

**DAVIE COUNTY
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012



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FOR THE YEAR ENDED JUNE 30, 2012

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DAVIE COUNTY NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Carlyle P. Humphrey, Chairman

Robert C. Wisecarver, Vice-Chairman

Mark S. Jones

Richard B. Poindexter

Kennon A. White

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, 2012, 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 and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' 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 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 December 28, 2012, on our consideration of Davie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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.
December 28, 2012

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, 2012. 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

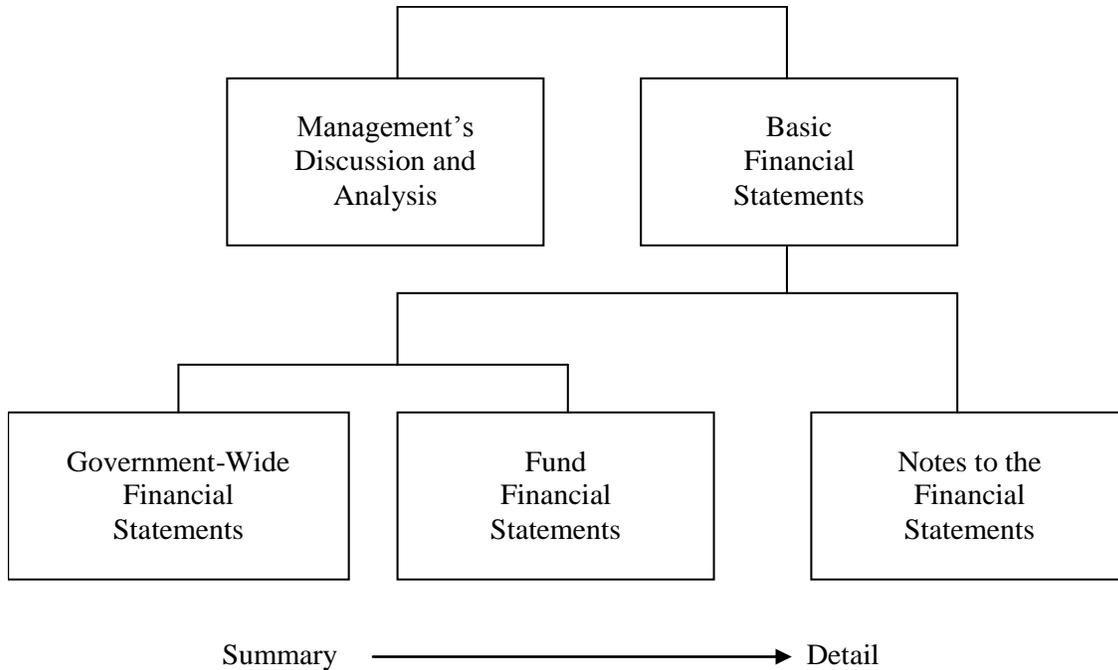
- The assets of Davie County exceeded its liabilities at the close of the fiscal year by \$42,146,797.
- The government's total net assets decreased by \$892,685 due to decreased net assets in the governmental activities.
- As of the close of the current fiscal year, Davie County's governmental funds reported combined ending fund balances of \$13,652,903, a decrease of \$1,952,233 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,753,207, or 15% of total General Fund expenditures for the fiscal year.
- Davie County has AA- and Aa2 General Obligation bond ratings.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the County's net 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 federal and State grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and solid waste services offered by Davie County. The final category is the component units. The government-wide financial statements include one component unit, the Davie County Watershed Improvement Commission, for which Davie County is financially accountable.

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

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net 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 57 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 58 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 \$42,146,797 as of June 30, 2012. The County's net assets decreased by \$892,685 for the fiscal year ended June 30, 2012. 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	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 16,917,524	\$ 18,618,180	\$ 8,090,316	\$ 7,977,870	\$ 25,007,840	\$ 26,596,050
Capital assets	18,249,360	18,486,020	24,290,817	24,316,331	42,540,177	42,802,351
Total assets	<u>35,166,884</u>	<u>37,104,200</u>	<u>32,381,133</u>	<u>32,294,201</u>	<u>67,548,017</u>	<u>69,398,401</u>
Liabilities:						
Long-term liabilities	19,897,331	21,404,474	325,069	297,580	20,222,400	21,702,054
Other liabilities	4,733,269	4,207,553	445,551	449,312	5,178,820	4,656,865
Total liabilities	<u>24,630,600</u>	<u>25,612,027</u>	<u>770,620</u>	<u>746,892</u>	<u>25,401,220</u>	<u>26,358,919</u>
Net Assets:						
Invested in capital assets, net of related debt	17,859,360	17,966,020	24,290,817	24,316,331	42,150,177	42,282,351
Restricted	5,831,175	2,835,223	-	-	5,831,175	2,835,223
Unrestricted	<u>(13,154,251)</u>	<u>(9,309,070)</u>	<u>7,319,696</u>	<u>7,230,978</u>	<u>(5,834,555)</u>	<u>(2,078,092)</u>
Total net assets	<u>\$ 10,536,284</u>	<u>\$ 11,492,173</u>	<u>\$ 31,610,513</u>	<u>\$ 31,547,309</u>	<u>\$ 42,146,797</u>	<u>\$ 43,039,482</u>

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 97.33%.
- 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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 4,419,103	\$ 5,425,334	\$ 4,559,082	\$ 4,375,146	\$ 8,978,185	\$ 9,800,480
Operating grants and contributions	6,813,717	6,395,047	-	-	6,813,717	6,395,047
Capital grants and contributions	520,428	160,062	-	851,575	520,428	1,011,637
General revenues:						
Property taxes	27,069,728	26,919,945	-	-	27,069,728	26,919,945
Other taxes	6,119,017	5,403,959	-	-	6,119,017	5,403,959
Other	1,522,697	1,528,032	2,855	3,047	1,525,552	1,531,079
Total revenues	46,464,690	45,832,379	4,561,937	5,229,768	51,026,627	51,062,147
Expenses:						
General government	5,704,797	5,334,771	-	-	5,704,797	5,334,771
Public safety	12,336,756	12,572,123	-	-	12,336,756	12,572,123
Environmental protection	607,833	48,530	-	-	607,833	48,530
Economic and physical development	2,970,497	460,100	-	-	2,970,497	684,721
Human services	10,891,088	10,481,357	-	-	10,891,088	11,389,200
Culture and recreation	1,182,139	1,114,015	-	-	1,182,139	1,247,748
Education	12,661,133	12,056,715	-	-	12,661,133	14,350,403
Interest and fiscal changes	891,168	965,308	-	-	891,168	965,308
Solid Waste	-	-	331,100	411,622	331,100	384,606
Water and sewer	-	-	4,342,801	4,351,421	4,342,801	4,351,421
Total expenses	47,245,411	43,032,919	4,673,901	4,763,043	51,919,312	51,328,831
Increase (decrease) in net assets						
assets before transfers	(780,721)	2,799,460	(111,964)	466,725	(892,685)	3,266,185
Transfers, net	(175,168)	(327,377)	175,168	327,377	-	-
Increase (decrease) in net assets	(955,889)	2,472,083	63,204	794,102	(892,685)	3,266,185
Net assets, July 1	11,492,173	9,020,090	31,547,309	30,753,207	43,039,482	39,773,297
Net assets, June 30	\$10,536,284	\$11,492,173	\$31,610,513	\$31,547,309	\$42,146,797	\$43,039,482

Governmental Activities. Governmental activities decreased the County's net assets by \$955,889. Key elements for the year are as follows:

- Revenues increased slightly in total over the prior year. Ad valorem tax and sales tax revenue increased, and sales and services decreased.
- Expenditures increased across almost all County departments by \$1,246,439 from the prior year.
- Contribution to the Capital Projects Fund of \$2,500,000 for the Ashley Furniture Project that will be repaid over the next three years.

Business-Type Activities. Business-type activities increased Davie County's net assets by \$63,204. 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 \$10,210,247, while total fund balance reached \$12,416,432. 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 21.64% of total General Fund expenditures, while total fund balance represents 26.3% of that same amount.

At June 30, 2012, the governmental funds of Davie County reported a combined fund balance of \$13,652,903, a decrease of 13% 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 \$2,663,678. The major portion of this increase was attributable to changes in amounts of funding received from the State of North Carolina and other grants. Budget-to-actual variances include a shortfall in federal and State grants, charges for sales and services, and licensing and permits due to the economy. Lower than expected expenditures of \$44,512,072 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 \$8,792, and those for the Water and Sewer Fund equaled \$7,310,904. The total increase in net assets for both funds was \$18,132 and \$45,072, 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, 2012 total \$42,540,177 (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**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 621,225	\$ 621,225	\$ 366,731	\$ 366,731	\$ 987,956	\$ 987,956
Buildings	21,947,947	21,039,536	508,082	300,665	22,456,029	21,340,201
Furniture, equipment and computer	4,328,397	4,241,460	1,323,234	1,273,083	5,651,631	5,514,543
Vehicles and motor equipment	2,155,384	1,861,185	-	-	2,155,384	1,861,185
Water/sewer lines	-	-	36,452,971	36,142,691	36,452,971	36,142,691
Construction in progress	1,219,818	1,730,192	562,315	440,492	1,782,133	2,170,684
	<u>30,272,771</u>	<u>29,493,598</u>	<u>39,213,333</u>	<u>38,523,662</u>	<u>69,486,104</u>	<u>68,017,260</u>
Less:						
Accumulated depreciation	<u>12,023,411</u>	<u>11,007,578</u>	<u>14,922,516</u>	<u>14,207,331</u>	<u>26,945,927</u>	<u>25,214,909</u>
Capital assets, net	<u>\$18,249,360</u>	<u>\$18,486,020</u>	<u>\$24,290,817</u>	<u>\$24,316,331</u>	<u>\$42,540,177</u>	<u>\$42,802,351</u>

Additional information on Davie County’s capital assets can be found beginning on page 37 of this audited financial report.

Long-Term Debt. As of June 30, 2012, Davie County had total bonded debt outstanding of \$7,590,000, all of which is debt backed by the full faith and credit of the County.

