

**ALEXANDER COUNTY**  
**NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

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**ALEXANDER COUNTY  
NORTH CAROLINA**

**BOARD OF COMMISSIONERS**

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**ANNUAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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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 Commissioners  
Alexander County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander 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 Alexander County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 on our consideration of Alexander County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance and the Other Postemployment 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.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Alexander County, North Carolina as a whole. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 5, 2012

## Management's Discussion and Analysis

As management of Alexander County, we offer readers of Alexander County's financial statements this narrative overview and analysis of the financial activities of Alexander 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 follow this narrative.

### Financial Highlights

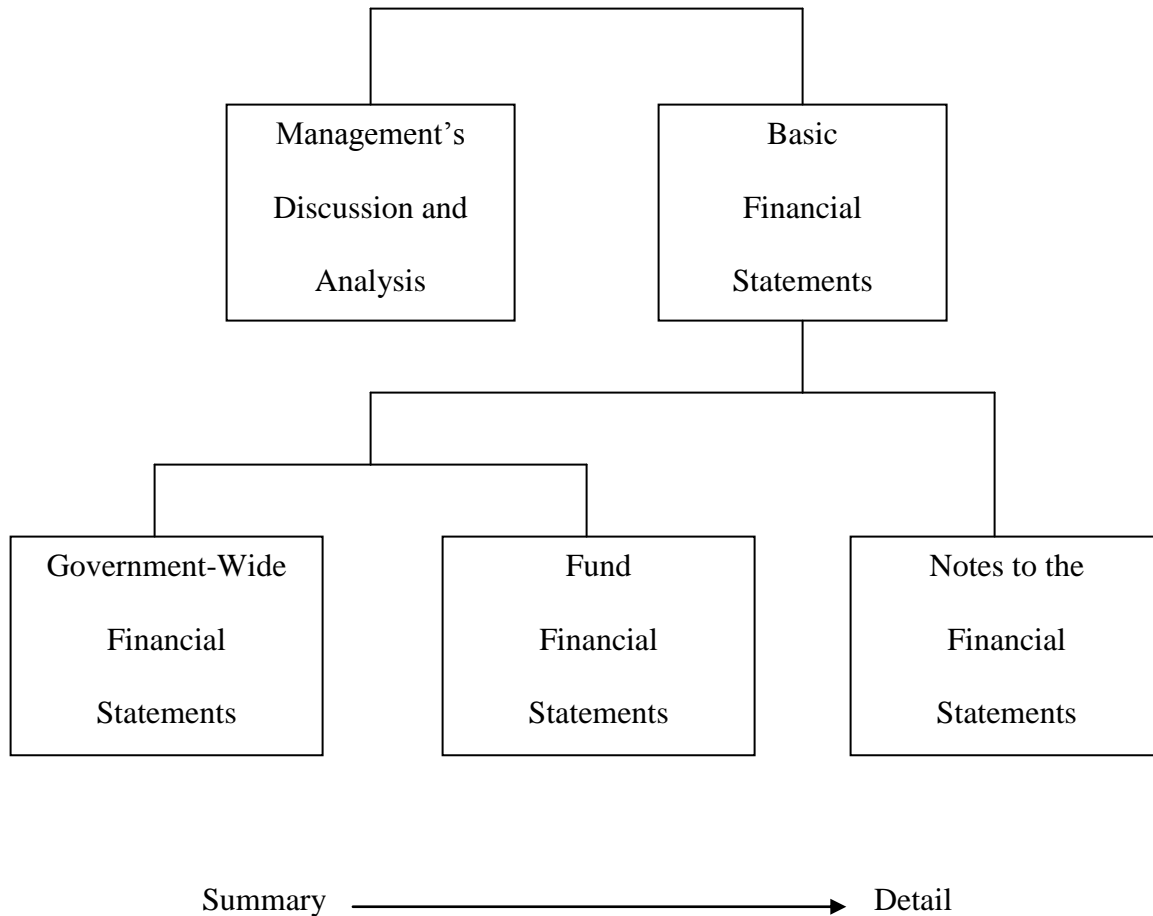
- The assets of Alexander County exceeded its liabilities at the close of the fiscal year by \$23,599,636 (*net assets*).
- The government's total net assets increased by \$3,204,310, primarily due to increased net assets of governmental activities.
- As of the close of the current fiscal year, Alexander County's governmental funds reported combined ending fund balances of \$17,854,832, after a net decrease in fund balance of \$3,810,547. Approximately 47.3 percent of this total amount, or \$8,451,133, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,336,932, or 18.00 percent, of total General Fund expenditures and transfers out for the fiscal year.
- Alexander County's total debt decreased by \$2,028,552 (8.8 percent) during the current fiscal year. The key factor in this decrease is the timely payments of debt service as they come due during the fiscal year.

