DAVIE COUNTY
NORTH CAROLINA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Davie County E911 Center

DAVIE COUNTY
NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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DAVIE COUNTY
NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Mark S. Jones, Chairman

Kennon A. White, Vice-Chairman

Carlyle P. Humphrey

Richard B. Poindexter

Robert C. Wisecarver

COUNTY OFFICIALS

Beth M. Dirks	County Manager
James J. Stockert	Deputy County Manager
Robin M. West	Finance Director
Sally W. Smith	County Attorney
M. Brent Shoaf	Register of Deeds

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DAVIE COUNTY, NORTH CAROLINA

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Davie County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davie County, North Carolina as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Davie County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Davie County Watershed Improvement Commission. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Davie County Watershed Improvement Commission, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Davie County Watershed Improvement Commission were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, North Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Law Enforcement Officer's Special Separation Allowance and the 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary

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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 assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of Davie County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Davie County, North Carolina as a whole. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax 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, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 16, 2011

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, 2011. 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

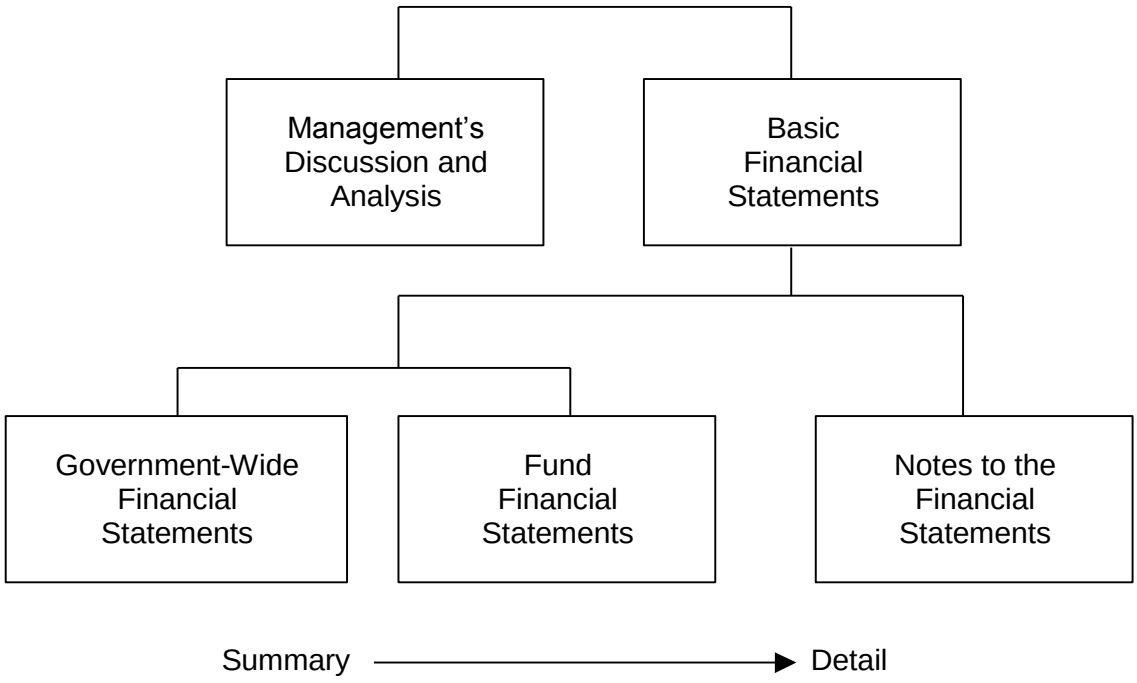
- The assets of Davie County exceeded its liabilities at the close of the fiscal year by $43,039,482.
- The government's total net assets increased by $3,266,185 due to increased net assets in the governmental and business-type activities.
- As of the close of the current fiscal year, Davie County's governmental funds reported combined ending fund balances of $15,605,136, an increase of $1,084,397 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $9,884,762, or 22% 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 are 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 non-major 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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into 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 State and federal 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 Assets 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 Assets 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 four 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 24 through 59 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 60 of this report.

Government-Wide Financial Analysis

As noted earlier, total net assets over time may serve as a useful indicator of a government's financial condition. The assets of Davie County exceeded liabilities by $43,039,482 as of June 30, 2011. The County's net assets increased by $3,266,185 for the fiscal year ended June 30, 2011. One of the largest portions of net assets 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 Assets
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	$ 18,618,180	$ 18,194,225	$ 7,977,870	$ 7,973,484	$ 26,596,050	$ 26,167,709
Capital assets	18,486,020	18,328,715	24,316,331	23,885,786	42,802,351	42,214,501
Total assets	37,104,200	36,522,940	32,294,201	31,859,270	69,398,401	68,382,210
Liabilities:						
Long-term liabilities	21,404,474	22,919,200	297,580	285,720	21,702,054	23,204,920
Other liabilities	4,207,553	4,583,650	449,312	820,343	4,656,865	5,403,993
Total liabilities	25,612,027	27,502,850	746,892	1,106,063	26,358,919	28,608,913
Net Assets:						
Invested in capital assets, net of related debt	17,966,020	17,861,452	24,316,331	23,670,786	42,282,351	41,532,238
Restricted	2,835,223	99,562	-	-	2,835,223	99,562
Unrestricted	(9,309,070)	(8,940,924)	7,230,978	7,082,421	(2,078,092)	(1,858,503)
Total net assets	$ 11,492,173	$ 9,020,090	$ 31,547,309	$ 30,753,207	$ 43,039,482	$ 39,773,297

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.71%.
- Continued low cost of debt due to the County's high bond rating.
- Decrease in long-term liabilities.

Davie County's Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 5,425,334	$ 4,837,671	$ 4,375,146	$ 4,130,391	$ 9,800,480	$ 8,968,062
Operating grants and contributions	6,395,047	6,770,990	-	-	6,395,047	6,770,990
Capital grants and contributions	160,062	249,666	851,575	-	1,011,637	249,666
General revenues:						
Property taxes	26,919,945	27,105,718	-	-	26,919,945	27,105,718
Other taxes	5,403,959	5,216,185	-	-	5,403,959	5,216,185
Other	1,528,032	1,680,135	3,047	16,108	1,531,079	1,696,243
Total revenues	45,832,379	45,860,365	5,229,768	4,146,499	51,062,147	50,006,864
Expenses:						
General government	5,334,771	5,492,894	-	-	5,334,771	5,492,894
Public safety	12,572,123	12,275,903	-	-	12,572,123	12,275,903
Environmental protection	48,530	55,310	-	-	48,530	55,310
Economic and physical development	460,100	511,018	-	-	684,721	684,721
Human services	10,481,357	10,695,014	-	-	11,389,200	11,389,200
Culture and recreation	1,114,015	1,219,741	-	-	1,247,748	1,247,748
Education	12,056,715	13,095,525	-	-	14,350,403	14,350,403
Interest and fiscal changes	965,308	1,362,701	-	-	965,308	1,362,701
Solid Waste	-	-	411,622	462,502	384,606	384,606
Water and sewer	-	-	4,351,421	3,931,325	4,351,421	3,931,325
Total expenses	43,032,919	44,708,106	4,763,043	4,393,827	51,328,831	51,174,811
Increase (decrease) in net assets assets before transfers	2,799,460	1,152,259	466,725	(247,328)	3,266,185	904,931
Transfers, net	(327,377)	(406,848)	327,377	406,848	-	-
Increase (decrease) in net assets	2,472,083	745,411	794,102	159,520	3,266,185	904,931
Net assets, July 1	9,020,090	8,274,679	30,753,207	30,593,687	39,773,297	38,868,366
Net assets, June 30	$11,492,173	$ 9,020,090	$31,547,309	$30,753,207	$ 43,039,482	$39,773,297

Governmental Activities. Governmental activities increased the County's net assets by $2,472,083. Key elements for the year are as follows:

- Revenues stayed closed to the same in total as in the prior year. Sales tax revenue and charges for services increased, and grants and contributions decreased.

- Expenditures decreased across almost all County Departments by $1,675,187 from the prior year.

Business-Type Activities. Business-type activities increased Davie County's net assets by $794,102. 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 $11,662,757, while total fund balance reached $13,627,226. 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 26% of total General Fund expenditures, while total fund balance represents 30.4% of that same amount.

At June 30, 2011, the governmental funds of Davie County reported a combined fund balance of $15,605,136, an increase of 7% 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 $2,287,384. 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 property tax revenue, Federal and State Grants, interest income, licensing and permits due to the economy. Sales and services revenue was higher than anticipated by $880,375, due to collections in Home Health revenue. Lower than expected expenditures of $6,068,607 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 assets of the Solid Waste Fund at the end of the fiscal year amounted to $(10,506), and those for the Water and Sewer fund equaled $7,241,484. The total increase in net assets for both funds was $18,093 and $776,009, 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, 2011 total $42,802,351 (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.
- Furnishing and equipping the new E911 Center.

