair Program	75,000	-	32,380	32,380	42,620
Scattered Site Housing 2010	400,000	202,291	70,388	272,679	127,321
Total human services	1,001,624	596,963	232,993	829,956	171,668
Cultural and recreational:					
Recreation buildings	150,000	13,964	15,513	29,477	120,523
Total cultural and recreational	150,000	13,964	15,513	29,477	120,523
Education:					
Early College DCCC - Davie Campus	-	161,252	-	161,252	(161,252)
Early College 2011	1,200,000	657,847	428,103	1,085,950	114,050
Total education	1,200,000	819,099	428,103	1,247,202	(47,202)
Total expenditures	12,597,703	5,262,783	4,954,705	10,217,488	2,380,215
Revenues over (under) expenditures	(1,432,747)	(3,419,790)	584,553	(2,835,237)	(1,402,490)
Other Financing Sources (Uses):					
Operating transfers in (out):					
From General Fund	6,904,602	4,763,600	2,537,505	7,301,105	396,503
To General Fund	(5,471,855)	(471,854)	(3,334,294)	(3,806,148)	1,665,707
Appropriated fund balance	-	-	-	-	-
Total other financing sources (uses)	1,432,747	4,291,746	(796,789)	3,494,957	2,062,210
Net change in fund balance	\$ -	\$ 871,956	(212,236)	\$ 659,720	\$ 659,720
Fund Balance:					
Beginning of year - July 1			844,995		
End of year - June 30			\$ 632,759		

DAVIE COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 238,699	\$ 262,809	\$ 24,110
Interest on investments	150	92	(58)
Total revenues	<u>238,849</u>	<u>262,901</u>	<u>24,052</u>
Expenditures:			
Public safety	<u>392,000</u>	<u>144,295</u>	<u>247,705</u>
Total expenditures	<u>392,000</u>	<u>144,295</u>	<u>247,705</u>
Revenues over (under) expenditures	<u>(153,151)</u>	<u>118,606</u>	<u>271,757</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>153,151</u>	-	<u>(153,151)</u>
Total other financing sources (uses)	<u>153,151</u>	-	<u>(153,151)</u>
Net change in fund balance	<u>\$ -</u>	<u>118,606</u>	<u>\$ 118,606</u>
Fund Balance:			
Beginning of year - July 1		<u>391,476</u>	
End of year - June 30		<u>\$ 510,082</u>	

DAVIE COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
PSAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported on the Emergency Telephone System Fund budget
to actual are different from the PSAP Revenue - Expenditure Report because:

Ending fund balance, reported on budget to actual	\$ 510,082
Cumulative prior period revenues and expenditures not reported in the fund (difference in beginning Fund Balance - budget to actual vs. PSAP report)	(140,797)
Additional eligible expenditures reported in Emergency Telephone System Fund	<u>(30,189)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u><u>\$ 339,096</u></u>

DAVIE COUNTY, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water sales	\$ 3,350,000	\$ 3,572,171	\$ 222,171
Sewer charges	392,775	371,586	(21,189)
East Davie sewer charges	600,000	459,937	(140,063)
Water and sewer taps	45,500	66,050	20,550
East Davie fees	1,000	297,042	296,042
Miscellaneous charges	136,000	170,598	34,598
Total	<u>4,525,275</u>	<u>4,937,384</u>	<u>412,109</u>
Non-Operating Revenues:			
Interest earnings	<u>3,000</u>	<u>1,345</u>	<u>(1,655)</u>
Total	<u>3,000</u>	<u>1,345</u>	<u>(1,655)</u>
 Total revenues	 <u>4,528,275</u>	 <u>4,938,729</u>	 <u>410,454</u>
Expenditures:			
Administration:			
Salaries and employee benefits		195,797	
Other operating expenditures		89,140	
Total	<u>315,491</u>	<u>284,937</u>	<u>30,554</u>
Water Operations:			
Salaries and employee benefits		387,601	
Utilities		19,298	
Maintenance		110,227	
Other operating expenditures		76,409	
Total	<u>724,709</u>	<u>593,535</u>	<u>131,174</u>

DAVIE COUNTY, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water Treatment Plant:			
Salaries and employee benefits		413,591	
Utilities		184,788	
Maintenance		150,065	
Chemicals		267,000	
Supplies		15,404	
Other operating expenditures		<u>139,420</u>	
Total	<u>1,744,989</u>	<u>1,170,268</u>	<u>574,721</u>
Waste Treatment Plant:			
Salaries and employee benefits		58,098	
Utilities		102,162	
Maintenance		184,437	
Purchased services		3,468	
Other operating expenditures		<u>70,386</u>	
Total	<u>516,675</u>	<u>418,551</u>	<u>98,124</u>
Waste Treatment Plant - East Davie:			
Salaries and employee benefits		44,675	
Utilities		35,132	
Maintenance		42,044	
Other operating expenditures		<u>746,268</u>	
Total	<u>857,488</u>	<u>868,119</u>	<u>(10,631)</u>
Capital Outlay:			
Fire hydrants	32,000	28,926	3,074
Equipment and furniture	<u>937,579</u>	<u>758,752</u>	<u>178,827</u>
Total	<u>969,579</u>	<u>787,678</u>	<u>181,901</u>
Total expenditures	<u>5,128,931</u>	<u>4,123,088</u>	<u>1,005,843</u>
Revenues over (under) expenditures	<u>(600,656)</u>	<u>815,641</u>	<u>1,416,297</u>