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation debt	\$ 8,480,000	\$ -	\$ 890,000	\$ 7,590,000	\$ 895,000
Installment purchase contracts	520,000	-	130,000	390,000	130,000
Qualified Zone Academy					
Bonds	602,600	-	-	602,600	-
Certificates of participation	11,855,000	-	850,000	11,005,000	850,000
Unamortized premiums	161,364	-	13,304	148,060	-
Other post-employment benefits	1,062,456	465,480	85,576	1,442,360	-
Compensated absences	1,401,945	1,279,230	1,203,508	1,477,667	1,125,000
Net pension obligation	<u>217,189</u>	<u>51,834</u>	<u>27,379</u>	<u>241,644</u>	<u>-</u>
Total governmental activities	<u>\$ 24,300,554</u>	<u>\$ 1,796,544</u>	<u>\$ 3,199,767</u>	<u>\$ 22,897,331</u>	<u>\$ 3,000,000</u>
Business-Type Activities:					
Accrued landfill post-closure care costs	\$ 232,341	\$ -	\$ 19,300	\$ 213,041	\$ 18,000
Other post-employment benefits	71,767	30,345	5,579	96,533	-
Compensated absences	<u>94,472</u>	<u>111,203</u>	<u>104,180</u>	<u>101,495</u>	<u>68,000</u>
Total business-type activities	<u>\$ 398,580</u>	<u>\$ 141,548</u>	<u>\$ 129,059</u>	<u>\$ 411,069</u>	<u>\$ 86,000</u>

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 \$324,102,729. The County has no authorized, but unissued, bonds at June 30, 2012.

Additional information regarding Davie County's long-term debt can be found beginning on page 48 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

Even though the slow economic recovery and unemployment rate of 8.7%, which is lower than the State-wide average of 9.9% and lower than the June 2011 level of 9.3%, 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.

- Ashley Furniture, a manufacturer and distributor of home furnishings based in Arcadia, WI, announced it will be opening a new facility in Davie County. Over the next five years, Ashley Furniture will create 550 new jobs and invest \$80 million in land, building, machinery, and equipment.
- Ingersoll Rand will expand its operations by creating 60 jobs and investing nearly \$22 million over the next three years in Mocksville.
- Expansion at Avgol America, the County's largest taxpayer.
- Construction has commenced on Phase One of Wake Forest Baptist Health – West Campus of an outpatient healthplex with in-patient beds to be added in 2017.

Budget Highlights for the Fiscal Year Ending June 30, 2013

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 cost-of-living adjustment of 1% and a one-time bonus of \$1,000 for full-time employees included in the budget. Budgeted expenditures in the General Fund are expected to increase by 3.7% to \$48,261,021.

Business-Type Activities: The water and sewer rates over the minimum will increase beginning January 1, 2013. General operating expenses, along with debt service payments, will increase by 5.0% 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.

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Davie County Watershed Improvement Commission
Assets:				
Cash and cash equivalents	\$ 12,703,152	\$ 6,836,986	\$ 19,540,138	\$ 251,242
Taxes receivable, net	736,763	-	736,763	-
Accounts receivable, net	704,174	827,980	1,532,154	-
Due from other governments	2,294,889	22,588	2,317,477	-
Accrued interest on investments	14,244	-	14,244	-
Restricted cash and cash equivalents	243,649	156,068	399,717	-
Inventories	31,512	246,694	278,206	-
Deferred financing costs	189,141	-	189,141	-
Capital assets:				
Land and construction in progress	1,841,043	929,046	2,770,089	-
Other capital assets, net of depreciation	16,408,317	23,361,771	39,770,088	-
Total capital assets	18,249,360	24,290,817	42,540,177	-
Total assets	35,166,884	32,381,133	67,548,017	251,242
Liabilities:				
Accounts payable and accrued liabilities	1,714,383	196,119	1,910,502	23
Customer deposits	-	156,068	156,068	-
Unearned revenue	18,886	7,364	26,250	-
Long-term liabilities:				
Due within one year	3,000,000	86,000	3,086,000	-
Due in more than one year	19,897,331	325,069	20,222,400	-
Total liabilities	24,630,600	770,620	25,401,220	23
Net Assets:				
Invested in capital assets, net of related debt	17,859,360	24,290,817	42,150,177	-
Restricted for:				
Stabilization for State Statute	5,076,051	-	5,076,051	-
Register of Deeds	139,891	-	139,891	-
Education	243,649	-	243,649	-
Public Safety	371,584	-	371,584	-
Unrestricted (deficit)	(13,154,251)	7,319,696	(5,834,555)	-
Total net assets	\$ 10,536,284	\$ 31,610,513	\$ 42,146,797	\$ 251,219

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

DAVIE COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 5,704,797	\$ 300,355	\$ 1,018,740	\$ -
Public safety	12,336,756	1,748,925	1,101,780	-
Environmental protection	607,833	-	-	-
Economic and physical development	2,970,497	17,690	32,067	-
Human services	10,891,088	2,352,133	4,478,205	520,428
Cultural and recreational	1,182,139	-	182,925	-
Education	12,661,133	-	-	-
Interest and fiscal charges	891,168	-	-	-
Total governmental activities	<u>47,245,411</u>	<u>4,419,103</u>	<u>6,813,717</u>	<u>520,428</u>
Business-Type Activities:				
Water and Sewer Fund	4,342,801	4,362,018	-	-
Solid Waste Fund	331,100	197,064	-	-
Total business-type activities	<u>4,673,901</u>	<u>4,559,082</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 51,919,312</u>	<u>\$ 8,978,185</u>	<u>\$ 6,813,717</u>	<u>\$ 520,428</u>
Component Unit:				
Davie County Watershed				
Improvement Commission	\$ 85,353	\$ -	\$ -	\$ -
Total component units	<u>\$ 85,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales tax

Other taxes

Investment earnings, unrestricted

Other unrestricted intergovernmental revenue

Total general revenues, excluding transfers

Transfers to/from other funds

Total general revenues and transfers

Change in net assets

Beginning of year - July 1

End of year - June 30

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Davie County Watershed Improvement Commission</u>
\$ (4,385,702)	\$ -	\$ (4,385,702)	
(9,486,051)	-	(9,486,051)	
(607,833)	-	(607,833)	
(2,920,740)	-	(2,920,740)	
(3,540,322)	-	(3,540,322)	
(999,214)	-	(999,214)	
(12,661,133)	-	(12,661,133)	
(891,168)	-	(891,168)	
<u>(35,492,163)</u>	<u>-</u>	<u>(35,492,163)</u>	
-	19,217	19,217	
-	(134,036)	(134,036)	
<u>-</u>	<u>(114,819)</u>	<u>(114,819)</u>	
<u>(35,492,163)</u>	<u>(114,819)</u>	<u>(35,606,982)</u>	
			\$ <u>(85,353)</u>
			<u>(85,353)</u>
27,069,728	-	27,069,728	-
6,046,336	-	6,046,336	-
72,681	-	72,681	-
18,824	2,855	21,679	1,116
<u>1,503,873</u>	<u>-</u>	<u>1,503,873</u>	<u>30,000</u>
34,711,442	2,855	34,714,297	31,116
(175,168)	175,168	-	-
<u>34,536,274</u>	<u>178,023</u>	<u>34,714,297</u>	<u>31,116</u>
(955,889)	63,204	(892,685)	(54,237)
<u>11,492,173</u>	<u>31,547,309</u>	<u>43,039,482</u>	<u>305,456</u>
<u>\$ 10,536,284</u>	<u>\$ 31,610,513</u>	<u>\$ 42,146,797</u>	<u>\$ 251,219</u>

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

DAVIE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Capital Projects Fund	Other Governmental Funds	
Assets:				
Cash and cash equivalents	\$ 11,324,476	\$ 1,006,113	\$ 372,562	\$ 12,703,151
Taxes receivable, net	736,763	-	-	736,763
Accounts receivable, net	704,174	-	-	704,174
Due from other governments	2,131,192	143,805	19,892	2,294,889
Accrued interest on investments	14,244	-	-	14,244
Restricted cash and cash equivalents	243,649	-	-	243,649
Inventories	31,512	-	-	31,512
Total assets	<u>\$ 15,186,010</u>	<u>\$ 1,149,918</u>	<u>\$ 392,454</u>	<u>\$ 16,728,382</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,317,758	\$ 304,923	\$ 978	\$ 1,623,659
Deferred and unearned revenue	1,451,820	-	-	1,451,820
Total liabilities	<u>2,769,578</u>	<u>304,923</u>	<u>978</u>	<u>3,075,479</u>
Fund Balances:				
Non-spendable:				
Inventories	31,512	-	-	31,512
Restricted:				
Stabilization for State statute	2,174,673	2,881,486	19,892	5,076,051
Restricted, all other	383,540	-	371,584	755,124
Assigned	3,073,500	-	-	3,073,500
Unassigned	6,753,207	(2,036,491)	-	4,716,716
Total fund balances	<u>12,416,432</u>	<u>844,995</u>	<u>391,476</u>	<u>13,652,903</u>
Total liabilities and fund balances	<u>\$ 15,186,010</u>	<u>\$ 1,149,918</u>	<u>\$ 392,454</u>	

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.	18,249,360
Deferred financing costs related to long-term debt issue	189,141
Liabilities for earned, but deferred, revenues in fund statements	1,432,934
Some liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(22,988,054)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ 10,536,284</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	
Revenues:				
Taxes	\$ 33,091,161	\$ -	\$ 238,699	\$ 33,329,860
Intergovernmental	7,354,896	520,428	-	7,875,324
Charges for services	4,041,051	-	-	4,041,051
Permits and fees	494,625	-	-	494,625
Interest on investments	18,652	-	172	18,824
Miscellaneous	962,694	-	-	962,694
Total revenues	<u>45,963,079</u>	<u>520,428</u>	<u>238,871</u>	<u>46,722,378</u>
Expenditures:				
General government	5,301,693	-	-	5,301,693
Public safety	12,544,873	11,017	295,092	12,850,982
Environmental protection	45,512	48,748	-	94,260
Economic and physical development	466,989	2,500,000	-	2,966,989
Human services	10,238,889	473,971	-	10,712,860
Cultural and recreational	1,158,301	13,964	-	1,172,265
Education	11,987,396	657,847	-	12,645,243
Debt service:				
Principal	1,870,000	-	-	1,870,000
Interest	898,419	-	-	898,419
Total expenditures	<u>44,512,072</u>	<u>3,705,547</u>	<u>295,092</u>	<u>48,512,711</u>
Revenues over (under) expenditures	<u>1,451,007</u>	<u>(3,185,119)</u>	<u>(56,221)</u>	<u>(1,790,333)</u>
Other Financing Sources (Uses):				
Transfers in	99	2,500,000	-	2,500,099
Transfers out	(2,675,168)	-	(99)	(2,675,267)
Proceeds from sale of capital assets	13,268	-	-	13,268
Total other financing sources (uses)	<u>(2,661,801)</u>	<u>2,500,000</u>	<u>(99)</u>	<u>(161,900)</u>
Net change in fund balances	(1,210,794)	(685,119)	(56,320)	(1,952,233)
Fund Balances:				
Beginning of year - July 1	<u>13,627,226</u>	<u>1,530,114</u>	<u>447,796</u>	<u>15,605,136</u>
End of year - June 30	<u>\$ 12,416,432</u>	<u>\$ 844,995</u>	<u>\$ 391,476</u>	<u>\$ 13,652,903</u>