Davie County's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 621,225	$ 621,225	$ 366,731	$ 366,731	$ 987,956	$ 987,956
Buildings	21,039,536	21,039,536	300,665	297,252	21,340,201	21,336,788
Furniture, equipment and computer	4,241,460	3,941,398	1,273,083	1,211,728	5,514,543	5,153,126
Vehicles and motor equipment	1,861,185	1,570,480	-	-	1,861,185	1,570,480
Water/sewer lines	-	-	36,142,691	35,220,662	36,142,691	35,220,662
Construction in progress	1,730,192	1,176,499	440,492	314,872	2,170,684	1,491,371
	29,493,598	28,349,138	38,523,662	37,411,245	68,017,260	65,760,383
Less:						
Accumulated depreciation	11,007,578	10,020,423	14,207,331	13,525,460	25,214,909	23,545,883
Capital assets, net	$18,486,020	$18,328,715	$24,316,331	$23,885,785	$42,802,351	$42,214,500

Additional information on Davie County's capital assets can be found beginning on page 38 of this audited financial report.

Long-Term Debt. As of June 30, 2011, Davie County had total bonded debt outstanding of $8,480,000, all of which is debt backed by the full faith and credit of the County.

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
General obligation debt	$ 9,380,000	$ -	$ 900,000	$ 8,480,000	$ 890,000
Installment purchase contracts	650,000	-	130,000	520,000	130,000
Qualified Zone Academy Bonds	602,600	-	-	602,600	-
Certificates of participation	12,705,000	-	850,000	11,855,000	850,000
Unamortized premiums	174,668	-	13,304	161,364	-
Other post-employment benefits	741,410	462,138	141,092	1,062,456	-
Compensated absences	1,380,345	1,232,664	1,211,064	1,401,945	1,026,080
Net pension obligation	194,477	67,004	44,292	217,189	-
Total governmental activities	$ 25,828,500	$ 1,761,806	$ 3,289,752	$ 24,300,554	$ 2,896,080
Business-Type Activities:					
General obligation bonds	$ 215,000	$ -	$ 215,000	$ -	$ -
Accrued landfill post-closure care costs	251,600	-	19,259	232,341	18,000
Other post-employment benefits	49,674	31,802	9,709	71,767	-
Compensated absences	112,446	118,583	136,557	94,472	83,000
Total business-type activities	$ 628,720	$ 150,385	$ 380,525	$ 398,580	$ 101,000

As mentioned in the financial highlights section of this document, Davie County improved 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 $320,228,394. The County has no authorized but unissued bonds at June 30, 2011.

Additional information regarding Davie County's long-term debt can be found beginning on page 49 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

Even though the economic downturn and unemployment rate of 9.3%, which is lower than the June 2010 level of 10.3%, has affected the revenue stream to the County, the County has managed to keep firm control over expenditures to minimize the effect on net assets.

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

- A recommendation from the Board of Education regarding the Early College facility needs was received and has been acted upon.
- Final construction and occupation of the new E911 Communications facility.
- Expansion at Avgol America, the County's largest taxpayer.
- Announcement by Wake Forest Baptist Health for the commencement of construction on an outpatient healthplex with inpatient beds to be added in 2017.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: A revenue neutral property tax rate of 57 cents and 5 cents for the Fire Departments has been approved. There are no major increases in County fees. There was a permanent reduction in open positions by 13.5 positions saving approximately $570,000 annually. Budgeted expenditures in the General Fund are expected to increase very slightly by 1% to $46,551,103.

Business-Type Activities: The water and sewer minimum rates will increased by $2 beginning January 1, 2012. General operating expenses, along with debt service payments, will decrease by 14.9% 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 www.co.davie.nc.us/Departments/Finance/finance.htm.

Exhibit A

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Davie County Watershed Improvement Commission
Assets:				
Cash and cash equivalents	$ 14,584,942	$ 6,859,401	$ 21,444,343	$ 305,456
Taxes receivable, net	877,878	-	877,878	-
Accounts receivable, net	742,051	792,071	1,534,122	-
Due from other governments	1,946,562	22,360	1,968,922	-
Accrued interest on investments	4,341	-	4,341	-
Restricted cash and cash equivalents	213,674	149,861	363,535	-
Inventories	43,701	154,177	197,878	-
Deferred financing costs	205,031	-	205,031	-
Capital assets:				
Land and construction in progress	2,351,417	807,223	3,158,640	-
Other capital assets, net of depreciation	16,134,603	23,509,108	39,643,711	-
Total capital assets	18,486,020	24,316,331	42,802,351	-
Total assets	37,104,200	32,294,201	69,398,401	305,456
Liabilities:				
Accounts payable and accrued liabilities	1,299,159	163,154	1,462,313	-
Customer deposits	-	149,861	149,861	-
Unearned revenue	12,314	35,297	47,611	-
Long-term liabilities:				
Due within one year	2,896,080	101,000	2,997,080	-
Due in more than one year	21,404,474	297,580	21,702,054	-
Total liabilities	25,612,027	746,892	26,358,919	-
Net Assets:				
Invested in capital assets, net of related debt	17,966,020	24,316,331	42,282,351	-
Restricted for:				
Stabilization for State Statute	2,082,790	-	2,082,790	-
Register of Deeds	119,987	-	119,987	-
Education	213,193	-	213,193	-
Public Safety	419,253	-	419,253	-
Unrestricted (deficit)	(9,309,070)	7,230,978	(2,078,092)	305,456
Total net assets	$ 11,492,173	$ 31,547,309	$ 43,039,482	$ 305,456

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues		
Functions/Programs:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General government	$ 5,334,771	$ 353,732	$ 1,202,018	$ -
Public safety	12,572,123	1,846,353	711,307	-
Environmental protection	48,530	-	-	-
Economic and physical development	460,100	32,465	34,201	-
Human services	10,481,357	3,192,784	4,299,905	160,062
Cultural and recreational	1,114,015	-	147,616	-
Education	12,056,715	-	-	-
Interest and fiscal charges	965,308	-	-	-
Total governmental activities	43,032,919	5,425,334	6,395,047	160,062
Business-Type Activities:				
Water and Sewer Fund	4,351,421	4,249,808	-	851,575
Solid Waste Fund	411,622	125,338	-	-
Total business-type activities	4,763,043	4,375,146	-	851,575
Total primary government	$ 47,795,962	$ 9,800,480	$ 6,395,047	$ 1,011,637
Component Unit:				
Davie County Watershed Improvement Commission	$ 110,124	$ -	$ -	$ -
Total component units	$ 110,124	$ -	$ -	$ -

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 assets

Beginning of year - July 1
End of year - June 30

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Davie County Watershed Improvement Commission
$ (3,779,021)	$ -	$ (3,779,021)	
(10,014,463)	-	(10,014,463)	
(48,530)	-	(48,530)	
(393,434)	-	(393,434)	
(2,828,606)	-	(2,828,606)	
(966,399)	-	(966,399)	
(12,056,715)	-	(12,056,715)	
(965,308)	-	(965,308)	
(31,052,476)	-	(31,052,476)	
-	749,962	749,962	
-	(286,284)	(286,284)	
-	463,678	463,678	
(31,052,476)	463,678	(30,588,798)	
			$ (110,124)
			(110,124)
26,919,945	-	26,919,945	-
5,343,783	-	5,343,783	-
60,176	-	60,176	-
23,583	3,047	26,630	2,746
1,504,449	-	1,504,449	30,000
33,851,936	3,047	33,854,983	32,746
(327,377)	327,377	-	-
33,524,559	330,424	33,854,983	32,746
2,472,083	794,102	3,266,185	(77,378)
9,020,090	30,753,207	39,773,297	382,834
$ 11,492,173	$ 31,547,309	$ 43,039,482	$ 305,456

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

DAVIE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	Major Funds		Nonmajor Funds	
	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 12,766,082	$ 1,397,662	$ 421,198	$ 14,584,942
Taxes receivable, net	877,878	-	-	877,878
Accounts receivable, net	742,051	-	-	742,051
Due from other governments	1,784,540	133,479	28,543	1,946,562
Accrued interest on investments	4,341	-	-	4,341
Restricted cash and cash equivalents	213,193	-	481	213,674
Inventories	43,701	-	-	43,701
Total assets	$ 16,431,786	$ 1,531,141	$ 450,222	$ 18,413,149
Liabilities:				
Accounts payable and accrued liabilities	$ 1,197,731	$ 1,027	$ 2,426	$ 1,201,184
Deferred and unearned revenue	1,606,829	-	-	1,606,829
Total liabilities	2,804,560	1,027	2,426	2,808,013
Fund Balances:				
Non-spendable:				
Inventories	43,701	-	-	43,701
Restricted:				-
Stabilization for State Statute	1,920,768	133,479	28,543	2,082,790
Restricted, all other	333,180	-	419,253	752,433
Committed	-	1,396,635	-	1,396,635
Assigned	1,444,815	-	-	1,444,815
Unassigned	9,884,762	-	-	9,884,762
Total fund balances	13,627,226	1,530,114	447,796	15,605,136
Total liabilities and fund balances	$ 16,431,786	$ 1,531,141	$ 450,222	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,486,020
Deferred financing costs related to long-term debt issue	205,031
Liabilities for earned, but deferred, revenues in fund statements	1,594,515
Some liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(24,398,529)
Net assets of governmental activities, per Exhibit A	$ 11,492,173