DAVIE COUNTY, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other Financing Sources (Uses):			
Transfers from other funds	32,000	32,000	-
Appropriated fund balance	<u>568,656</u>	<u>-</u>	<u>(568,656)</u>
Total other financing sources (uses)	<u>600,656</u>	<u>32,000</u>	<u>(568,656)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>847,641</u>	<u>\$ 847,641</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital outlay expenditures capitalized		\$ 228,534	
Capital contribution capital project fund		874,862	
Increase in compensated absences payable		(3,291)	
Increase in other post-employment benefits		(15,932)	
Depreciation		<u>(822,003)</u>	
Total reconciling items		<u>262,170</u>	
Change in net position		<u>\$ 1,109,811</u>	

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Rural Center Grant - Hospital Sewer Project	\$ 1,000,000	\$ -	\$ 874,862	\$ 874,862	\$ (125,138)
Investment earnings	-	71,870	-	71,870	71,870
Total revenues	1,000,000	71,870	874,862	946,732	(53,268)
Expenditures:					
Water projects:					
Construction	1,957,500	905,250	147,348	1,052,598	904,902
Administrative costs	542,500	361,225	119,447	480,672	61,828
Total	2,500,000	1,266,475	266,795	1,533,270	966,730
Hospital Sewer Project:					
Construction	1,945,000	-	1,809,723	1,809,723	135,277
Administrative costs	55,000	-	20,035	20,035	34,965
Total	2,000,000	-	1,829,758	1,829,758	170,242
Project administration:					
Contingency	50,000	-	-	-	50,000
Total expenditures	4,550,000	1,266,475	2,096,553	3,363,028	1,186,972
Revenues over (under) expenditures	(3,550,000)	(1,194,605)	(1,221,691)	(2,416,296)	1,133,704
Other Financing Sources (Uses):					
Operating transfers - in (out):					
From General Fund	-	200,000	-	200,000	200,000
(To) from Water and Sewer Fund	3,550,000	4,337,459	-	4,337,459	787,459
Total other financing sources (uses)	3,550,000	4,537,459	-	4,537,459	987,459
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,342,854	\$ (1,221,691)	\$ 2,121,163	\$ 2,121,163

DAVIE COUNTY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Recycling	\$ 76,000	\$ 98,855	\$ (22,855)
Total revenues	<u>76,000</u>	<u>98,855</u>	<u>(22,855)</u>
Expenditures:			
Landfill operations:			
Purchased services	420,000	247,663	172,337
Other operating expenditures	<u>141,140</u>	<u>11,535</u>	<u>129,605</u>
Total expenditures	<u>561,140</u>	<u>259,198</u>	<u>301,942</u>
Revenues over (under) expenditures	<u>(485,140)</u>	<u>(160,343)</u>	<u>(324,797)</u>
Other Financing Sources (Uses):			
Operating transfers in:			
From General Fund	<u>485,140</u>	<u>160,343</u>	<u>(324,797)</u>
Total other financing sources (uses)	<u>485,140</u>	<u>160,343</u>	<u>(324,797)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Decrease in accrued landfill post-closure liabilities		10,150	
Depreciation		<u>(1,166)</u>	
Total reconciling items		<u>8,984</u>	
Change in net position		<u>\$ 8,984</u>	

DAVIE COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 18,517	\$ 7,829	\$ 12,900	\$ 13,446
Liabilities:				
Miscellaneous liabilities	\$ 18,517	\$ 7,829	\$ 12,900	\$ 13,446
Inmate Trust:				
Assets:				
Cash and cash equivalents	\$ 4,797	\$ 35,269	\$ 33,017	\$ 7,049
Liabilities:				
Miscellaneous liabilities	4,797	40,466	38,214	7,049
Total Liabilities	\$ 4,797	\$ 40,466	\$ 38,214	\$ 7,049
Property Tax:				
Assets:				
Taxes receivable	\$ 163,973	\$ 3,770,309	\$ 3,739,941	\$ 194,341
Liabilities:				
Intergovernmental payable: Towns	\$ 163,973	\$ 3,770,309	\$ 3,739,941	\$ 194,341
NCDMV Interest:				
Assets:				
Cash and cash equivalents	\$ 3,920	\$ 1,102	\$ 3,920	\$ 1,102
Liabilities:				
Intergovernmental payable: State of North Carolina	\$ 3,920	\$ 1,102	\$ 3,920	\$ 1,102
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,771	\$ -	\$ 2,771
Liabilities:				
Intergovernmental payable: State of North Carolina	\$ -	\$ 2,771	\$ -	\$ 2,771
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 27,234	\$ 46,971	\$ 49,837	\$ 24,368
Taxes receivable	163,973	3,770,309	3,739,941	194,341
Total assets	\$ 191,207	\$ 3,817,280	\$ 3,789,778	\$ 218,709
Liabilities:				
Miscellaneous liabilities	\$ 23,314	\$ 48,295	\$ 51,114	\$ 20,495
Intergovernmental payable	167,893	3,774,182	3,743,861	198,214
Total liabilities	\$ 191,207	\$ 3,822,477	\$ 3,794,975	\$ 218,709