### Overview of the Financial Statements

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

The next statements (Exhibits C through J) are **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 fund statements; and 4) the fiduciary fund 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, 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 the reader with a broad overview of the 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 two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, human services, education, and general government administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and landfill services offered by Alexander County.

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

## **Fund Financial Statements**

The 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. Alexander 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 Alexander County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

**Proprietary Funds.** Alexander County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Alexander County uses enterprise funds to account for its water and sewer activity and for its landfill 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. Alexander County has four fiduciary funds, which are agency funds.

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Alexander County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Schedules 1 and 2 after the notes to the financial statements.

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Alexander County exceeded liabilities by \$23,599,636 as of June 30, 2012. The County's net assets increased by \$3,204,310 for the fiscal year ended June 30, 2012. One of the largest portions \$20,728,177 (87.83%) 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. Alexander County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Alexander County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Alexander County's net assets \$4,917,486 (20.84%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$2,046,027 (8.67% deficit).

## Alexander County's Net Assets

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>						
Current and other assets	\$ 20,359,701	\$ 24,166,138	\$ 1,981,605	\$ 2,323,628	\$ 22,341,306	\$ 26,489,766
Capital assets	<u>15,721,195</u>	<u>10,031,125</u>	<u>15,691,681</u>	<u>15,132,502</u>	<u>31,412,876</u>	<u>25,163,627</u>
Total assets	<u>36,080,896</u>	<u>34,197,263</u>	<u>17,673,286</u>	<u>17,456,130</u>	<u>53,754,182</u>	<u>51,653,393</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	21,876,123	22,554,893	6,704,348	6,875,422	28,580,471	29,430,315
Other liabilities	<u>1,481,657</u>	<u>1,579,336</u>	<u>92,418</u>	<u>248,416</u>	<u>1,574,075</u>	<u>1,827,752</u>
Total liabilities	<u>23,357,780</u>	<u>24,134,229</u>	<u>6,796,766</u>	<u>7,123,838</u>	<u>30,154,546</u>	<u>31,258,067</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	9,253,772	7,973,339	11,474,405	10,567,854	20,728,177	18,541,193
Restricted	4,917,486	11,763,751	-	-	4,917,486	11,763,751
Unrestricted	<u>(1,448,142)</u>	<u>(9,674,056)</u>	<u>(597,885)</u>	<u>(235,562)</u>	<u>(2,046,027)</u>	<u>(9,909,618)</u>
Total net assets	<u>\$ 12,723,116</u>	<u>\$ 10,063,034</u>	<u>\$ 10,876,520</u>	<u>\$ 10,332,292</u>	<u>\$ 23,599,636</u>	<u>\$ 20,395,326</u>

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

- Reduction in restricted net assets due to the expenditure of fiscal year 2011 loan proceeds for construction of the new law enforcement and detention center
- Increased charges for services revenue
- Increased sales tax revenue and Medicaid hold harmless revenue
- Continued low cost of debt due to low interest rates

**Alexander County Changes in Net Assets**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,685,168	\$ 4,522,822	\$ 3,591,095	\$ 3,542,286	\$ 8,276,263	\$ 8,065,108
Operating grants and contributions	4,861,273	5,822,807	-	-	4,861,273	5,822,807
Capital grants and contributions	809,442	39,845	586,239	1,232,094	1,395,681	1,271,939
General revenues:						
Property taxes	16,642,485	16,501,256	-	-	16,642,485	16,501,256
Other taxes	6,270,994	5,837,424	-	-	6,270,994	5,837,424
Grants and contributions not restricted to specific programs	5,244	3,348	77,447	76,445	82,691	79,793
Other	30,682	33,650	1,061	1,111	31,743	34,761
Total revenues	<u>33,305,288</u>	<u>32,761,152</u>	<u>4,255,842</u>	<u>4,851,936</u>	<u>37,561,130</u>	<u>37,613,088</u>
<b>Expenses:</b>						
General government	4,839,074	4,697,929	-	-	4,839,074	4,697,929
Public safety	8,171,963	7,393,034	-	-	8,171,963	7,393,034
Environmental protection	297,999	337,837	-	-	297,999	337,837
Economic and physical development	404,284	661,926	-	-	404,284	661,926
Human services	9,657,901	10,021,011	-	-	9,657,901	10,021,011
Cultural and recreation	835,944	789,704	-	-	835,944	789,704
Education	5,630,936	5,763,426	-	-	5,630,936	5,763,426
Interest and fees	657,105	384,547	-	-	657,105	384,547
Water and sewer	-	-	2,208,882	2,156,648	2,208,882	2,156,648
Solid waste	-	-	1,652,732	1,753,840	1,652,732	1,753,840
Total expenses	<u>30,495,206</u>	<u>30,049,413</u>	<u>3,861,614</u>	<u>3,910,488</u>	<u>34,356,820</u>	<u>33,959,901</u>
 Increase (decrease) in net assets before transfers	 2,810,082	 2,711,739	 394,228	 941,448	 3,204,310	 3,653,187
Transfers	<u>(150,000)</u>	<u>(247,575)</u>	<u>150,000</u>	<u>247,575</u>	<u>-</u>	<u>-</u>
 Increase (decrease) in net assets	 2,660,082	 2,464,164	 544,228	 1,189,023	 3,204,310	 3,653,187
<b>Net Assets:</b>						
Beginning of year July 1	<u>10,063,034</u>	<u>7,598,870</u>	<u>10,332,292</u>	<u>9,143,269</u>	<u>20,395,326</u>	<u>16,742,139</u>
End of year June 30	<u>\$ 12,723,116</u>	<u>\$ 10,063,034</u>	<u>\$ 10,876,520</u>	<u>\$ 10,332,292</u>	<u>\$ 23,599,636</u>	<u>\$ 20,395,326</u>