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, 2011

	Major Funds		Nonmajor Funds	
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 31,938,626	$ -	$ 342,514	$ 32,281,140
Intergovernmental	6,909,568	160,062	2,375	7,072,005
Charges for services	5,206,964	-	-	5,206,964
Permits and fees	527,642	-	-	527,642
Interest on investments	23,450	-	133	23,583
Miscellaneous	987,553	-	-	987,553
Total revenues	45,593,803	160,062	345,022	46,098,887
Expenditures:				
General government	4,699,489	-	-	4,699,489
Public safety	12,078,242	512,483	574,351	13,165,076
Environmental protection	45,331	41,209	-	86,540
Economic and physical development	457,363	-	-	457,363
Human services	10,193,817	122,992	-	10,316,809
Cultural and recreational	1,104,486	-	-	1,104,486
Education	11,840,760	200,065	-	12,040,825
Debt service:				
Principal	1,880,000	-	-	1,880,000
Interest	966,145	-	-	966,145
Total expenditures	43,265,633	876,749	574,351	44,716,733
Revenues over (under) expenditures	2,328,170	(716,687)	(229,329)	1,382,154
Other Financing Sources (Uses):				
Transfers in	-	1,200,000	-	1,200,000
Transfers out	(1,527,377)	-	-	(1,527,377)
Proceeds from sale of capital assets	29,620	-	-	29,620
Total other financing sources (uses)	(1,497,757)	1,200,000	-	(297,757)
Net change in fund balances	830,413	483,313	(229,329)	1,084,397
Fund Balances:				
Beginning of year - July 1	12,796,813	1,046,801	677,125	14,520,739
End of year - June 30	$ 13,627,226	$ 1,530,114	$ 447,796	$ 15,605,136

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, 2011

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)	$ 1,084,397
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.	157,305
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 assets.	1,880,000
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.	(367,107)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(282,512)
Change in net assets of governmental activities per Exhibit B	$ 2,472,083

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, 2011

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Taxes	$ 31,753,970	$ 31,765,970	$ 31,938,626	$ 172,656
Intergovernmental	6,190,036	7,955,128	6,909,568	(1,045,560)
Charges for sales and services	4,086,277	4,326,589	5,206,964	880,375
Permits and fees	665,610	665,610	527,642	(137,968)
Interest on investments	102,800	102,800	23,450	(79,350)
Miscellaneous	837,421	1,107,401	987,553	(119,848)
Total revenues	43,636,114	45,923,498	45,593,803	(329,695)
Expenditures:				
General government	4,915,007	5,355,231	4,699,489	655,742
Public safety	11,976,400	12,423,403	12,078,242	345,161
Environmental protection	52,111	61,758	45,331	16,427
Economic and physical development	1,014,510	1,157,156	457,363	699,793
Human services	11,825,302	12,362,005	10,193,817	2,168,188
Cultural and recreational	1,200,579	1,227,662	1,104,486	123,176
Education	11,484,148	13,837,148	11,840,760	1,996,388
Debt service:				
Principal	1,885,460	1,885,460	1,880,000	5,460
Interest and fees	1,024,417	1,024,417	966,145	58,272
Total expenditures	45,377,934	49,334,240	43,265,633	6,068,607
Revenues over (under) expenditures	(1,741,820)	(3,410,742)	2,328,170	5,738,912
Other Financing Sources (Uses):				
Transfers to other funds	(591,488)	(1,647,556)	(1,527,377)	120,179
Transfers from other funds	-	161,877	-	(161,877)
Proceeds from sale of capital assets	10,000	10,000	29,620	19,620
Contingency	(100,000)	(71,666)	-	71,666
Total other financing sources (uses)	(681,488)	(1,547,345)	(1,497,757)	49,588
Revenues and other financing sources over (under) expenditures and other financing uses	(2,423,308)	(4,958,087)	830,413	5,788,500
Appropriated fund balance	2,423,308	4,958,087	-	(4,958,087)
Net change in fund balance	$ -	$ -	830,413	$ 830,413
Fund Balance:				
Beginning of year - July 1			12,796,813	
End of year - June 30			$ 13,627,226	

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Major		
	Water and Sewer Fund	Solid Waste Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 6,616,561	$ 242,840	$ 6,859,401
Accounts receivable, net	779,626	12,445	792,071
Due from other governments	-	22,360	22,360
Inventory, at cost	154,177	-	154,177
Cash and cash equivalents, restricted	149,861	-	149,861
Total current assets	7,700,225	277,645	7,977,870
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	761,933	45,290	807,223
Other capital assets, net of depreciation	23,471,817	37,291	23,509,108
Capital assets, net	24,233,750	82,581	24,316,331
Total assets	31,933,975	360,226	32,294,201
Liabilities and Net Assets:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	107,344	55,810	163,154
Customer deposits	149,861	-	149,861
Unearned revenue	35,297	-	35,297
Current portion of compensated absences	83,000	-	83,000
Accrued landfill post-closure liabilities	-	18,000	18,000
Total current liabilities	375,502	73,810	449,312
Non-current liabilities:			
Compensated absences payable	11,472	-	11,472
Other post-employment benefits	71,767	-	71,767
Accrued landfill post-closure liabilities	-	214,341	214,341
Total non-current liabilities	83,239	214,341	297,580
Total liabilities	458,741	288,151	746,892
Net Assets:			
Invested in capital assets, net of related debt	24,233,750	82,581	24,316,331
Unrestricted	7,241,484	(10,506)	7,230,978
Total net assets	$ 31,475,234	$ 72,075	$ 31,547,309

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Major		
	Water and Sewer Fund	Solid Waste Fund	Total
Operating Revenues:			
Charges for sales and services	$ 4,072,319	$ 125,338	$ 4,197,657
Miscellaneous	177,489	-	177,489
Total operating revenues	4,249,808	125,338	4,375,146
Operating Expenses:			
Salaries and benefits	1,100,645	-	1,100,645
Other operating expenses	2,485,299	410,456	2,895,755
Depreciation	754,074	1,166	755,240
Total operating expenses	4,340,018	411,622	4,751,640
Operating income (loss)	(90,210)	(286,284)	(376,494)
Non-Operating Revenues (Expenses):			
Interest and fees	(11,403)	-	(11,403)
Interest on investments	3,047	-	3,047
Total non-operating revenues (expenses)	(8,356)	-	(8,356)
Income (loss) before contributions and transfers	(98,566)	(286,284)	(384,850)
Contribution of capital assets	851,575	-	851,575
Transfer from General Fund, net	23,000	304,377	327,377
Change in net assets	776,009	18,093	794,102
Net Assets:			
Beginning of year - July 1	30,699,225	53,982	30,753,207
End of year - June 30	$ 31,475,234	$ 72,075	$ 31,547,309

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, 2011

	Major		
	Water and Sewer	Solid Waste	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 4,269,581	$ 118,353	$ 4,387,934
Cash paid for goods and services	(2,675,796)	(424,812)	(3,100,608)
Cash paid to employees for services	(1,096,526)	-	(1,096,526)
Customer deposits paid, net	16,381	-	16,381
Net cash provided (used) by operating activities	513,640	(306,459)	207,181
Cash Flows from Non-Capital Financing Activities:			
Interfund transfer in (out)	23,000	304,377	327,377
Net cash provided (used) by non-capital financing activities	23,000	304,377	327,377
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(334,210)	-	(334,210)
Principal paid on bond maturities and capital leases	(215,000)	-	(215,000)
Interest paid on bond maturities and capital leases	(7,167)	-	(7,167)
Net cash provided (used) by capital and related financing activities	(556,377)	-	(556,377)
Cash Flows from Investing Activities:			
Interest on investments	3,047	-	3,047
Net increase (decrease) in cash and cash equivalents	(16,690)	(2,082)	(18,772)
Cash and Cash Equivalents:			
Beginning of year - July 1	6,783,112	244,922	7,028,034
End of year - June 30	$ 6,766,422	$ 242,840	$ 7,009,262
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (90,210)	$ (286,284)	$ (376,494)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	754,074	1,166	755,240
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(11,740)	(6,985)	(18,725)
(Increase) decrease in inventory	(8,669)	-	(8,669)
Increase (decrease) in accounts payable and accrued liabilities	(181,828)	4,903	(176,925)
Increase (decrease) in customer deposits	16,381	-	16,381
Increase (decrease) in unearned revenues	31,513	-	31,513
Increase (decrease) in other post-employment benefits	22,093	-	22,093
Increase (decrease) in accrued landfill post-closure liabilities	-	(19,259)	(19,259)
Increase (decrease) in compensated absences payable	(17,974)	-	(17,974)
Net cash provided (used) by operating activities	$ 513,640	$ (306,459)	$ 207,181
Non-Cash Transactions:			
Contribution of capital assets	$ 851,575	$ -	$ 851,575

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds
Assets:	
Cash and investments	$ 36,680
Taxes receivable	255,117
Total assets	$ 291,797
Liabilities:	
Accounts payable and accrued liabilities	$ 34,799
Intergovernmental payable	256,998
Total liabilities	$ 291,797

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

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

B. Basis of Presentation

Government-Wide Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements in all material areas. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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.