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

DAVIE COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

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)	\$ (1,952,233)
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.	(236,660)
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.	1,870,000
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.	(475,415)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(161,581)</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ (955,889)</u>

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

DAVIE COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over/Under</u>
Revenues:				
Taxes	\$ 31,965,743	\$ 31,991,743	\$ 33,091,161	\$ 1,099,418
Intergovernmental	7,021,414	9,380,676	7,354,896	(2,025,780)
Charges for sales and services	4,512,615	4,632,995	4,041,051	(591,944)
Permits and fees	591,000	591,000	494,625	(96,375)
Interest on investments	6,567	6,567	18,652	12,085
Miscellaneous	998,949	1,156,985	962,694	(194,291)
Total revenues	<u>45,096,288</u>	<u>47,759,966</u>	<u>45,963,079</u>	<u>(1,796,887)</u>
Expenditures:				
General government	5,584,520	5,938,712	5,301,693	637,019
Public safety	12,729,519	13,059,989	12,544,873	515,116
Environmental protection	51,539	51,539	45,512	6,027
Economic and physical development	1,112,408	1,122,838	466,989	655,849
Human services	11,049,773	11,615,672	10,238,889	1,376,783
Cultural and recreational	1,127,562	1,219,960	1,158,301	61,659
Education	11,484,148	13,326,639	11,987,396	1,339,243
Debt service:				
Principal	1,900,457	1,900,457	1,870,000	30,457
Interest and fees	905,922	905,922	898,419	7,503
Total expenditures	<u>45,945,848</u>	<u>49,141,728</u>	<u>44,512,072</u>	<u>4,629,656</u>
Revenues over (under) expenditures	<u>(849,560)</u>	<u>(1,381,762)</u>	<u>1,451,007</u>	<u>2,832,769</u>
Other Financing Sources (Uses):				
Transfers to other funds	(508,140)	(5,545,645)	(2,675,168)	2,870,477
Transfers from other funds	-	5,000,101	99	(5,000,002)
Proceeds from sale of capital assets	10,000	10,000	13,268	3,268
Contingency	(97,115)	(41,831)	-	41,831
Total other financing sources (uses)	<u>(595,255)</u>	<u>(577,375)</u>	<u>(2,661,801)</u>	<u>(2,084,426)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,444,815)</u>	<u>(1,959,137)</u>	<u>(1,210,794)</u>	<u>748,343</u>
Appropriated fund balance	<u>1,444,815</u>	<u>1,959,137</u>	<u>-</u>	<u>(1,959,137)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,210,794)</u>	<u>\$ (1,210,794)</u>
Fund Balance:				
Beginning of year - July 1			<u>13,627,226</u>	
End of year - June 30			<u>\$ 12,416,432</u>	

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Major</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,609,242	\$ 227,744	\$ 6,836,986
Accounts receivable, net	818,540	9,440	827,980
Due from other governments	-	22,588	22,588
Inventory, at cost	246,694	-	246,694
Cash and cash equivalents, restricted	<u>156,068</u>	<u>-</u>	<u>156,068</u>
Total current assets	<u>7,830,544</u>	<u>259,772</u>	<u>8,090,316</u>
Capital assets:			
Land and other non-depreciable assets	883,756	45,290	929,046
Other capital assets, net of depreciation	<u>23,325,646</u>	<u>36,125</u>	<u>23,361,771</u>
Capital assets, net	<u>24,209,402</u>	<u>81,415</u>	<u>24,290,817</u>
Total non-current assets	<u>24,209,402</u>	<u>81,415</u>	<u>24,290,817</u>
Total assets	<u>32,039,946</u>	<u>341,187</u>	<u>32,381,133</u>
Liabilities and Net Assets:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	158,180	37,939	196,119
Customer deposits	156,068	-	156,068
Unearned revenue	7,364	-	7,364
Current portion of compensated absences	68,000	-	68,000
Accrued landfill post-closure liabilities	<u>-</u>	<u>18,000</u>	<u>18,000</u>
Total current liabilities	<u>389,612</u>	<u>55,939</u>	<u>445,551</u>
Non-current liabilities:			
Compensated absences payable	33,495	-	33,495
Other post-employment benefits	96,533	-	96,533
Accrued landfill post-closure liabilities	<u>-</u>	<u>195,041</u>	<u>195,041</u>
Total non-current liabilities	<u>130,028</u>	<u>195,041</u>	<u>325,069</u>
Total liabilities	<u>519,640</u>	<u>250,980</u>	<u>770,620</u>
Net Assets:			
Invested in capital assets	24,209,402	81,415	24,290,817
Unrestricted	<u>7,310,904</u>	<u>8,792</u>	<u>7,319,696</u>
Total net assets	<u>\$ 31,520,306</u>	<u>\$ 90,207</u>	<u>\$ 31,610,513</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Major</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	
Operating Revenues:			
Charges for sales and services	\$ 4,162,421	\$ 121,503	\$ 4,283,924
Miscellaneous	<u>199,597</u>	<u>75,561</u>	<u>275,158</u>
Total operating revenues	<u>4,362,018</u>	<u>197,064</u>	<u>4,559,082</u>
Operating Expenses:			
Salaries and benefits	1,082,582	-	1,082,582
Other operating expenses	2,479,299	329,934	2,809,233
Depreciation	<u>780,920</u>	<u>1,166</u>	<u>782,086</u>
Total operating expenses	<u>4,342,801</u>	<u>331,100</u>	<u>4,673,901</u>
Operating income (loss)	<u>19,217</u>	<u>(134,036)</u>	<u>(114,819)</u>
Non-Operating Revenues (Expenses):			
Interest on investments	<u>2,855</u>	-	<u>2,855</u>
Total non-operating revenues (expenses)	<u>2,855</u>	-	<u>2,855</u>
Income (loss) before contributions and transfers	22,072	(134,036)	(111,964)
Transfer from General Fund, net	<u>23,000</u>	<u>152,168</u>	<u>175,168</u>
Change in net assets	45,072	18,132	63,204
Net Assets:			
Beginning of year - July 1	<u>31,475,234</u>	<u>72,075</u>	<u>31,547,309</u>
End of year - June 30	<u>\$ 31,520,306</u>	<u>\$ 90,207</u>	<u>\$ 31,610,513</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Major</u>		
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 4,295,172	\$ 199,841	\$ 4,495,013
Cash paid for goods and services	(2,520,980)	(367,105)	(2,888,085)
Cash paid to employees for services	(1,050,793)	-	(1,050,793)
Customer deposits paid, net	6,207	-	6,207
Net cash provided (used) by operating activities	<u>729,606</u>	<u>(167,264)</u>	<u>562,342</u>
Cash Flows from Non-Capital Financing Activities:			
Interfund transfer in (out)	<u>23,000</u>	<u>152,168</u>	<u>175,168</u>
Net cash provided (used) by non-capital financing activities	<u>23,000</u>	<u>152,168</u>	<u>175,168</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	<u>(756,573)</u>	<u>-</u>	<u>(756,573)</u>
Net cash provided (used) by capital and related financing activities	<u>(756,573)</u>	<u>-</u>	<u>(756,573)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>2,855</u>	<u>-</u>	<u>2,855</u>
Net increase (decrease) in cash and cash equivalents	(1,112)	(15,096)	(16,208)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>6,766,422</u>	<u>242,840</u>	<u>7,009,262</u>
End of year - June 30	<u>\$ 6,765,310</u>	<u>\$ 227,744</u>	<u>\$ 6,993,054</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 19,217	\$ (134,036)	\$ (114,819)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	780,920	1,166	782,086
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(38,913)	2,777	(36,136)
(Increase) decrease in inventory	(92,517)	-	(92,517)
Increase (decrease) in accounts payable and accrued liabilities	50,836	(17,871)	32,965
Increase (decrease) in customer deposits	6,207	-	6,207
Increase (decrease) in unearned revenues	(27,933)	-	(27,933)
Increase (decrease) in other post-employment benefits	24,766	-	24,766
Increase (decrease) in accrued landfill post-closure liabilities	-	(19,300)	(19,300)
Increase (decrease) in compensated absences payable	7,023	-	7,023
Net cash provided (used) by operating activities	<u>\$ 729,606</u>	<u>\$ (167,264)</u>	<u>\$ 562,342</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

	Agency Funds
	<u> </u>
Assets:	
Cash and investments	\$ 27,234
Taxes receivable	<u>163,973</u>
Total assets	<u>\$ 191,207</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 23,314
Intergovernmental payable	<u>167,893</u>
Total liabilities	<u>\$ 191,207</u>

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Davie County Watershed Improvement Commission

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

Davie County Industrial Facilities and Pollution Control Financing Authority

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

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

B. Basis of Presentation

Government-Wide Statements:

The Statement of Net Assets and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements:

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County has the following fund categories:

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

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012.

Proprietary Funds include the following fund types:

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

The County reports the Water and Sewer Fund and the Solid Waste Fund as major enterprise funds for the year ended June 30, 2012. 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 \$6.20 of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving or (giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2011.

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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 reported as deferred charges and amortized over the term of the related debt.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Restricted Fund Balance

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

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

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

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

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

Restricted fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>
Restricted, all other:			
Register of Deeds	\$ 139,891	\$ -	\$ -
Public Safety	-	-	371,584
Education	243,649	-	-
Total	<u>\$ 383,540</u>	<u>\$ -</u>	<u>\$ 371,584</u>

Committed Fund Balance

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

Assigned Fund Balance

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

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012 is as follows:

Purpose	General Fund	Capital Projects Fund	Other Governmental Funds
Subsequent year's expenditures	\$ 3,073,500	\$ -	\$ -

Unassigned Fund Balance

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

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

The County has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	\$ 12,416,432
Less:	
Inventories	(31,512)
Stabilization by State statute	(2,174,673)
Fund balance available for appropriation	\$ 10,210,247

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$ 21,234	\$ 2,737,681	\$ -

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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have a policy regarding custodial credit risk for deposits.

At June 30, 2012, the County's deposits had a carrying amount of \$19,493,283 and a bank balance of \$20,654,673. Of the bank balance, \$1,098,341 was covered by federal depository insurance, and \$19,556,332 was covered by collateral held under the Pooling Method. Cash on hand was \$2,325.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Investments

At June 30, 2012, the County's investments consisted of \$471,481 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard & Poor's. The County has no policy regarding credit risk.