DAVIE COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 26,802,785	\$ 25,903,010	\$ 899,775
2011-2012	712,216	-	571,157	141,059
2010-2011	186,688	-	96,386	90,302
2009-2010	125,574	-	61,269	64,305
2008-2009	63,574	-	14,167	49,407
2007-2008	49,236	-	6,512	42,724
2006-2007	41,933	-	4,667	37,266
2005-2006	30,851	-	3,376	27,475
2004-2005	27,281	-	2,836	24,445
2003-2004	26,214	-	4,044	22,170
2002-2003	25,707	-	25,707	-
Total	<u>\$ 1,289,274</u>	<u>\$ 26,802,785</u>	<u>\$ 26,693,131</u>	1,398,928
Less: Allowance for uncollectible accounts				<u>(573,151)</u>
Ad valorem taxes receivable, net				<u>\$ 825,777</u>
Reconciliation with Revenues:				
Ad Valorem Taxes - General Fund				<u>\$ 26,956,650</u>
Reconciling items:				
Taxes written off				25,707
Penalties and interest collected				(155,606)
Miscellaneous				<u>(133,620)</u>
Total reconciling items				<u>(263,519)</u>
Total collections and credits				<u>\$ 26,693,131</u>

DAVIE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2013

	County-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 4,234,414,859	\$ 0.62	\$ 26,243,054	\$ 24,043,168	\$ 2,199,886
Utilities	75,691,188	0.62	469,285	469,285	-
Penalties	-		19,560	19,560	-
Total	<u>4,310,106,047</u>		<u>26,731,899</u>	<u>24,532,013</u>	<u>2,199,886</u>
Discoveries:					
Current year taxes	8,562,363	0.62	53,087	52,559	528
Prior year taxes	9,923,900		61,528	61,528	-
Penalties	-		3,637	3,637	-
Total	<u>18,486,263</u>		<u>118,252</u>	<u>117,724</u>	<u>528</u>
Abatements	<u>(5,014,225)</u>		<u>(47,366)</u>	<u>(26,423)</u>	<u>(20,943)</u>
Total property valuation	<u>\$ 4,323,578,085</u>				
Net Levy			26,802,785	24,623,314	2,179,471
Uncollected taxes at June 30, 2013			<u>899,775</u>	<u>511,614</u>	<u>388,161</u>
Current Year's Taxes Collected			<u>\$ 25,903,010</u>	<u>\$ 24,111,700</u>	<u>\$ 1,791,310</u>
Current Levy Collection Percentage			<u>96.64%</u>	<u>97.92%</u>	<u>82.19%</u>
Secondary Market Disclosures:					
Assessed valuation:					100%
Assessment ratio real property				\$ 3,621,633,997	
Personal property				626,252,900	
Public service companies				<u>75,691,188</u>	
Total assessed valuation				4,323,578,085	
Tax rate per \$100					<u>0.62</u>
Levy (includes discoveries, releases, and abatements)					<u>\$ 26,802,785</u>

DAVIE COUNTY, NORTH CAROLINA

TEN LARGEST TAXPAYERS FOR THE YEAR ENDED JUNE 30, 2013

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2013 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Avgol America Inc.	Manufacturing	\$ 78,684,452	1.826%
Duke Energy Corporation	Utility	48,604,698	1.128%
Ingersol Rand Co	Manufacturing	42,256,091	0.980%
Energy United EMC	Utility	24,001,750	0.557%
VF Jeanswear Inc.	Manufacturing	20,290,386	4.710%
SPE GO Holdings	Golf	14,505,613	0.337%
Wal-Mart Stores Inc.	Retail	11,717,648	0.272%
Funder America Inc.	Manufacturing	12,024,386	0.279%
Omtron USA LLC	Manufacturing	11,272,324	0.262%
Schwarz-RJR LLC	Warehouse	10,528,060	0.244%
Total		<u>\$ 273,885,408</u>	<u>6.35%</u>

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