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 two special revenue funds: the Emergency Telephone System Fund and the ARRA 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, 2011.

Proprietary Funds include the following fund types:

Enterprise Fund - 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, 2011. 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 five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage.

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.

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements.

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

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

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

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 funds, 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 funds, 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.

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, 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 money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted 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, 2010.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out 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.

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

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.

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

Governmental Activities:	**Estimated Useful Lives**
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

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 Assets. Bond premiums and discounts, as well as issuance costs, 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 are reports as deferred charges and amortized over the term of the related 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.

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 Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either 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.

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.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as police, fire, EMS and E-911.

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

Restricted fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Capital Projects Fund	Other Governmental Funds
Restricted, all other:			
Register of Deeds	$ 119,987	$ -	$ -
Public Safety	-	-	419,253
Education	213,193	-	-
Total	$ 333,180	$ -	$ 419,253

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.

Committed for future capital projects – portion of fund balance budgeted by the board to be used for future capital projects

Committed fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Capital Projects Fund	Other Governmental Funds
Future capital projects	$ -	$ 1,396,635	$ -

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, 2011 is as follows:

Purpose	General Fund	Capital Projects Fund	Other Governmental Funds
Subsequent year's expenditures	$ 1,444,815	$ -	$ -

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, 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	$ 13,627,226
Less:	
Inventories	(43,701)
Stabilization by State Statute	(1,920,768)
Fund balance available for appropriation	$ 11,662,757

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	Other Governmental Funds
Encumbrances	$ 106,473	$ -	$ -

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 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 undercollaterization, 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, 2011, the County's deposits had a carrying amount of $19,660,998 and a bank balance of $20,810,858. Of the bank balance, $1,628,531 was covered by federal depository insurance, and $19,182,327 was covered by collateral held under the Pooling Method. Cash on hand was $2,200.

Investments

At June 30, 2011, the County's investments consisted of $2,181,360 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.

Year Levied	Tax	Interest	Total
2007	$ 1,995,347	$ 653,476	$ 2,648,823
2008	2,003,472	475,824	2,479,296
2009	2,384,863	351,767	2,736,630
2010	2,406,634	138,381	2,545,015
Total	$ 8,790,316	$ 1,619,448	$ 10,409,764

Receivables

Receivables shown in Exhibit A at June 30, 2011 were as follows:

	Accounts	Taxes	Due from Other Governments	Accrued Interest	Total
Governmental Activities:					
General	$1,172,651	$1,464,118	$ 1,784,540	$ 4,341	$4,425,650
Other governmental	-	-	162,022	-	162,022
Total receivables	1,172,651	1,464,118	1,946,562	4,341	4,587,672
Allowance for doubtful accounts	(430,600)	(586,240)	-	-	(1,016,840)
Total governmental activities	$ 742,051	$ 877,878	$ 1,946,562	$ 4,341	$3,570,832
Business-Type Activities:					
Solid Waste Fund	$ 12,445	$ -	$ 22,360	$ -	$ -
Water and Sewer Fund	863,626	-	-	-	863,626
Allowance for doubtful accounts	(84,000)	-	-	-	(84,000)
Total business-type activities	$ 792,071	$ -	$ 22,360	$ -	$ 814,431

Due from other governments consisted of the following:

Governmental Activities:	
Local option sales tax	$ 1,206,537
Sales tax reimbursement	199,844
Miscellaneous grants from the State of North Carolina	26,899
Other	513,282
Total	$ 1,946,562
Business-Type Activities:	
Scrap tire tax and white goods disposal tax	$ 22,360

Capital Assets

Governmental Capital Assets

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

	Balance July 1, 2010	Increases	Decreases	Transfers	Balance June 30, 2011
Governmental Activities:					
Non-Depreciable Capital Assets:					
Construction in progress	$ 1,176,499	$ 553,693	$ -	$ -	$ 1,730,192
Land	621,225	-	-	-	621,225
Total non-depreciable capital assets	1,797,724	553,693	-	-	2,351,417
Depreciable Capital Assets:					
Buildings	21,039,536	-	-	-	21,039,536
Furniture and equipment, computer equipment, and software	3,941,398	330,110	22,358	(7,690)	4,241,460
Vehicles and motor equipment	1,570,480	445,176	154,471	-	1,861,185
Total depreciable capital assets	26,551,414	775,286	176,829	(7,690)	27,142,181
Less Accumulated Depreciation:					
Buildings	6,170,675	533,864	-	-	6,704,539
Furniture and equipment, computer equipment, and software	3,007,691	355,670	22,358	(7,690)	3,333,313
Vehicles and motor equipment	842,382	268,199	140,855	-	969,726
Total accumulated depreciation	10,020,748	$ 1,157,733	$ 163,213	$ (7,690)	11,007,578
Total depreciable capital assets	16,530,666				16,134,603
Governmental activity capital assets, net	$ 18,328,390				$ 18,486,020

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

Governmental Activities:	
General government	$ 637,362
Public safety	440,426
Environmental protection	3,199
Human services	76,746
Total	$ 1,157,733

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2011 are as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-Type Activities:				
Solid Waste:				
Non-Depreciable Capital Assets:				
Land	$ 45,290	$ -	$ -	$ 45,290
Depreciable Capital Assets:				
Buildings	58,300	-	-	58,300
Equipment	36,797	-	-	36,797
Total depreciable capital assets	95,097	-	-	95,097
Less Accumulated Depreciation:				
Buildings	19,843	1,166	-	21,009
Equipment	36,797	-	-	36,797
Total accumulated depreciation	56,640	$ 1,166	$ -	57,806
Total depreciable capital assets	38,457			37,291
Solid waste capital assets, net	$ 83,747			$ 82,581

	Balance July 1, 2010	Increases	Decreases	Transfers	Balance June 30, 2011
Water/Sewer:					
Non-Depreciable Capital Assets:					
Land	$ 321,441	$ -	$ -	$ -	$ 321,441
Construction-in-progress	314,872	125,620	-	-	440,492
Total non-depreciable capital assets	636,313	125,620	-	-	761,933
Depreciable Capital Assets:					
Water/sewer lines	35,220,662	922,029	-	-	36,142,691
Buildings	238,952	9,701	6,288	-	242,365
Equipment	1,174,932	128,435	74,771	7,690	1,236,286
Total depreciable capital assets	36,634,546	1,060,165	81,059	7,690	37,621,342
Less Accumulated Depreciation:					
Water/sewer lines	12,496,495	660,481	-	-	13,156,976
Buildings	117,060	11,529	6,288	-	122,301
Equipment	855,265	82,064	74,771	7,690	870,248
Total accumulated depreciation	13,468,820	$ 754,074	$ 81,059	$ 7,690	14,149,525
Total capital assets being depreciated, net	23,165,726				23,471,817
Water/Sewer capital assets, net	$ 23,802,039				$ 24,233,750
Business-type activities capital assets, net	$ 23,885,786				$ 24,316,331

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2011 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	$ 18,486,020	$ 24,316,331
Long-term debt	(24,300,554)	(398,580)
Compensated absences, landfill post-closure, OPEB, LEO	2,681,590	398,580
Long-term debt for assets not owned by the County	21,098,964	-
Invested in capital assets, net of related debt	$ 17,966,020	$ 24,316,331

B. Liabilities

Payables

Payables shown in Exhibit A at June 30, 2011 were as follows:

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	$ 1,197,731	$ 97,975	$ 1,295,706
Other governmental	3,453	-	3,453
Total	$ 1,201,184	$ 97,975	$ 1,299,159
Business-Type Activities:			
Solid waste	$ 55,810	$ -	$ 55,810
Water and sewer	107,344	-	107,344
Total	$ 163,154	$ -	$ 163,154

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. Davie County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 6.43% and 6.41%, 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, 2011, 2010, and 2009 were $759,232, $582,532, $567,962, 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	50
Total	53

A separate report was not issued for the plan.