Property Tax - Use - Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forest land may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,993,151	\$ 652,755	\$ 2,645,906
2009	2,372,863	563,555	2,936,418
2010	2,396,698	353,513	2,750,211
2011	2,023,712	116,363	2,140,075
Total	<u>\$ 8,786,424</u>	<u>\$ 1,686,186</u>	<u>\$ 10,472,610</u>

Receivables

Receivables shown in Exhibit A at June 30, 2012 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,116,274	\$ 1,289,274	\$ 2,131,192	\$ 14,244	\$ 4,550,984
Other governmental	-	-	163,697	-	163,697
Total receivables	1,116,274	1,289,274	2,294,889	14,244	4,714,681
Allowance for doubtful accounts	(412,100)	(552,511)	-	-	(964,611)
Total governmental activities	<u>\$ 704,174</u>	<u>\$ 736,763</u>	<u>\$ 2,294,889</u>	<u>\$ 14,244</u>	<u>\$ 3,750,070</u>
Business-Type Activities:					
Solid Waste Fund	\$ 9,440	\$ -	\$ 22,588	\$ -	\$ 32,028
Water and Sewer Fund	953,540	-	-	-	953,540
Allowance for doubtful accounts	(135,000)	-	-	-	(135,000)
Total business-type activities	<u>\$ 827,980</u>	<u>\$ -</u>	<u>\$ 22,588</u>	<u>\$ -</u>	<u>\$ 850,568</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Due from other governments consisted of the following:

Governmental Activities:

Sales tax reimbursement	\$ 199,814
Grants	2,027,746
Other	<u>67,329</u>
Total	<u>\$ 2,294,889</u>

Business-Type Activities:

Scrap tire tax and white goods disposal tax	<u>\$ 22,588</u>
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Capital Assets

Governmental Capital Assets

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

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2012</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Construction in progress	\$ 1,730,192	\$ 59,765	\$ -	\$ (570,139)	\$ 1,219,818
Land	<u>621,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621,225</u>
Total non-depreciable capital assets	<u>2,351,417</u>	<u>59,765</u>	<u>-</u>	<u>(570,139)</u>	<u>1,841,043</u>
Depreciable Capital Assets:					
Buildings	21,039,536	338,272	-	570,139	21,947,947
Furniture and equipment, computer equipment, and software	4,241,460	141,883	54,946		4,328,397
Vehicles and motor equipment	<u>1,861,185</u>	<u>545,935</u>	<u>228,285</u>	<u>(23,451)</u>	<u>2,155,384</u>
Total depreciable capital assets	<u>27,142,181</u>	<u>1,026,090</u>	<u>283,231</u>	<u>546,688</u>	<u>28,431,728</u>
Less Accumulated Depreciation:					
Buildings	6,704,539	539,618	-	-	7,244,157
Furniture and equipment, computer equipment, and software	3,333,313	335,582	54,945		3,613,950
Vehicles and motor equipment	<u>969,726</u>	<u>337,940</u>	<u>118,911</u>	<u>(23,451)</u>	<u>1,165,304</u>
Total accumulated depreciation	<u>11,007,578</u>	<u>\$ 1,213,140</u>	<u>\$ 173,856</u>	<u>\$ (23,451)</u>	<u>12,023,411</u>
Total depreciable capital assets	<u>16,134,603</u>				<u>16,408,317</u>
Governmental activity capital assets, net	<u>\$ 18,486,020</u>				<u>\$ 18,249,360</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Governmental Activities:	
General government	\$ 627,975
Public safety	503,214
Environmental protection	3,199
Human services	78,752
Total	<u>\$ 1,213,140</u>

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2012 are as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
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	<u>95,097</u>	<u>-</u>	<u>-</u>	<u>95,097</u>
Less Accumulated Depreciation:				
Buildings	21,009	-	-	21,009
Equipment	36,797	1,166	-	37,963
Total accumulated depreciation	<u>57,806</u>	<u>\$ 1,166</u>	<u>\$ -</u>	<u>58,972</u>
Total depreciable capital assets	<u>37,291</u>			<u>36,125</u>
Solid waste capital assets, net	<u>\$ 82,581</u>			<u>\$ 81,415</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Water/Sewer:					
Non-Depreciable Capital Assets:					
Land	\$ 321,441	\$ -	\$ -	\$ -	\$ 321,441
Construction-in-progress	<u>440,492</u>	<u>167,473</u>	<u>-</u>	<u>(45,650)</u>	<u>562,315</u>
Total non-depreciable capital assets	<u>761,933</u>	<u>167,473</u>	<u>-</u>	<u>(45,650)</u>	<u>883,756</u>
Depreciable Capital Assets:					
Water/sewer lines	36,142,691	264,630	-	45,650	36,452,971
Buildings	242,365	207,417	-	-	449,782
Equipment	<u>1,236,286</u>	<u>117,053</u>	<u>43,451</u>	<u>(23,451)</u>	<u>1,286,437</u>
Total depreciable capital assets	<u>37,621,342</u>	<u>589,100</u>	<u>43,451</u>	<u>22,199</u>	<u>38,189,190</u>
Less Accumulated Depreciation:					
Water/sewer lines	13,156,976	670,972	-	-	13,827,948
Buildings	122,301	14,342	-	-	136,643
Equipment	<u>870,248</u>	<u>95,607</u>	<u>43,451</u>	<u>(23,451)</u>	<u>898,953</u>
Total accumulated depreciation	<u>14,149,525</u>	<u>\$ 780,921</u>	<u>\$ 43,451</u>	<u>\$ (23,451)</u>	<u>14,863,544</u>
Total capital assets being depreciated, net	<u>23,471,817</u>				<u>23,325,646</u>
Water/Sewer capital assets, net	<u>\$ 24,233,750</u>				<u>\$ 24,209,402</u>
Business-type activities capital assets, net	<u>\$ 24,316,331</u>				<u>\$ 24,290,817</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2012 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 18,249,360	\$ 24,290,817
Long-term debt	(22,897,331)	(411,069)
Compensated absences, landfill post-closure, OPEB, LEO	3,161,671	411,069
Long-term debt for assets not owned by the County	19,345,660	-
Invested in capital assets, net of related debt	<u>\$ 17,859,360</u>	<u>\$ 24,290,817</u>

B. Liabilities

Payables

Payables shown in Exhibit A at June 30, 2012 were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:			
General	\$ 1,317,758	\$ 90,724	\$ 1,408,482
Other governmental	305,901	-	305,901
Total	<u>\$ 1,623,659</u>	<u>\$ 90,724</u>	<u>\$ 1,714,383</u>
Business-Type Activities:			
Solid waste	\$ 37,939	\$ -	\$ 37,939
Water and sewer	158,180	-	158,180
Total	<u>\$ 196,119</u>	<u>\$ -</u>	<u>\$ 196,119</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, 2011, and 2010 were \$817,520, \$759,232, and \$582,532, 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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	<u>50</u>
Total	<u>52</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2010 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 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	\$	53,931
Interest on net pension obligation		10,859
Adjustment to annual required contribution		<u>(12,956)</u>
Annual pension cost		51,834
Employer contributions made		<u>27,379</u>
Increase (decrease) in net pension obligation		24,455
Net pension:		
Beginning of year - July 1		<u>217,189</u>
End of year - June 30	\$	<u><u>241,644</u></u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Three-Year Trend Information

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 41,898	87.10%	\$ 194,477
2011	56,592	59.87%	217,189
2012	51,834	52.82%	241,644

Funded Status and Funding Progress. As of December 31, 2011, 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 \$413,958. The covered payroll (annual payroll of active employees covered by the plan) was \$1,860,051, and the ratio of the UAAL to the covered payroll was 22.26%.

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, 2012 were \$118,281, which consisted of \$92,202 from the County and \$26,079 from the law enforcement officers.

Deferred Compensation Plan

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, 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 \$8,389,614; the County's total payroll was \$12,362,890. The total contribution for the fiscal year ended was \$528,119, which consisted of \$251,277 from the County and \$276,842 from the employees. The County's required contribution and the employees' voluntary contributions represented 3% and 3.41%, 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, 2012, the County's required and actual contributions were \$3,406.

Other Post-Employment Benefits – Healthcare Benefits

Plan Description. According to a County resolution, the County administers a single-employer defined benefit healthcare plan. At retirement, all employees with twenty years or more of credited service who retire under the County's retirement plan have the option to purchase individual medical coverage at the County's group rate. The cost of insurance is borne by the retirees at a prorata share based on years of service. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently, 21 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2012, the County made payments for post-retirement health benefit premiums of \$108,436. The County obtains healthcare coverage through private insurers. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 4.22% of annual covered payroll. For the current year, the County contributed \$91,154, or .78% 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 \$275,755. The County's obligation to contribute to the Plan is established and may be amended by the County Board.

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

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 459,633	\$ 29,964	\$ 489,597
Interest on net OPEB obligation	42,593	2,777	45,370
Adjustments to annual required contribution	(36,746)	(2,396)	(39,142)
Annual OPEB cost (expense)	465,480	30,345	495,825
Contributions made	(85,576)	(5,579)	(91,155)
Increase (decrease) in net OPEB obligation	379,904	24,766	404,670
Net OPEB obligation, beginning of year	1,062,456	71,767	1,134,223
Net OPEB obligation, end of year	<u>\$ 1,442,360</u>	<u>\$ 96,533</u>	<u>\$ 1,538,893</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 471,901	16.3%	\$ 791,084
2011	493,940	30.5%	1,134,223
2012	495,825	18.4%	1,538,893

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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2010 was 30 years.