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, 2009 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 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. 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, 2009 was 21 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	$ 57,280
Interest on net pension obligation	9,724
Adjustment to annual required contribution	(10,412)
Annual pension cost	56,592
Employer contributions made	33,880
Increase (decrease) in net pension obligation	22,712
Net pension:	
Beginning of year - July 1	194,477
End of year - June 30	$ 217,189

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	$ 38,092	94.05%	$ 189,072
2010	41,898	87.10%	194,477
2011	56,592	59.87%	217,189

Funded Status and Funding Progress:

As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $387,516. The covered payroll (annual payroll of active employees covered by the plan) was $1,799,943, and the ratio of the UAAL to the covered payroll was 21.53%.

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, 2011 were $108,552, which consisted of $88,237 from the County and $20,315 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.

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, 2011, 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 $8,537,717; the County's total payroll was $12,408,855. The total contribution for the fiscal year ended was $548,305, which consisted of $255,895 from the County and $292,410 from the employees. The County's required contribution and the employees' voluntary contributions represented 3% and 3.51%, 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, 2011, the County's required and actual contributions were $3,208.

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 pro rata 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, 2011, the County made payments for post-retirement health benefit premiums of $88,782. 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.

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	20	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	254	50
Total	274	50

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 3.77% of annual covered payroll. For the current year, the County contributed $150,801, or 1.30% 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 $269,254. 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.

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:

	Governmental Activities	Business -Type Activities	Total
Annual required contribution	$ 458,075	$ 31,522	$ 489,597
Interest on net OPEB obligation	29,606	2,037	31,643
Adjustments to annual required contribution	(25,543)	(1,757)	(27,300)
Annual OPEB cost (expense)	462,138	31,802	493,940
Contributions made	(141,092)	(9,709)	(150,801)
Increase (decrease) in net OPEB obligation	321,046	22,093	343,139
Net OPEB obligation, beginning of year	741,410	49,674	791,084
Net OPEB obligation, end of year	$ 1,062,456	$ 71,767	$ 1,134,223

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 471,901	16.1%	$ 396,110
2010	471,901	16.3%	791,084
2011	493,940	30.5%	1,134,223

Funding Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $4,179,201. The covered payroll (annual payroll of active employees covered by the plan) was $11,585,798, and the ratio of the UAAL to the covered payroll was 36.1 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.

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, 2010 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 10.50 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 payroll on an open basis. The remaining amortization period at December 31, 2010, was 30 years.

As of June 30, 2011, 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. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the County made contributions to the State for death benefits of $13,182. 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.

Operating Leases

The County is committed under various operating leases for land, buildings, and equipment. For the year ended June 30, 2011, total lease expenditures under these operating leases totaled $31,073. 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	$ 520,000

For the County, the future minimum payments as of June 30, 2011 are:

Year Ended	Governmental Activities	
June 30	Principal	Interest
2012	$ 130,000	$ 17,628
2013	130,000	13,221
2014	130,000	8,814
2015	130,000	4,407
Total	$ 520,000	$ 44,070

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, 2011 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%	$ 2,065,000
$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%	6,415,000
Total serviced by the General Fund	8,480,000
Total general obligation bonds	$ 8,480,000

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

Year Ended	Governmental Activities	
June 30	Principal	Interest
2012	$ 890,000	$ 357,566
2013	895,000	327,016
2014	900,000	293,691
2015	905,000	257,691
2016	550,000	221,491
2017-2021	2,530,000	782,235
2022-2024	1,810,000	176,639
Total	$ 8,480,000	$ 2,416,329

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, 2011 is $11,855,000. Debt service payments are due November 25 and May 25 in principal installments of $850,000 plus interest from 3.5% to 5.0%. The issuance costs associated with the certificates of participation were $307,211 and are being amortized over the life of the bonds.

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

Year Ended	Governmental Activities	
June 30	Principal	Interest
2012	$ 850,000	$ 520,725
2013	850,000	486,725
2014	850,000	452,725
2015	850,000	418,725
2016	850,000	384,725
2017-2021	4,225,000	1,369,956
2022-2024	3,380,000	422,500
Total	$ 11,855,000	$ 4,056,081

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.

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, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
General obligation debt	$ 9,380,000	$ -	$ 900,000	$ 8,480,000	$ 890,000
Installment purchase contracts	650,000	-	130,000	520,000	130,000
Qualified Zone Academy Bonds	602,600	-	-	602,600	-
Certificates of participation	12,705,000	-	850,000	11,855,000	850,000
Unamortized premiums	174,668	-	13,304	161,364	-
Other post-employment benefits	741,410	462,138	141,092	1,062,456	-
Compensated absences	1,380,345	1,232,664	1,211,064	1,401,945	1,026,080
Net pension obligation	194,477	67,004	44,292	217,189	-
Total governmental activities	$ 25,828,500	$ 1,761,806	$ 3,289,752	$ 24,300,554	$ 2,896,080
Business-Type Activities:					
General obligation bonds	$ 215,000	$ -	$ 215,000	$ -	$ -
Accrued landfill post-closure care costs	251,600	-	19,259	232,341	18,000
Other post-employment benefits	49,674	31,802	9,709	71,767	-
Compensated absences	112,446	118,583	136,557	94,472	83,000
Total business-type activities	$ 628,720	$ 150,385	$ 380,525	$ 398,580	$ 101,000

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

General Obligation Bonds ($8,480,000), QZAB ($602,600), and Certificates of Participation ($11,855,000 including unamortized premium) represent debt not considered in the calculation of invested in capital assets, net of debt for governmental activities, as these debt issues are not associated with capital assets owned by the County.

At June 30, 2011, the County had a legal debt margin of $320,228,394.

Conduit Debt Obligations

Davie County Industrial Facilities and Pollution Control Financing Authority has 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, 2011, there was one series of industrial revenue bond outstanding, with an aggregate principal amount payable of $2,800,000.

Deferred/Unearned Revenues

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

	Deferred Revenues	Unearned Revenues
Ad Valorem Taxes:		
Prepaid taxes not yet earned (General Fund)	$ 12,314	$ 12,314
Taxes receivable, net (General Fund)	877,878	-
Other receivables (General Fund)	716,637	-
Other receivables (Water & Sewer Fund)	-	35,297
Total	$ 1,606,829	$ 47,611

C. Interfund Balances and Activity

	Transfers	
	From	To
Transfers From/To Other Funds:		
General Fund	$ 1,527,377	$ -
Capital Projects Fund	-	1,200,000
Water and Sewer Fund	-	23,000
Solid Waste Fund	-	304,377
Total	$ 1,527,377	$ 1,527,377

All transfers in the current year were for operations.

Transaction with Component Unit

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

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.

	Federal	State
Temporary Assistance for Needy Families	$ 208,640	$ 9
Aid for Dependent Children (penalties)	(654)	(179)
Medical Assistance Program-Title XIX-Medicaid	23,853,931	9,730,622
Special Supplemental Nutrition Program for Women, Infants, and Children	592,652	-
Low Income Home Energy Assistance	263,330	-
Independent Living Grant	7,148	-
State/County Special Assistance for Adults	-	317,892
Permanency Planning (Child Welfare Services)	-	187,359
State Foster Care Benefits	-	43,466
Title IV-E Foster Care	102,652	25,867
Adoption Assistance	230,467	51,330
Total	$ 25,258,166	$ 10,356,366

3. Related Organization

The Council of Economic Development 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 $136,000 to the Council during the fiscal year ended June 30, 2011.

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.

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. 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 $606,185 and $38,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2011. 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, 2011. 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, 2011. The County contributed $65,000 to Northwest Child Development during the fiscal year ended June 30, 2011. 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. 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, 2011. The County contributed $45,710 to the District for the fiscal year ended June 30, 2011. 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.

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 $234,325 to CenterPoint Human Services during the fiscal year ended June 30, 2011. 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, 2011. 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 Northwest Piedmont 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 $14,452 to the Council during the fiscal year ended June 30, 2011.

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 $232,341 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, 2011. The projects include a communications center. At year-end, the government's commitments with contractors are as follows:

	Spent-to-Date	Remaining Commitment
Single Family Rehabilitation	$ 122,992	$ 53,552

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, 2011, 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.

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.

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DAVIE COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
12/31/2006	-	379,110	379,110	0.00%	1,313,646	28.86%
12/31/2005	-	242,703	242,703	0.00%	1,052,439	23.06%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2011	$ 57,280	59.15%
2010	40,100	91.00%
2009	36,355	98.54%
2008	41,270	86.80%
2007	30,962	91.73%
2006	32,788	27.50%

DAVIE COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a 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%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	$ 471,901	16.10%
2010	471,901	16.30%
2011	489,597	30.80%

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	12/31/2010
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	10.50% - 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, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad Valorem Taxes:			
Taxes	$ 26,583,240	$ 26,363,169	$ (220,071)
Penalties and interest	156,730	171,498	14,768
Total	26,739,970	26,534,667	(205,303)
Other Taxes:			
Local Option Sales Tax:			
Article 39 - one percent	2,150,000	1,920,522	(229,478)
Article 40 - one-half of one percent	1,350,000	1,390,911	40,911
Article 42 - one-half of one percent	1,470,000	1,531,431	61,431
Article 44 - one-half of one percent	-	(6,160)	(6,160)
Medicaid Hold Harmless payment	-	507,079	507,079
Total	4,970,000	5,343,783	373,783
Occupancy Tax	56,000	60,176	4,176
Unrestricted Intergovernmental Revenues:			
Hold Harmless revenue	1,304,658	1,304,658	-
Tax refunds - gasoline and sales	750	558	(192)
Towns of Mocksville, Cooleemee, and fire department reimbursement	216,291	199,233	(17,058)
Total	1,521,699	1,504,449	(17,250)
Restricted Intergovernmental Revenues:			
Federal and State grants	6,000,929	5,020,176	(980,753)
Court facilities fees	351,500	350,872	(628)
Controlled substance tax	18,000	3,869	(14,131)
Crime prevention	63,000	30,202	(32,798)
Total	6,433,429	5,405,119	(1,028,310)
Sales and Services:			
Emergency medical service fees	1,413,500	1,543,475	129,975
Health fees	385,007	279,543	(105,464)
Other fees	20,150	28,240	8,090
Rents	17,875	11,422	(6,453)
Tax collection fees	26,100	32,625	6,525
Health - client and third-party fees	2,463,957	3,311,659	847,702
Total	4,326,589	5,206,964	880,375

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Licenses and Permits:			
Building permits	150,000	76,393	(73,607)
Inspection and other related fees	166,500	123,902	(42,598)
Other permits and fees	28,450	32,970	4,520
Register of Deeds	320,660	294,377	(26,283)
Total	665,610	527,642	(137,968)
Investment Earnings	102,800	23,450	(79,350)
Miscellaneous Revenues:			
Other revenues	1,070,301	937,273	(133,028)
Library - gifts, fines and fees	37,100	50,280	13,180
Total	1,107,401	987,553	(119,848)
Total revenues	45,923,498	45,593,803	(329,695)
Expenditures:			
General Government:			
Governing Board:			
Salaries and employee benefits		62,155	
Other operating expenditures		352,700	
Total	533,322	414,855	118,467
Administration:			
Salaries and benefits		397,160	
Other operating expenditures		9,230	
Total	414,463	406,390	8,073
Grants Administration:			
Salaries and employee benefits		61,871	
Other operating expenditures		2,795	
Capital outlay		262	
Total	69,971	64,928	5,043
Elections:			
Salaries and employee benefits		136,130	
Other operating expenditures		63,472	
Total	234,433	199,602	34,831

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Finance:			
Salaries and employee benefits		345,482	
Other operating expenditures		50,483	
Total	424,887	395,965	28,922
Data Processing:			
Salaries and employee benefits		233,321	
Other operating expenditures		200,213	
Capital outlay		74,812	
Total	564,355	508,346	56,009
Taxes:			
Salaries and employee benefits		390,551	
Other operating expenditures		90,490	
Total	533,112	481,041	52,071
Revaluation:			
Salaries and employee benefits		106,000	
Other operating expenditures		17,977	
Total	182,721	123,977	58,744
Legal:			
Contracted services		439,357	
Total	543,150	439,357	103,793
Register of Deeds:			
Salaries and employee benefits		243,121	
Other operating expenditures		41,587	
Total	304,135	284,708	19,427
Public Buildings:			
Salaries and employee benefits		226,289	
Other operating expenditures		594,621	
Total	962,961	820,910	142,051
Court Facilities:			
Operating expenditures		123,650	
Capital outlay		3,977	
Total	128,075	127,627	448

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
DAVIENET:			
Operating expenditures		39,929	
Total	42,544	39,929	2,615
Geographic Information Systems:			
Salaries and employee benefits		133,634	
Other operating expenditures		73,720	
Total	231,604	207,354	207,354
Contributions to other agencies	185,498	184,500	998
Total general government	5,355,231	4,699,489	838,846
Public Safety:			
Sheriff:			
Salaries and employee benefits		2,891,806	
Other operating expenditures		532,280	
Capital outlay		382,886	
Total	3,836,483	3,806,972	29,511
Jail:			
Salaries and employee benefits		1,212,221	
Other operating expenditures		572,449	
Capital outlay		2,990	
Total	1,849,407	1,787,660	61,747
Davie Domestic Violence Service:			
Salaries and employee benefits		122,440	
Other operating expenditures		61,438	
Total	201,814	183,878	17,936
Davie Domestic Violence United Way:			
Salaries and employee benefits		16,889	
Other operating expenditures		1,277	
Total	18,700	18,166	534
Davie Domestic Violence Sexual Assault Prevention:			
Salaries and employee benefits		12,135	
Other operating expenditures		301	
Total	16,048	12,436	3,612

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Child Advocacy Center:			
Salaries and employee benefits		43,608	
Other operating expenditures		56,901	
Capital outlay		24,481	
Total	131,247	124,990	6,257
Child Advocacy Center - General:			
Other operating expenditures		16,368	
Capital outlay		5,000	
Total	38,004	21,368	16,636
Fire:			
Assistance to local fire departments		2,232,293	
Total	2,232,293	2,232,293	-
Inspections:			
Salaries and employee benefits		327,369	
Other operating expenditures		28,048	
Total	404,022	355,417	48,605
Medical Examiner:			
Professional services		13,700	
Total	20,000	13,700	6,300
Emergency Medical Service:			
Salaries and employee benefits		2,071,399	
Other operating expenditures		573,064	
Capital outlay		558	
Total	2,715,724	2,645,021	70,703
Emergency Management:			
Salaries and employee benefits		74,446	
Other operating expenditures		18,731	
Capital outlay		14,949	
Total	110,550	108,126	2,424
Animal Protection:			
Operating expenditures		137,568	
Total	154,000	137,568	16,432

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Communication:			
Salaries and employee benefits		559,470	
Other operating expenditures		70,177	
Total	694,111	629,647	64,464
Contributions to Other Agencies:			
National Guard		1,000	
Total	1,000	1,000	-
Total public safety	12,423,403	12,078,242	345,161
Environmental Protection:			
Contributions to Other Agencies:			
Forestry service	61,758	45,331	16,427
Total environmental protection	61,758	45,331	16,427
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits		129,516	
Other operating expenditures		46,517	
Total	213,170	176,033	37,137
Agricultural Extension:			
Salaries and employee benefits		3,529	
Operating expenditures		172,682	
Total	243,986	176,211	67,775
Contributions to other agencies	700,000	105,119	594,881
Total economic and physical development	1,157,156	457,363	699,793

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Human Services:			
Health:			
Administration-Basic Programs:			
Salaries and employee benefits		513,246	
Other operating expenditures		218,236	
Capital outlay		996	
Total	946,060	732,478	213,582
Clinical Services:			
Salaries and employee benefits		110,836	
Other operating expenditures		22,976	
Total	214,224	133,812	80,412
Family Planning:			
Salaries and employee benefits		150,136	
Other operating expenditures		34,594	
Total	208,825	184,730	24,095
Adolescent Pregnancy Prevention:			
Salaries and employee benefits		671	
Other operating expenditures		17,564	
Total	25,243	18,235	7,008
Maternal and Child Health:			
Salaries and employee benefits		499,478	
Other operating expenditures		93,657	
Total	694,409	593,135	101,274
Home Health Program:			
Salaries and employee benefits		1,024,133	
Other operating expenditures		933,701	
Capital outlay		396	
Total	2,153,880	1,958,230	195,650

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Women, Infants, and Children:			
Salaries and employee benefits		135,102	
Other operating expenditures		26,078	
Capital outlay		4,547	
Total	177,329	165,727	11,602
Environmental Health:			
Salaries and employee benefits		358,647	
Other operating expenditures		35,568	
Total	399,703	394,215	5,488
Health - Other:			
Salaries and employee benefits		85,943	
Other operating expenditures		3,358	
Total	122,431	89,301	33,130
Total Health	4,942,104	4,269,863	672,241
Mental Health:			
Contribution to Mental Health Authority	234,325	234,325	-
Total mental health	234,325	234,325	-
Social Services:			
Administration:			
Salaries and employee benefits		2,180,036	
Other operating expenditures		230,001	
Capital outlay		6,750	
Total	2,636,116	2,416,787	219,329
AFDC Program:			
AFDC program-foster care		169,507	
AFDC program-emergency assistance		9,753	
AFDC program-trans day care		1,116,580	
Total	1,888,372	1,295,840	592,532
Medicaid Program:			
County participation only	2,000	1,070	930