As of June 30, 2012, 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, 2012, the County made contributions to the State for death benefits of \$10,978. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.11% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Operating Leases

The County is committed under various operating leases for land, buildings, and equipment. For the year ended June 30, 2012, total lease expenditures under these operating leases totaled \$36,911. 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 \$ 390,000

For the County, the future minimum payments as of June 30, 2012 are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 130,000	\$ 13,221
2014	130,000	8,814
2015	130,000	4,407
Total	<u>\$ 390,000</u>	<u>\$ 26,442</u>

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012 is comprised of the following individual issues:

Serviced by the General Fund:

\$2,590,000 Refunding Bonds due on December 1 and June 1 in installments of \$105,000 to \$525,000 through June 1, 2016; interest at 3.00% to 4.00%	\$ 1,560,000
\$8,825,000 School Building Serial bonds due on November 1 and May 1 in installments of \$315,000 to \$630,000 through May 1, 2024; interest at 3.5% to 4.875%	<u>6,030,000</u>
Total serviced by the General Fund	<u>7,590,000</u>
Total general obligation bonds	<u><u>\$ 7,590,000</u></u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 895,000	\$ 357,566
2014	900,000	327,016
2015	905,000	293,691
2016	550,000	257,691
2017	465,000	221,491
2018-2022	2,640,000	782,235
2023-2027	<u>1,235,000</u>	<u>176,639</u>
Total	<u><u>\$ 7,590,000</u></u>	<u><u>\$ 2,416,329</u></u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 is \$11,005,000. 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 Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 850,000	\$ 486,725
2014	850,000	452,725
2015	850,000	418,725
2016	850,000	384,725
2017	845,000	342,225
2018-2022	4,225,000	1,196,731
2023-2024	2,535,000	253,500
Total	<u>\$ 11,005,000</u>	<u>\$ 3,535,356</u>

Qualified Zone Academy Bonds

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation debt	\$ 8,480,000	\$ -	\$ 890,000	\$ 7,590,000	\$ 895,000
Installment purchase contracts	520,000	-	130,000	390,000	130,000
Qualified Zone Academy Bonds	602,600	-	-	602,600	-
Certificates of participation	11,855,000	-	850,000	11,005,000	850,000
Unamortized premiums	161,364	-	13,304	148,060	-
Other post-employment benefits	1,062,456	465,480	85,576	1,442,360	-
Compensated absences	1,401,945	1,279,230	1,203,508	1,477,667	1,125,000
Net pension obligation	217,189	51,834	27,379	241,644	-
Total governmental activities	<u>\$ 24,300,554</u>	<u>\$1,796,544</u>	<u>\$ 3,199,767</u>	<u>\$ 22,897,331</u>	<u>\$ 3,000,000</u>
Business-Type Activities:					
Accrued landfill post-closure care costs	\$ 232,341	\$ -	\$ 19,300	\$ 213,041	\$ 18,000
Other post-employment benefits	71,767	30,345	5,579	96,533	-
Compensated absences	94,472	111,203	104,180	101,495	68,000
Total business-type activities	<u>\$ 398,580</u>	<u>\$ 141,548</u>	<u>\$ 129,059</u>	<u>\$ 411,069</u>	<u>\$ 86,000</u>

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

General Obligation Bonds (\$7,590,000), QZAB (\$602,600), and Certificates of Participation (\$11,005,000 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, 2012, the County had a legal debt margin of \$324,102,729.

DAVIE COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Conduit Debt Obligations

Davie County Industrial Facilities and Pollution Control Financing Authority have issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, there was one series of industrial revenue bond outstanding, with an aggregate principal amount payable of \$2,700,000.

Deferred/Unearned Revenues

The balance in deferred or unearned revenues 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)	\$ 18,886	\$ 18,886
Taxes receivable, net (General Fund)	736,763	-
Other receivables (General Fund)	696,171	-
Other receivables (Water & Sewer Fund)	-	7,364
Total	\$ 1,451,820	\$ 26,250

C. Interfund Balances and Activity

	Transfers	
	From	To
Transfers From/To Other Funds:		
General Fund	\$ 2,675,168	\$ -
Capital Projects Fund	-	2,500,000
Water and Sewer Fund	-	23,000
Solid Waste Fund	-	152,168
Special Revenue Fund	99	-
General Fund	-	99
Total	\$ 2,675,267	\$ 2,675,267

All transfers in the current year were for operations.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 267,986	\$ 24
Aid for Dependent Children (penalties)	(993)	(272)
Medical Assistance Program-TitleXIX-Medicaid	22,300,612	12,814,974
Special Supplemental Nutrition Program for Women, Infants, and Children	647,585	-
Independent Living Grant	4,910	-
State/County Special Assistance for Adults	-	309,573
Permanency Planning (Child Welfare Services)	-	186,978
State Foster Care Benefits	-	41,579
Title IV-E Foster Care	77,644	22,279
Adoption Assistance	234,310	63,427
Total	<u>\$ 23,532,054</u>	<u>\$ 13,438,562</u>

3. Related Organization

The Council of Economic Development (Council) was established to coordinate and promote the economic development of the County. Two of the twelve Board members are appointed by the County. The Council maintains its own accounting system. The County contributed \$149,000 to the Council during the fiscal year ended June 30, 2012.

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

4. Joint Ventures

The County, in conjunction with the State of North Carolina, participates in a joint venture to operate the Davie Campus of Davidson County Community College (Community College). The County appoints two members out of the fifteen-member Board of Trustees of the Community College. The President of the Community College's student government serves as an ex-officio non-voting member of the Community College's Board of Trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Davie Campus of Davidson County Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Davie Campus of Davidson County Community College's facilities. The County contributed \$595,194 and \$48,991 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2012. 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, 2012. 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, 2012. The County contributed \$65,000 to Northwest Child Development during the fiscal year ended June 30, 2012. Complete financial statements for Northwest Child Development can be obtained from the Development's office at P.O. Box 38, Winston-Salem, North Carolina 27102.

The County also participates in a joint venture to operate Yadkin Valley Economic Development District, Inc. (District) with three other local governments. Each participating government appoints two Board members to the twenty-seven member Board of the District. The District is a joint venture established to improve the economic conditions for citizens of the participating governments. The County has an ongoing financial responsibility for the joint venture because the District's continued existence depends on the participating governments' continued funding. None of the participating governments has an equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2012. The County contributed \$45,710 to the District for the fiscal year ended June 30, 2012. Complete financial statements for the Yadkin Valley Economic Development District, Inc. can be obtained from the District's offices at P.O. Box 309, Boonville, North Carolina 27011.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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, 2012. Complete financial statements for CenterPoint Human Services can be obtained from its administrative office at 4045 University Parkway, Winston-Salem, North Carolina 27102.

5. Jointly Governed Organization

The County, in conjunction with four other counties and twenty-one other municipalities, established the Piedmont Triad Regional Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member of the council's governing board. The County paid membership fees of \$12,873 to the Council during the fiscal year ended June 30, 2012.

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 \$213,041 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, 2012. The projects include scattered site housing and single family rehabilitation. At year-end, the government's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Scattered site housing	\$ 127,564	\$ 62,964
Single family rehabilitation	44,158	118,936
Total	<u>\$ 171,722</u>	<u>\$ 181,900</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, the County was defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ -	\$ 413,958	\$ 413,958	0.00%	\$ 1,860,051	22.26%
12/31/2010	-	387,516	387,516	0.00%	1,799,943	21.53%
12/31/2009	-	418,378	418,378	0.00%	1,886,912	22.17%
12/31/2008	-	309,275	309,275	0.00%	1,674,193	18.47%
12/31/2007	-	301,227	301,227	0.00%	1,512,980	19.91%
12/31/2006	-	379,110	379,110	0.00%	1,313,646	28.86%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 53,931	50.77%
2011	57,280	59.15%
2010	40,100	91.00%
2009	36,355	98.54%
2008	41,270	86.80%
2007	30,962	91.73%
2006	32,788	27.50%

Notes to the Required Schedules:

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

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25% to 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

DAVIE COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

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	Percentage of ARC Contributed	Percentage of ARC Contributed
2009	\$ 471,901	16.10%
2010	471,901	16.30%
2011	489,597	30.80%
2012	489,597	30.80%