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Other Programs:			
State boarding home		74,695	
General assistance		38,667	
Special assistance		317,892	
Aid to blind		1,928	
Chore services		6,748	
Crisis intervention		143,495	
Other programs		192,168	
Medicaid transportation		152,610	
Adoption assistance		167,037	
Links transitional housing		7,156	
Total	1,707,966	1,102,396	605,570
Total social services	6,234,454	4,816,093	1,418,361
Veteran's Service Officer:			
Salaries and employee benefits		58,884	
Other operating expenditures		3,144	
Total	63,861	62,028	1,833
Senior Center:			
Salaries and employee benefits		263,481	
Other operating expenditures		283,077	
Total	621,311	546,558	74,753
Contributions to other agencies	265,950	264,950	1,000
Total human services	12,362,005	10,193,817	2,168,188
Cultural and Recreational:			
Recreation:			
Operating expenditures		394,131	
Total	406,100	394,131	11,969
Library:			
Salaries and employee benefits		442,155	
Other operating expenditures		158,214	
Total	716,562	600,369	116,193

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Contribution to other agencies	105,000	109,986	(4,986)
Total cultural and recreational	1,227,662	1,104,486	123,176
Education:			
Public schools - current expense		9,407,445	
Capital outlay - 1/2-cent tax		1,231,431	
Capital outlay - State and local		395,181	
Public schools - special project		143,153	
Community College		644,185	
Contributions to other agencies:			
Rowan Vocational Workshop		6,000	
Horizons Unlimited		13,365	
Total education	13,837,148	11,840,760	1,996,388
Debt Service:			
Principal retirement	1,885,460	1,880,000	5,460
Interest and fees	1,024,417	966,145	58,272
Total debt service	2,909,877	2,846,145	63,732
Total expenditures	49,334,240	43,265,633	6,068,607
Revenues over (under) expenditures	(3,410,742)	2,328,170	5,738,912
Other Financing Sources (Uses):			
Operating transfers to other funds:			
Capital Projects Fund	(1,237,556)	(1,200,000)	37,556
Solid Waste Fund	(387,000)	(304,377)	82,623
Water and Sewer Fund	(23,000)	(23,000)	-
Total	(1,647,556)	(1,527,377)	120,179
Operating transfers from other funds:			
Capital Projects Fund	130,000	-	(130,000)
Special Revenue Funds	31,877	-	(31,877)
Total	161,877	-	(161,877)

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		
	Final Budget	Actual	Variance Over/Under
Proceeds from sale of capital assets	10,000	29,620	19,620
Contingency	(71,666)	-	71,666
Total other financing sources (uses)	(1,547,345)	(1,497,757)	49,588
Revenues and other financing sources over (under) expenditures and other financing uses	(4,958,087)	830,413	5,788,500
Appropriated fund balance	4,958,087	-	(4,958,087)
Net change in fund balance	$ -	830,413	$ 830,413
Fund Balance:			
Beginning of year - July 1		12,796,813	
End of year - June 30		$ 13,627,226	

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, 2011

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Scattered Site Housing 2010	$ 400,000	$ -	$ -	$ -	$ (400,000)
Single family rehabilitation 2010	200,000	-	122,992	122,992	(77,008)
JP Green Milling Company CDBG Grant	90,000	90,000	-	90,000	-
One North Carolina Fund	75,000	-	-	-	(75,000)
State grant - oil mitigation	1,111,379	1,023,189	37,070	1,060,259	(51,120)
Total restricted intergovernmental	1,876,379	1,113,189	160,062	1,273,251	(603,128)
Investment earnings:					
Recreation building	-	19,175	-	19,175	19,175
Oil spill mitigation	-	6,639	-	6,639	6,639
Total investment earnings	-	25,814	-	25,814	25,814
Miscellaneous:					
JP Green Milling Company Grant	23,500	23,500	-	23,500	-
Total miscellaneous	23,500	23,500	-	23,500	-
Total revenues	1,899,879	1,162,503	160,062	1,322,565	(577,314)
Expenditures:					
Public safety:					
Communications center	573,710	46,638	512,483	559,121	14,589
Total public safety	573,710	46,638	512,483	559,121	14,589
Environmental protection:					
Oil spill mitigation	1,391,379	1,129,300	41,209	1,170,509	220,870
Economic and physical development:					
One North Carolina Fund	75,000	-	-	-	75,000
JP Green Milling Company Grant	113,500	113,500	-	113,500	-
Total economic and physical development	188,500	113,500	-	113,500	75,000

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, 2011

		Actual			
	Project Authorization	**Prior Years**	**Current Year**	**Total to Date**	**Variance Over/Under**
Human services:					
Single family rehabilitation 2010	200,000	-	122,992	122,992	77,008
Scattered Site Housing 2010	400,000	-	-	-	400,000
Total human services	600,000	-	122,992	122,992	477,008
Cultural and recreational:					
Recreation buildings	150,000	-	-	-	150,000
Total cultural and recreational	150,000	-	-	-	150,000
Education:					
Early College DCCC - Davie Campus	161,252	-	161,252	161,252	-
Early College 2011	1,200,000	-	-	-	1,200,000
Davie County High School construction	1,176,304	1,174,736	1,568	1,176,304	-
Davie County High School renovation	2,212,000	2,154,747	37,245	2,191,992	20,008
Total education	4,749,556	3,329,483	200,065	3,529,548	1,220,008
Total expenditures	7,653,145	4,618,921	876,749	5,495,670	2,157,475
Revenues over (under) expenditures	(5,753,266)	(3,456,418)	(716,687)	(4,173,105)	1,580,161
Other Financing Sources (Uses):					
Operating transfers in (out):					
From General Fund	6,225,121	5,002,034	1,200,000	6,202,034	(23,087)
To General Fund	(471,855)	(471,854)	-	(471,854)	1
Total other financing sources (uses)	5,753,266	4,530,180	1,200,000	5,730,180	(23,086)
Net change in fund balance	$ -	$ 1,073,762	483,313	$ 1,557,075	$ 1,557,075
Fund Balance:					
Beginning of year - July 1			1,046,801		
End of year - June 30			$ 1,530,114		

DAVIE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Special Revenue Funds		
	Emergency Telephone System Fund	ARRA Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	$ 421,198	$ -	$ 421,198
Due from other governments	28,543	-	28,543
Restricted cash and cash equivalents	-	481	481
Total assets	$ 449,741	$ 481	$ 450,222
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 2,426	$ -	$ 2,426
Total liabilities	2,426	-	2,426
Fund Balances:			
Restricted			
Stabilization for State Statute	28,543	-	28,543
Restricted, all other	418,772	481	419,253
Total fund balances	447,315	481	447,796
Total liabilities and fund balances	$ 449,741	$ 481	$ 450,222

DAVIE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		
	Emergency Telephone System Fund	ARRA Fund	Total Nonmajor Governmental Funds
Revenues:			
Other taxes and licenses	$ 342,514	$ -	$ 342,514
Restricted intergovernmental revenues	-	2,375	2,375
Interest on investments	133	-	133
Total revenues	342,647	2,375	345,022
Expenditures:			
Current:			
Public safety	570,275	4,076	574,351
Total expenditures	570,275	4,076	574,351
Net change in fund balances	(227,628)	(1,701)	(229,329)
Fund Balances:			
Beginning of year - July 1	674,943	2,182	677,125
End of year - June 30	$ 447,315	$ 481	$ 447,796

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, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Other taxes and licenses:			
911 access charges	$ 254,150	$ 342,514	$ 88,364
Interest on investments	1,000	133	(867)
Total revenues	255,150	342,647	87,497
Expenditures:			
Current:			
Public safety:			
Salaries and employee benefits	27,977	25,570	2,407
Operating expenses	217,350	167,937	49,413
Capital outlay	547,405	376,768	170,637
Total expenditures	792,732	570,275	222,457
Revenues over (under) expenditures	(537,582)	(227,628)	309,954
Other Financing Sources (Uses):			
Operating transfers out:			
To General Fund	(31,877)	-	(31,877)
From General Fund	31,877	-	31,877
Appropriated fund balance	537,582	-	(537,582)
Total other financing sources (uses)	537,582	-	(537,582)
Net change in fund balance	$ -	(227,628)	$ (227,628)
Fund Balance:			
Beginning of year - July 1		674,943	
End of year - June 30		$ 447,315	

DAVIE COUNTY, NORTH CAROLINA

ARRA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Restricted Intergovernmental:			
Gang Awareness Grant	$ 16,251	$ 2,375	$ (13,876)
Total revenues	16,251	2,375	(13,876)
Expenditures:			
Current:			
Public safety:			
Gang Awareness Grant:			
Other operating expenditures	15,931	4,076	11,855
Capital outlay	320	-	320
Total expenditures	16,251	4,076	12,175
Net change in fund balance	$ -	(1,701)	$ (1,701)
Fund Balance:			
Beginning of year - July 1		2,182	
End of year - June 30		$ 481	