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, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 26,312,743	\$ 26,801,573	\$ 488,830
Penalties and interest	<u>175,000</u>	<u>170,571</u>	<u>(4,429)</u>
Total	<u>26,487,743</u>	<u>26,972,144</u>	<u>484,401</u>
Other Taxes:			
Local Option Sales Tax:			
Article 39 - one percent	2,025,000	2,039,407	14,407
Article 40 - one-half of one percent	1,350,000	1,441,859	91,859
Article 42 - one-half of one percent	1,470,000	1,636,021	166,021
Article 44 - one-half of one percent	-	487	487
Medicaid Hold Harmless payment	<u>589,000</u>	<u>928,562</u>	<u>339,562</u>
Total	<u>5,434,000</u>	<u>6,046,336</u>	<u>612,336</u>
Occupancy Tax	<u>70,000</u>	<u>72,681</u>	<u>2,681</u>
Unrestricted Intergovernmental Revenues:			
Hold Harmless revenue	1,304,658	1,295,633	(9,025)
Tax refunds - gasoline and sales	750	487	(263)
Towns of Mocksville, Cooleemee, and fire department reimbursement	<u>214,799</u>	<u>207,753</u>	<u>(7,046)</u>
Total	<u>1,520,207</u>	<u>1,503,873</u>	<u>(16,334)</u>
Restricted Intergovernmental Revenues:			
Federal and State grants	7,508,969	5,518,302	(1,990,667)
Court facilities fees	351,500	309,801	(41,699)
Controlled substance tax	-	21,887	21,887
Crime prevention	<u>-</u>	<u>1,033</u>	<u>1,033</u>
Total	<u>7,860,469</u>	<u>5,851,023</u>	<u>(2,009,446)</u>
Sales and Services:			
Emergency medical service fees	1,413,500	1,399,406	(14,094)
Health fees	130,501	75,736	(54,765)
Other fees	39,884	45,850	5,966
Rents	17,778	12,982	(4,796)
Tax collection fees	27,100	54,960	27,860
Health - client and third-party fees	<u>3,004,232</u>	<u>2,452,117</u>	<u>(552,115)</u>
Total	<u>4,632,995</u>	<u>4,041,051</u>	<u>(591,944)</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Licenses and Permits:			
Building permits	100,000	55,594	(44,406)
Inspection and other related fees	150,000	106,588	(43,412)
Other permits and fees	16,000	18,330	2,330
Register of Deeds	<u>325,000</u>	<u>314,113</u>	<u>(10,887)</u>
Total	<u>591,000</u>	<u>494,625</u>	<u>(96,375)</u>
Investment Earnings	<u>6,567</u>	<u>18,652</u>	<u>12,085</u>
Miscellaneous Revenues:			
Other revenues	1,120,685	913,268	(207,417)
Library - gifts, fines and fees	<u>36,300</u>	<u>49,426</u>	<u>13,126</u>
Total	<u>1,156,985</u>	<u>962,694</u>	<u>(194,291)</u>
Total revenues	<u>47,759,966</u>	<u>45,963,079</u>	<u>(1,796,887)</u>
Expenditures:			
General Government:			
Governing Board:			
Salaries and employee benefits		59,552	
Other operating expenditures		<u>326,984</u>	
Total	<u>449,360</u>	<u>386,536</u>	<u>62,824</u>
Administration:			
Salaries and benefits		403,872	
Other operating expenditures		10,553	
Capital outlay		<u>9,540</u>	
Total	<u>430,399</u>	<u>423,965</u>	<u>6,434</u>
Grants Administration:			
Salaries and employee benefits		62,529	
Other operating expenditures		3,347	
Capital outlay		<u>1,327</u>	
Total	<u>72,540</u>	<u>67,203</u>	<u>5,337</u>
Elections:			
Salaries and employee benefits		110,359	
Other operating expenditures		<u>60,285</u>	
Total	<u>220,544</u>	<u>170,644</u>	<u>49,900</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Finance:			
Salaries and employee benefits		355,740	
Other operating expenditures		69,031	
Capital outlay		<u>6,906</u>	
Total	<u>437,050</u>	<u>431,677</u>	<u>5,373</u>
Data Processing:			
Salaries and employee benefits		234,374	
Other operating expenditures		247,983	
Capital outlay		<u>74,738</u>	
Total	<u>660,330</u>	<u>557,095</u>	<u>103,235</u>
Taxes:			
Salaries and employee benefits		391,751	
Other operating expenditures		<u>98,800</u>	
Total	<u>536,419</u>	<u>490,551</u>	<u>45,868</u>
Revaluation:			
Salaries and employee benefits		94,736	
Other operating expenditures		44,354	
Capital outlay		<u>1,091</u>	
Total	<u>159,949</u>	<u>140,181</u>	<u>19,768</u>
Legal:			
Contracted services		397,610	
Other operating expenditures		<u>15</u>	
Total	<u>543,213</u>	<u>397,625</u>	<u>145,588</u>
Register of Deeds:			
Salaries and employee benefits		210,977	
Other operating expenditures		<u>42,900</u>	
Total	<u>271,617</u>	<u>253,877</u>	<u>17,740</u>
Public Buildings:			
Salaries and employee benefits		246,117	
Other operating expenditures		1,131,231	
Capital outlay		<u>30,533</u>	
Total	<u>1,546,668</u>	<u>1,407,881</u>	<u>138,787</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Court Facilities:			
Operating expenditures		111,648	
Capital outlay		<u>1,039</u>	
Total	<u>112,931</u>	<u>112,687</u>	<u>244</u>
DAVIENET:			
Operating expenditures		<u>39,023</u>	
Total	<u>55,884</u>	<u>39,023</u>	<u>16,861</u>
Geographic Information Systems:			
Salaries and employee benefits		135,912	
Other operating expenditures		80,766	
Capital outlay		<u>8,570</u>	
Total	<u>244,166</u>	<u>225,248</u>	<u>225,248</u>
Contributions to other agencies	<u>197,642</u>	<u>197,500</u>	<u>142</u>
Total general government	<u>5,938,712</u>	<u>5,301,693</u>	<u>843,349</u>
Public Safety:			
Sheriff:			
Salaries and employee benefits		3,037,919	
Other operating expenditures		535,704	
Capital outlay		<u>342,888</u>	
Total	<u>4,078,702</u>	<u>3,916,511</u>	<u>162,191</u>
Jail:			
Salaries and employee benefits		1,263,331	
Other operating expenditures		508,004	
Capital outlay		<u>15,641</u>	
Total	<u>1,871,557</u>	<u>1,786,976</u>	<u>84,581</u>
Davie Domestic Violence Service:			
Salaries and employee benefits		144,302	
Other operating expenditures		<u>45,763</u>	
Total	<u>208,499</u>	<u>190,065</u>	<u>18,434</u>
Davie Domestic Violence United Way:			
Salaries and employee benefits		14,226	
Other operating expenditures		<u>1,919</u>	
Total	<u>16,142</u>	<u>16,145</u>	<u>(3)</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Child Advocacy Center:			
Salaries and employee benefits		49,301	
Other operating expenditures		118,069	
Capital outlay		<u>17,887</u>	
Total	<u>251,424</u>	<u>185,257</u>	<u>66,167</u>
Cannon Foundation Grant:			
Capital outlay	<u>4,822</u>	-	<u>4,822</u>
Total	<u>4,822</u>	-	<u>4,822</u>
Fire:			
Assistance to local fire departments		<u>2,224,903</u>	
Total	<u>2,224,904</u>	<u>2,224,903</u>	<u>1</u>
Inspections:			
Salaries and employee benefits		284,362	
Other operating expenditures		<u>23,790</u>	
Total	<u>317,811</u>	<u>308,152</u>	<u>9,659</u>
Medical Examiner:			
Professional services		<u>21,400</u>	
Total	<u>25,000</u>	<u>21,400</u>	<u>3,600</u>
Emergency Medical Service:			
Salaries and employee benefits		2,169,563	
Other operating expenditures		566,689	
Capital outlay		<u>199,855</u>	
Total	<u>3,069,909</u>	<u>2,936,107</u>	<u>133,802</u>
Emergency Management:			
Salaries and employee benefits		75,472	
Other operating expenditures		26,068	
Capital outlay		<u>90,091</u>	
Total	<u>194,821</u>	<u>191,631</u>	<u>3,190</u>
Animal Protection:			
Operating expenditures		<u>141,624</u>	
Total	<u>154,000</u>	<u>141,624</u>	<u>12,376</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Communication:			
Salaries and employee benefits		570,552	
Other operating expenditures		<u>54,550</u>	
Total	<u>641,398</u>	<u>625,102</u>	<u>16,296</u>
Contributions to Other Agencies:			
National Guard		<u>1,000</u>	
Total	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total public safety	<u>13,059,989</u>	<u>12,544,873</u>	<u>515,116</u>
Environmental Protection:			
Contributions to Other Agencies:			
Forestry service	<u>51,539</u>	<u>45,512</u>	<u>6,027</u>
Total environmental protection	<u>51,539</u>	<u>45,512</u>	<u>6,027</u>
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits		131,334	
Other operating expenditures		43,309	
Capital outlay		<u>450</u>	
Total	<u>203,806</u>	<u>175,093</u>	<u>28,713</u>
Agricultural Extension:			
Salaries and employee benefits		11,329	
Operating expenditures		180,189	
Capital outlay		<u>2,547</u>	
Total	<u>219,032</u>	<u>194,065</u>	<u>24,967</u>
Contributions to other agencies	<u>700,000</u>	<u>97,831</u>	<u>602,169</u>
Total economic and physical development	<u>1,122,838</u>	<u>466,989</u>	<u>655,849</u>
Human Services:			
Health:			
Administration-Basic Programs:			
Salaries and employee benefits		189,575	
Other operating expenditures		75,298	
Capital outlay		<u>492</u>	
Total	<u>290,163</u>	<u>265,365</u>	<u>24,798</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Clinical Services:			
Salaries and employee benefits		81,554	
Other operating expenditures		<u>20,553</u>	
Total	<u>132,778</u>	<u>102,107</u>	<u>30,671</u>
Family Planning:			
Salaries and employee benefits		205,097	
Other operating expenditures		<u>34,746</u>	
Total	<u>304,469</u>	<u>239,843</u>	<u>64,626</u>
Adolescent Pregnancy Prevention:			
Other operating expenditures		<u>22,164</u>	
Total	<u>23,952</u>	<u>22,164</u>	<u>1,788</u>
Maternal and Child Health:			
Salaries and employee benefits		502,187	
Other operating expenditures		<u>95,034</u>	
Total	<u>764,610</u>	<u>597,221</u>	<u>167,389</u>
Home Health Program:			
Salaries and employee benefits		1,030,758	
Other operating expenditures		973,763	
Capital outlay		<u>3,899</u>	
Total	<u>2,149,745</u>	<u>2,008,420</u>	<u>141,325</u>
Women, Infants, and Children:			
Salaries and employee benefits		204,718	
Other operating expenditures		<u>29,346</u>	
Total	<u>248,890</u>	<u>234,064</u>	<u>14,826</u>
Environmental Health:			
Salaries and employee benefits		305,936	
Other operating expenditures		<u>35,836</u>	
Total	<u>357,703</u>	<u>341,772</u>	<u>15,931</u>
Health - Other:			
Salaries and employee benefits		333,713	
Other operating expenditures		<u>77,540</u>	
Total	<u>506,909</u>	<u>411,253</u>	<u>95,656</u>
Total health	<u>4,779,219</u>	<u>4,222,209</u>	<u>557,010</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Mental Health:			
Contribution to Mental Health Authority	234,325	234,325	-
Total mental health	<u>234,325</u>	<u>234,325</u>	<u>-</u>
Social Services:			
Administration:			
Salaries and employee benefits		2,209,430	
Other operating expenditures		175,396	
Total	<u>2,504,054</u>	<u>2,384,826</u>	<u>119,228</u>
AFDC Program:			
AFDC program-foster care		131,601	
AFDC program-emergency assistance		8,000	
AFDC program - trans day care		1,107,137	
Total	<u>1,422,292</u>	<u>1,246,738</u>	<u>175,554</u>
Medicaid Program:			
County participation only	<u>20,000</u>	<u>6,693</u>	<u>13,307</u>
Other Programs:			
State boarding home		85,894	
General assistance		41,828	
Special assistance		311,432	
Aid to blind		2,769	
Chore services		9,822	
Crisis intervention		159,944	
Other programs		325,388	
Medicaid transportation		164,638	
Adoption assistance		192,406	
Links transitional housing		7,712	
Total	<u>1,727,982</u>	<u>1,301,833</u>	<u>426,149</u>
Total social services	<u>5,674,328</u>	<u>4,940,090</u>	<u>734,238</u>
Veteran's Service Officer:			
Salaries and employee benefits		25,167	
Other operating expenditures		2,305	
Capital outlay		1,327	
Total	<u>40,298</u>	<u>28,799</u>	<u>11,499</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Senior Center:			
Salaries and employee benefits		270,254	
Other operating expenditures		264,600	
Capital outlay		<u>39,172</u>	
Total	<u>647,062</u>	<u>574,026</u>	<u>73,036</u>
Contributions to other agencies	<u>240,440</u>	<u>239,440</u>	<u>1,000</u>
Total human services	<u>11,615,672</u>	<u>10,238,889</u>	<u>1,376,783</u>
Cultural and Recreational:			
Recreation:			
Operating expenditures		<u>396,234</u>	
Total	<u>403,600</u>	<u>396,234</u>	<u>7,366</u>
Library:			
Salaries and employee benefits		392,827	
Other operating expenditures		234,021	
Capital outlay		<u>13,672</u>	
Total	<u>697,360</u>	<u>640,520</u>	<u>56,840</u>
Contribution to other agencies	<u>119,000</u>	<u>121,547</u>	<u>(2,547)</u>
Total cultural and recreational	<u>1,219,960</u>	<u>1,158,301</u>	<u>61,659</u>
Education:			
Public schools - current expense		9,407,445	
Capital outlay - 1/2-cent tax		1,336,021	
Capital outlay - State and local		437,227	
Public schools - special project		143,153	
Community College		644,185	
Contributions to other agencies:			
Rowan Vocational Workshop		6,000	
Horizons Unlimited		<u>13,365</u>	
Total education	<u>13,326,639</u>	<u>11,987,396</u>	<u>1,339,243</u>

DAVIE COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal retirement	1,900,457	1,870,000	30,457
Interest and fees	<u>905,922</u>	<u>898,419</u>	<u>7,503</u>
Total debt service	<u>2,806,379</u>	<u>2,768,419</u>	<u>37,960</u>
Total expenditures	<u>49,141,728</u>	<u>44,512,072</u>	<u>4,629,656</u>
Revenues over (under) expenditures	<u>(1,381,762)</u>	<u>1,451,007</u>	<u>2,832,769</u>
Other Financing Sources (Uses):			
Operating transfers to other funds:			
Capital Projects Fund	(5,037,505)	(2,500,000)	2,537,505
Solid Waste Fund	(485,140)	(152,168)	332,972
Water and Sewer Fund	<u>(23,000)</u>	<u>(23,000)</u>	<u>-</u>
Total	<u>(5,545,645)</u>	<u>(2,675,168)</u>	<u>2,870,477</u>
Operating transfers from other funds:			
Capital Projects Fund	5,000,000	-	(5,000,000)
Special revenue funds	<u>101</u>	<u>99</u>	<u>(2)</u>
Total	<u>5,000,101</u>	<u>99</u>	<u>(5,000,002)</u>
Proceeds from sale of capital assets	10,000	13,268	3,268
Contingency	<u>(41,831)</u>	<u>-</u>	<u>41,831</u>
Total other financing sources (uses)	<u>(577,375)</u>	<u>(2,661,801)</u>	<u>(2,084,426)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,959,137)	(1,210,794)	748,343
Appropriated fund balance	<u>1,959,137</u>	<u>-</u>	<u>(1,959,137)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,210,794)</u>	<u>\$ (1,210,794)</u>
Fund Balance:			
Beginning of year - July 1		<u>13,627,226</u>	
End of year - June 30		<u>\$ 12,416,432</u>	

DAVIE COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Scattered Site Housing 2010	\$ 400,000	\$ -	\$ 202,290	\$ 202,290	\$ (197,710)
Single family rehabilitation 2010	526,624	122,992	271,680	394,672	(131,952)
JP Green Milling Company CDBG Grant	90,000	90,000	-	90,000	-
Ashley Furniture - CDBG	1,000,000	-	-	-	(1,000,000)
Ashley Furniture - Rural Center	1,230,100	-	-	-	(1,230,100)
Ashley Furniture - Golden Leaf	2,500,000	-	-	-	(2,500,000)
Ashley Furniture - One NC Fund	1,662,000	-	-	-	(1,662,000)
One North Carolina Fund	75,000	-	-	-	(75,000)
State grant - oil mitigation	<u>1,346,137</u>	<u>1,060,259</u>	<u>46,458</u>	<u>1,106,717</u>	<u>(239,420)</u>
Total restricted intergovernmental	<u>8,829,861</u>	<u>1,273,251</u>	<u>520,428</u>	<u>1,793,679</u>	<u>(7,036,182)</u>
Investment earnings:					
Recreation building	-	19,175	-	19,175	19,175
Oil spill mitigation	-	<u>6,639</u>	-	<u>6,639</u>	<u>6,639</u>
Total investment earnings	-	<u>25,814</u>	-	<u>25,814</u>	<u>25,814</u>
Miscellaneous:					
Ashley Furniture lease proceeds	2,500,000	-	-	-	(2,500,000)
JP Green Milling Company Grant	<u>23,500</u>	<u>23,500</u>	-	<u>23,500</u>	-
Total miscellaneous	<u>2,523,500</u>	<u>23,500</u>	-	<u>23,500</u>	<u>(2,500,000)</u>
Total revenues	<u>11,353,361</u>	<u>1,322,565</u>	<u>520,428</u>	<u>1,842,993</u>	<u>(9,510,368)</u>
Expenditures:					
Public safety:					
Communications center	<u>573,710</u>	<u>559,121</u>	<u>11,017</u>	<u>570,138</u>	<u>3,572</u>
Total public safety	<u>573,710</u>	<u>559,121</u>	<u>11,017</u>	<u>570,138</u>	<u>3,572</u>
Environmental protection:					
Oil spill mitigation	<u>1,391,379</u>	<u>1,170,509</u>	<u>48,748</u>	<u>1,219,257</u>	<u>172,122</u>
Economic and physical development:					
One North Carolina Fund	75,000	-	-	-	75,000
Ashley Furniture	8,929,605	-	2,500,000	2,500,000	6,429,605
JP Green Milling Company Grant	<u>113,500</u>	<u>113,500</u>	-	<u>113,500</u>	-
Total economic and physical development	<u>9,118,105</u>	<u>113,500</u>	<u>2,500,000</u>	<u>2,613,500</u>	<u>6,504,605</u>

DAVIE COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Human services:					
Single family rehabilitation 2010	526,624	122,992	271,680	394,672	131,952
Scattered Site Housing 2010	400,000	-	202,291	202,291	197,709
Total human services	<u>926,624</u>	<u>122,992</u>	<u>473,971</u>	<u>596,963</u>	<u>329,661</u>
Cultural and recreational:					
Recreation buildings	150,000	-	13,964	13,964	136,036
Total cultural and recreational	<u>150,000</u>	<u>-</u>	<u>13,964</u>	<u>13,964</u>	<u>136,036</u>
Education:					
Early College DCCC - Davie Campus	-	161,252	-	161,252	(161,252)
Early College 2011	1,200,000	-	657,847	657,847	542,153
Davie County High School construction	-	1,176,304	-	1,176,304	(1,176,304)
Davie County High School renovation	2,212,000	2,191,992	-	2,191,992	20,008
Total education	<u>3,412,000</u>	<u>3,529,548</u>	<u>657,847</u>	<u>4,187,395</u>	<u>(775,395)</u>
Total expenditures	<u>15,571,818</u>	<u>5,495,670</u>	<u>3,705,547</u>	<u>9,201,217</u>	<u>6,370,601</u>
Revenues over (under) expenditures	<u>(4,218,457)</u>	<u>(4,173,105)</u>	<u>(3,185,119)</u>	<u>(7,358,224)</u>	<u>(3,139,767)</u>
Other Financing Sources (Uses):					
Operating transfers in (out):					
From General Fund	9,690,312	6,202,034	2,500,000	8,702,034	(988,278)
To General Fund	<u>(5,471,855)</u>	<u>(471,854)</u>	<u>-</u>	<u>(471,854)</u>	<u>5,000,001</u>
Total other financing sources (uses)	<u>4,218,457</u>	<u>5,730,180</u>	<u>2,500,000</u>	<u>8,230,180</u>	<u>4,011,723</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,557,075</u>	<u>(685,119)</u>	<u>\$ 871,956</u>	<u>\$ 871,956</u>
Fund Balance:					
Beginning of year - July 1			<u>1,530,114</u>		
End of year - June 30			<u>\$ 844,995</u>		

DAVIE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	<u>Special Revenue Funds</u>		
	<u>Emergency Telephone System Fund</u>	<u>ARRA Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 372,562	\$ -	\$ 372,562
Due from other governments	19,892	-	19,892
Total assets	<u>\$ 392,454</u>	<u>\$ -</u>	<u>\$ 392,454</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 978	\$ -	\$ 978
Total liabilities	<u>978</u>	<u>-</u>	<u>978</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	19,892	-	19,892
Restricted, all other	371,584	-	371,584
Total fund balances	<u>391,476</u>	<u>-</u>	<u>391,476</u>
Total liabilities and fund balances	<u>\$ 392,454</u>	<u>\$ -</u>	<u>\$ 392,454</u>

DAVIE COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	ARRA Fund	
Revenues:			
Other taxes and licenses	\$ 238,699	\$ -	\$ 238,699
Interest on investments	172	-	172
Total revenues	<u>238,871</u>	<u>-</u>	<u>238,871</u>
Expenditures:			
Current:			
Public safety	<u>294,710</u>	<u>382</u>	<u>295,092</u>
Total expenditures	<u>294,710</u>	<u>382</u>	<u>295,092</u>
Revenues over (under) expenditures	<u>(55,839)</u>	<u>(382)</u>	<u>(56,221)</u>
Other Financing Sources (Uses):			
Operating transfers out:			
To General Fund	<u>-</u>	<u>(99)</u>	<u>(99)</u>
Total other financing sources (uses)	<u>-</u>	<u>(99)</u>	<u>(99)</u>
Net change in fund balances	(55,839)	(481)	(56,320)
Fund Balances:			
Beginning of year - July 1	<u>447,315</u>	<u>481</u>	<u>447,796</u>
End of year - June 30	<u>\$ 391,476</u>	<u>\$ -</u>	<u>\$ 391,476</u>

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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental:	\$ 238,699	\$ 238,699	\$ -
Interest on investments	<u>1,000</u>	<u>172</u>	<u>(828)</u>
Total revenues	<u>239,699</u>	<u>238,871</u>	<u>(828)</u>
Expenditures:			
Public safety	<u>323,405</u>	<u>294,710</u>	<u>28,695</u>
Total expenditures	<u>323,405</u>	<u>294,710</u>	<u>28,695</u>
Revenues over (under) expenditures	<u>(83,706)</u>	<u>(55,839)</u>	<u>27,867</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>83,706</u>	<u>-</u>	<u>(83,706)</u>
Total other financing sources (uses)	<u>83,706</u>	<u>-</u>	<u>(83,706)</u>
Net change in fund balance	<u>\$ -</u>	<u>(55,839)</u>	<u>\$ (55,839)</u>
Fund Balance:			
Beginning of year - July 1		<u>447,315</u>	
End of year - June 30		<u>\$ 391,476</u>	

DAVIE COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
PSAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2012**

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

Ending fund balance, reported on budget to actual	\$ 391,476
Cumulative prior period revenues and expenditures not reported in the fund (difference in beginning Fund Balance - budget to actual vs. PSAP report)	(111,406)
Additional eligible expenditures reported in Emergency Telephone System Fund	<u>(29,413)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 250,657</u>

DAVIE COUNTY, NORTH CAROLINA

**ARRA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental:			
Gang Awareness Grant	\$ 382	\$ -	\$ (382)
Total revenues	<u>382</u>	<u>-</u>	<u>(382)</u>
Expenditures:			
Current:			
Public safety:			
Gang Awareness Grant:			
Other operating expenditures	<u>382</u>	<u>382</u>	<u>-</u>
Total expenditures	<u>382</u>	<u>382</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>(382)</u>	<u>(382)</u>
Other Financing Sources (Uses):			
Transfers in (out):			
To General Fund	(101)	(99)	2
Appropriated fund balance	<u>101</u>	<u>-</u>	<u>(101)</u>
Total other financing sources (uses)	<u>-</u>	<u>(99)</u>	<u>(99)</u>
Net change in fund balance	<u>\$ -</u>	<u>(481)</u>	<u>\$ (481)</u>
Fund Balance:			
Beginning of year - July 1		<u>481</u>	
End of year - June 30		<u>\$ -</u>	