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Operating Revenues:			
Charges for services:			
Water sales	$ 3,615,000	$ 3,347,296	$ (267,704)
Sewer charges	350,000	315,375	(34,625)
East Davie sewer charges	300,000	334,033	34,033
Water and sewer taps	75,000	65,375	(9,625)
East Davie fees	2,500	10,240	7,740
Miscellaneous charges	164,000	177,489	13,489
Total	4,506,500	4,249,808	(256,692)
Non-Operating Revenues:			
Interest earnings	25,000	3,047	(21,953)
Total	25,000	3,047	(21,953)
Total revenues	4,531,500	4,252,855	(278,645)
Expenditures:			
Administration:			
Salaries and employee benefits		184,449	
Other operating expenditures		68,456	
Total	266,974	252,905	14,069
Water Operations:			
Salaries and employee benefits		385,291	
Utilities		21,257	
Maintenance		123,468	
Other operating expenditures		99,860	
Total	695,992	629,876	66,116
Water Treatment Plant:			
Salaries and employee benefits		434,711	
Utilities		158,158	
Maintenance		187,404	
Chemicals		249,343	
Supplies		22,553	
Other operating expenditures		149,764	
Total	1,553,137	1,201,933	351,204

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Over/Under
Waste Treatment Plant:			
Salaries and employee benefits		50,098	
Utilities		87,586	
Maintenance		85,326	
Purchased services		1,120	
Other operating expenditures		65,599	
Total	443,463	289,729	153,734
Waste Treatment Plant - East Davie:			
Salaries and employee benefits		41,977	
Utilities		26,183	
Maintenance		35,830	
Other operating expenditures		551,432	
Total	669,172	655,422	13,750
Debt Service:			
Interest and fees	8,600	8,600	-
Debt principal	215,000	215,000	-
Total	223,600	223,600	-
Capital Outlay:			
Water lines	137,444	37,111	100,333
Fire hydrants	24,000	22,746	1,254
Equipment and furniture	1,069,318	705,832	363,486
Improvements	6,000	6,000	-
Total	1,236,762	771,689	465,073
Total expenditures	5,089,100	4,025,154	1,063,946
Revenues over (under) expenditures	(557,600)	227,701	785,301
Other Financing Sources (Uses):			
Transfers from other funds	23,000	23,000	-
Total other financing sources (uses)	23,000	23,000	-

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Over/Under
Revenues and other financing sources over (under) expenditures and other financing uses	(534,600)	250,701	785,301
Appropriated fund balance	534,600	-	(534,600)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	250,701	$ 250,701
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Debt principal		215,000	
Capital outlay expenditures capitalized		219,729	
Contribution of water lines		851,575	
Decrease in compensated absences payable		17,974	
Increase in other post-employment benefits		(22,093)	
Decrease in accrued interest payable		1,433	
Depreciation		(754,074)	
Amortization of deferred financing and refunding costs		(4,236)	
Total reconciling items		525,308	
Change in net assets		$ 776,009	

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, 2011

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	$ -	$ 71,870	$ -	$ 71,870	$ 71,870
Total revenues	-	71,870	-	71,870	71,870
Expenditures:					
Water projects:					
Construction	2,902,500	769,577	60,830	830,407	2,072,093
Administrative costs	597,500	214,944	53,651	268,595	328,905
Total	3,500,000	984,521	114,481	1,099,002	2,400,998
Project administration:					
Contingency	50,000	-	-	-	50,000
Total expenditures	3,550,000	984,521	114,481	1,099,002	2,450,998
Revenues over (under) expenditures	(3,550,000)	(912,651)	(114,481)	(1,027,132)	2,522,868
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	$ -	$ 3,624,808	$ (114,481)	$ 3,510,327	$ 3,510,327

DAVIE COUNTY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services:			
Recycling	$ 93,000	$ 125,338	$ (32,338)
Total revenues	93,000	125,338	(32,338)
Expenditures:			
Landfill operations:			
Purchased services	420,000	362,116	57,884
Other operating expenditures	127,319	67,599	59,720
Total expenditures	547,319	429,715	117,604
.			
Revenues over (under) expenditures	(454,319)	(304,377)	(149,942)
Other Financing Sources (Uses):			
Operating transfers in:			
From General Fund	454,319	304,377	(149,942)
Total other financing sources (uses)	454,319	304,377	(149,942)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	-	$ -
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Decrease in accrued landfill post-closure liabilities		19,259	
Depreciation		(1,166)	
Total reconciling items		18,093	
Change in net assets		$ 18,093	

DAVIE COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Social Services:				
Assets:				
Cash and cash equivalents	$ 32,836	$ 15,895	$ 20,994	$ 27,737
Liabilities:				
Miscellaneous liabilities	$ 32,836	$ 15,895	$ 20,994	$ 27,737
Inmate Trust:				
Assets:				
Cash and cash equivalents	$ 1,932	$ 38,340	$ 33,210	$ 7,062
Liabilities:				
Miscellaneous liabilities	$ 1,932	$ 45,353	$ 40,223	$ 7,062
Property Tax:				
Assets:				
Taxes receivable	$ 289,610	$ 3,025,182	$ 3,059,675	$ 255,117
Liabilities:				
Intergovernmental payable				
Towns	$ 289,610	$ 3,025,182	$ 3,059,675	$ 255,117
NCDMV Interest:				
Assets:				
Cash and cash equivalents	$ 1,256	$ 1,271	$ 1,256	$ 1,271
Liabilities:				
Intergovernmental payable				
State of North Carolina	$ 1,256	$ 1,271	$ 1,256	$ 1,271
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	$ -	$ 610	$ -	$ 610
Liabilities:				
Intergovernmental payable				
State of North Carolina	$ -	$ 610	$ -	$ 610
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	$ 36,024	$ 55,506	$ 55,460	$ 36,680
Taxes receivable	289,610	3,025,182	3,059,675	255,117
Total assets	$ 325,634	$ 3,080,688	$ 3,115,135	$ 291,797
Liabilities:				
Miscellaneous liabilities	$ 34,768	$ 61,248	$ 61,217	$ 34,799
Intergovernmental payable	290,866	3,026,453	3,060,931	256,998
Total liabilities	$ 325,634	$ 3,087,701	$ 3,122,148	$ 291,797

DAVIE COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	$ -	$ 26,441,834	$ 25,572,626	$ 869,208
2009-2010	858,040	-	621,651	236,389
2008-2009	188,610	-	90,844	97,766
2007-2008	100,463	-	36,717	63,746
2006-2007	65,649	-	17,307	48,342
2005-2006	46,262	-	10,655	35,607
2004-2005	35,798	-	5,181	30,617
2003-2004	31,475	-	3,109	28,366
2002-2003	32,875	-	4,237	28,638
2001-2002	28,541	-	3,102	25,439
2000-2001	26,617	-	26,617	-
Total	$ 1,414,330	$ 26,441,834	$ 26,392,046	1,464,118
Less: Allowance for uncollectible accounts				(586,240)
Ad valorem taxes receivable, net				$ 877,878

Reconciliation with Revenues:

Ad Valorem Taxes - General Fund	$ 26,534,667
Reconciling items:	
Taxes written off	26,617
Penalties and interest collected	(171,498)
Miscellaneous	2,260
Total reconciling items	(142,621)
Total collections and credits	$ 26,392,046

DAVIE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2011

	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	$ 4,182,550,897	$ 0.62	$ 25,921,339	$ 23,931,047	$ 1,990,292
Utilities	72,921,323	0.62	452,112	452,112	-
Penalties	-		17,803	17,803	-
Total	4,255,472,220		26,391,254	24,400,962	1,990,292
Discoveries:					
Current year taxes	7,150,675	0.62	44,334	44,268	66
Prior year taxes	7,291,692		45,208	45,208	-
Penalties	-		(348)	(348)	-
Total	14,442,367		89,194	89,128	66
Abatements	(6,427,529)		(38,614)	(19,394)	(19,220)
Total property valuation	$ 4,263,487,058				
Net Levy			26,441,834	24,470,696	1,971,138
Uncollected taxes at June 30, 2011			869,208	646,065	223,143
Current Year's Taxes Collected			$ 25,572,626	$ 23,824,631	$ 1,747,995
Current Levy Collection Percentage			96.71%	97.36%	88.68%

Secondary Market Disclosures:	
Assessed valuation:	100%
Assessment ratio real property	$ 3,574,360,673
Personal property	616,205,062
Public service companies	72,921,323
Total assessed valuation	4,263,487,058
Tax rate per $100	0.62
Levy (includes discoveries, releases and abatements)	$ 26,441,834

DAVIE COUNTY, NORTH CAROLINA

TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2011

Taxpayer	Type of Business	2010 Assessed Valuation	Percentage of Total Assessed Valuation
Avgol America	Manufacturing	$ 68,344,896	1.61%
Duke Energy	Utility	45,602,179	1.07%
Ingersol Rand	Manufacturing	41,198,853	0.97%
Energy United	Utility	23,486,456	0.55%
VF Jeanswear	Manufacturing	20,118,231	0.47%
RJ Reynolds	Warehouse	19,642,916	0.46%
Wal-Mart	Retail	12,430,309	0.29%
Funder America	Manufacturing	11,832,969	0.28%
Jockey	Manufacturing	11,568,525	0.27%
Kaydon	Manufacturing	10,664,354	0.25%
Total		$ 264,889,688	6.23%