DAVIE COUNTY, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water sales	\$ 3,302,500	\$ 3,391,748	\$ 89,248
Sewer charges	350,000	376,626	26,626
East Davie sewer charges	335,000	345,472	10,472
Water and sewer taps	65,500	48,175	(17,325)
East Davie fees	1,000	400	(600)
Miscellaneous charges	175,000	199,597	24,597
Total	<u>4,229,000</u>	<u>4,362,018</u>	<u>133,018</u>
Non-Operating Revenues:			
Interest earnings	3,000	2,855	(145)
Total	<u>3,000</u>	<u>2,855</u>	<u>(145)</u>
Total revenues	<u>4,232,000</u>	<u>4,364,873</u>	<u>132,873</u>
Expenditures:			
Administration:			
Salaries and employee benefits		177,373	
Other operating expenditures		64,245	
Total	<u>272,091</u>	<u>241,618</u>	<u>30,473</u>
Water Operations:			
Salaries and employee benefits		375,243	
Utilities		21,452	
Maintenance		105,684	
Other operating expenditures		84,278	
Total	<u>689,412</u>	<u>586,657</u>	<u>102,755</u>

DAVIE COUNTY, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Water Treatment Plant:			
Salaries and employee benefits		402,020	
Utilities		181,591	
Maintenance		269,955	
Chemicals		170,237	
Supplies		21,142	
Other operating expenditures		<u>135,712</u>	
Total	<u>1,634,088</u>	<u>1,180,657</u>	<u>453,431</u>
Waste Treatment Plant:			
Salaries and employee benefits		53,440	
Utilities		96,092	
Maintenance		119,389	
Purchased services		44,690	
Other operating expenditures		<u>80,060</u>	
Total	<u>553,045</u>	<u>393,671</u>	<u>159,374</u>
Waste Treatment Plant - East Davie:			
Salaries and employee benefits		42,716	
Utilities		27,106	
Maintenance		48,484	
Other operating expenditures		<u>673,227</u>	
Total	<u>839,478</u>	<u>791,533</u>	<u>47,945</u>
Capital Outlay:			
Water lines	91,465	-	91,465
Fire hydrants	24,000	23,536	464
Equipment and furniture	899,760	739,132	160,628
Improvements	<u>168,000</u>	<u>162,387</u>	<u>5,613</u>
Total	<u>1,183,225</u>	<u>925,055</u>	<u>258,170</u>
Total expenditures	<u>5,171,339</u>	<u>4,119,191</u>	<u>1,052,148</u>

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	<u>(939,339)</u>	<u>245,682</u>	<u>1,185,021</u>
Other Financing Sources (Uses):			
Transfers from other funds	23,000	23,000	-
Sale of capital assets	-	4,335	4,335
Appropriated fund balance	<u>916,339</u>	<u>-</u>	<u>(916,339)</u>
Total other financing sources (uses)	<u>939,339</u>	<u>27,335</u>	<u>(912,004)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 273,017</u>	<u>\$ 273,017</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital outlay expenditures capitalized		589,100	
Proceeds from disposal of capital assets		(4,335)	
Increase in compensated absences payable		(7,024)	
Increase in other post-employment benefits		(24,766)	
Depreciation		<u>(780,920)</u>	
Total reconciling items		<u>(227,945)</u>	
Change in net assets		<u>\$ 45,072</u>	

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Rural Center Grant - Hospital Sewer Project	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Investment earnings	-	71,870	-	71,870	71,870
Total revenues	1,000,000	71,870	-	71,870	1,071,870
Expenditures:					
Water projects:					
Construction	1,957,500	830,407	74,843	905,250	1,052,250
Administrative costs	542,500	268,595	92,630	361,225	181,275
Total	2,500,000	1,099,002	167,473	1,266,475	1,233,525
Hospital Sewer Project:					
Construction	1,945,000	-	-	-	(1,945,000)
Administrative costs	55,000	-	-	-	(55,000)
Total	2,000,000	-	-	-	2,000,000
Project administration:					
Contingency	50,000	-	-	-	50,000
Total expenditures	4,550,000	1,099,002	167,473	1,266,475	1,283,525
Revenues over (under) expenditures	(3,550,000)	(1,027,132)	(167,473)	(1,194,605)	2,355,395
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	\$ -	\$ 3,510,327	\$ (167,473)	\$ 3,342,854	\$ 3,342,854

DAVIE COUNTY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Recycling	\$ 76,000	\$ 121,503	\$ (45,503)
Other operating revenues	<u>-</u>	<u>75,561</u>	<u>(75,561)</u>
Total revenues	<u>76,000</u>	<u>197,064</u>	<u>(121,064)</u>
Expenditures:			
Landfill operations:			
Purchased services	417,850	311,312	106,538
Other operating expenditures	<u>174,519</u>	<u>37,922</u>	<u>136,597</u>
Total expenditures	<u>592,369</u>	<u>349,234</u>	<u>243,135</u>
Revenues over (under) expenditures	<u>(516,369)</u>	<u>(152,170)</u>	<u>(364,199)</u>
Other Financing Sources (Uses):			
Operating transfers in:			
From General Fund	<u>516,369</u>	<u>152,168</u>	<u>(364,201)</u>
Total other financing sources (uses)	<u>516,369</u>	<u>152,168</u>	<u>(364,201)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(2)</u>	<u>\$ (2)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Decrease in accrued landfill post-closure liabilities		19,300	
Depreciation		<u>(1,166)</u>	
Total reconciling items		<u>18,134</u>	
Change in net assets		<u>\$ 18,132</u>	

DAVIE COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 27,737	\$ 7,851	\$ 17,071	\$ 18,517
Liabilities:				
Miscellaneous liabilities	\$ 27,737	\$ 7,851	\$ 17,071	\$ 18,517
Inmate Trust:				
Assets:				
Cash and cash equivalents	\$ 7,062	\$ 37,578	\$ 39,843	\$ 4,797
Liabilities:				
Miscellaneous liabilities	\$ 7,062	\$ 44,723	\$ 46,988	\$ 4,797
Property Tax:				
Assets:				
Taxes receivable	\$ 255,117	\$ 3,575,824	\$ 3,666,968	\$ 163,973
Liabilities:				
Intergovernmental payable: Towns	\$ 255,117	\$ 3,575,824	\$ 3,666,968	\$ 163,973
NCDMV Interest:				
Assets:				
Cash and cash equivalents	\$ 1,271	\$ 3,920	\$ 1,271	\$ 3,920
Liabilities:				
Intergovernmental payable: State of North Carolina	\$ 1,271	\$ 3,920	\$ 1,271	\$ 3,920
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	\$ 36,680	\$ 49,349	\$ 58,795	\$ 27,234
Taxes receivable	255,117	3,575,824	3,666,968	163,973
Total assets	<u>\$ 291,797</u>	<u>\$ 3,625,173</u>	<u>\$ 3,725,763</u>	<u>\$ 191,207</u>
Liabilities:				
Miscellaneous liabilities	\$ 34,799	\$ 52,574	\$ 64,059	\$ 23,314
Intergovernmental payable	256,998	3,579,744	3,668,849	167,893
Total liabilities	<u>\$ 291,797</u>	<u>\$ 3,632,318</u>	<u>\$ 3,732,908</u>	<u>\$ 191,207</u>

DAVIE COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 26,649,949	\$ 25,937,733	\$ 712,216
2010-2011	869,208	-	682,520	186,688
2009-2010	236,389	-	110,815	125,574
2008-2009	97,766	-	34,192	63,574
2007-2008	63,746	-	14,510	49,236
2006-2007	48,342	-	6,409	41,933
2005-2006	35,607	-	4,756	30,851
2004-2005	30,617	-	3,336	27,281
2003-2004	28,366	-	2,152	26,214
2002-2003	28,638	-	2,931	25,707
2001-2002	25,439	-	25,439	-
Total	<u>\$ 1,464,118</u>	<u>\$ 26,649,949</u>	<u>\$ 26,824,793</u>	<u>1,289,274</u>
Less: Allowance for uncollectible accounts				<u>(552,511)</u>
Ad valorem taxes receivable, net				<u>\$ 736,763</u>
Reconciliation with Revenues:				
Ad Valorem Taxes - General Fund				<u>\$ 26,972,144</u>
Reconciling items:				
Taxes written off				25,439
Penalties and interest collected				(170,571)
Miscellaneous				(2,219)
Total reconciling items				<u>(147,351)</u>
Total collections and credits				<u>\$ 26,824,793</u>

DAVIE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 4,210,075,341	\$ 0.62	\$ 26,095,853	\$ 24,000,035	\$ 2,095,818
Utilities	75,096,783	0.62	465,600	465,600	-
Penalties	-		17,232	17,232	-
Total	<u>4,285,172,124</u>		<u>26,578,685</u>	<u>24,482,867</u>	<u>2,095,818</u>
Discoveries:					
Current year taxes	7,554,511	0.62	46,839	46,588	251
Prior year taxes	11,645,916		72,205	72,205	-
Penalties	-		5,247	5,247	-
Total	<u>19,200,427</u>		<u>124,291</u>	<u>124,040</u>	<u>251</u>
Abatements	<u>(6,392,686)</u>		<u>(53,027)</u>	<u>(35,398)</u>	<u>(17,629)</u>
Total property valuation	<u>\$ 4,297,979,865</u>				
Net Levy			26,649,949	24,571,509	2,078,440
Uncollected taxes at June 30, 2012			<u>712,216</u>	<u>482,568</u>	<u>229,648</u>
Current Year's Taxes Collected			<u>\$ 25,937,733</u>	<u>\$ 24,088,941</u>	<u>\$ 1,848,792</u>
Current Levy Collection Percentage			<u>97.33%</u>	<u>98.04%</u>	<u>88.95%</u>
Secondary Market Disclosures:					
Assessed valuation:					100%
Assessment ratio real property				\$ 3,603,575,724	
Personal property				619,207,358	
Public service companies				<u>75,196,783</u>	
Total assessed valuation				4,297,979,865	
Tax rate per \$100					<u>0.62</u>
Levy (includes discoveries, releases and abatements)					<u>\$ 26,649,949</u>

DAVIE COUNTY, NORTH CAROLINA

TEN LARGEST TAXPAYERS FOR THE YEAR ENDED JUNE 30, 2012

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2011 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Avgol America Inc	Manufacturing	\$ 60,568,723	1.41%
Duke Energy Corporation	Utility	47,938,616	1.12%
Ingersol Rand Co	Manufacturing	46,301,942	1.08%
Energy United EMC	Utility	24,001,750	0.56%
VF Jeanswear Inc	Manufacturing	20,289,024	0.47%
RJ Reynolds Tobacco Co	Warehouse	14,921,432	0.35%
Wal-Mart Stores Inc	Retail	12,113,345	0.28%
Funder America Inc	Manufacturing	12,024,386	0.28%
Crestwood Farms LLC	Manufacturing	11,515,237	0.27%
Schwarz-RJR LLC	Warehouse	10,528,060	0.25%
Total		<u>\$ 260,202,515</u>	<u>6.07%</u>