**Governmental Activities.** Governmental activities increased the County's net assets by \$2,660,082, thereby accounting for 83% of the total growth in the net assets of Alexander County. Key elements of this increase are as follows:

- Increase in sales tax revenues and Medicaid hold harmless revenue
- Increase in Emergency Medical Services revenue
- Increase in grant revenues for park project
- State Lottery revenue for school construction project

**Business-Type Activities.** Business-type activities increased Alexander County's net assets by \$544,228, accounting for 17% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Decrease in solid waste fund expenses
- Federal and State grant revenue for water capital projects

### **Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Alexander County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Alexander 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 Alexander County. At the end of the current fiscal year, Alexander County's fund balance available in the General Fund was \$8,746,521, while total fund balance reached \$11,277,563. The County currently has an available fund balance of 29.49 percent of total General Fund expenditures and transfers out, while total fund balance represents 38.03 percent of that same amount.

At June 30, 2012, the governmental funds of Alexander County reported a combined fund balance of \$17,854,832, a 17.6 percent decrease over last year. The primary reason for this decrease is the decrease in fund balance in the County Capital Project Fund.

**General Fund Budgetary Highlights.** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased estimated revenues by approximately \$1,424,000, which is 4.8 percent more than originally budgeted. The County received additional federal and State funding during the year for public health, social services, and public safety programs. The additional funding consisted of increases in grant revenues that were included in the original budget as well as new grants that had not been awarded when the original budget was adopted. In addition, revenues from local option sales taxes and Medicaid hold harmless payments were more than the amount estimated in the original budget. These items accounted for the primary difference between the originally adopted budget and the final budget.

**Proprietary Funds.** Alexander 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 major proprietary funds at the end of the fiscal year were as follows: County Water and Sewer Fund - \$814,933; Bethlehem Water Fund - \$810,111; Solid Waste Fund – (\$311,627) deficit; and Landfill Closure Fund – (\$1,962,131) deficit. The total growth in net assets for these four major funds was \$560,997. Other factors concerning the finances of these funds have already been addressed in the discussion of Alexander County's business-type activities.

## Capital Asset and Debt Administration

**Capital Assets.** Alexander County's capital assets for its governmental and business-type activities as of June 30, 2012, total \$31,412,876 (net of accumulated depreciation). These assets include buildings, land, equipment, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Construction in progress for a new County jail and law enforcement center
- Construction in progress for a new park
- Purchase of new and used vehicles and equipment for Public Safety programs
- Addition of completed water capital projects
- Addition of construction in progress relating to the County's water distribution system
- Sale of surplus vehicles from Solid Waste Fund and Emergency Medical Services

### Alexander County's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,849,301	\$ 2,849,301	\$ 231,973	\$ 231,973	\$ 3,081,274	\$ 3,081,274
Construction in progress	7,124,861	1,413,154	99,952	2,490,483	7,224,813	3,903,637
Buildings	7,472,070	7,472,070	645,204	645,204	8,117,274	8,117,274
Other improvements	1,218,421	1,160,563	-	-	1,218,421	1,160,563
Equipment and machinery	3,941,433	3,622,344	735,714	742,214	4,677,147	4,364,558
Vehicles	2,348,479	2,177,964	370,840	547,315	2,719,319	2,725,279
Infrastructure	-	-	21,124,225	17,492,268	21,124,225	17,492,268
Furniture and fixtures	7,724	7,724	2,670	2,670	10,394	10,394
	24,962,289	18,703,120	23,210,578	22,152,127	48,172,867	40,855,247
Accumulated depreciation	(9,241,094)	(8,671,995)	(7,518,897)	(7,019,626)	(16,759,991)	(15,691,621)
Total	<u>\$ 15,721,195</u>	<u>\$ 10,031,125</u>	<u>\$ 15,691,681</u>	<u>\$ 15,132,501</u>	<u>\$ 31,412,876</u>	<u>\$ 25,163,626</u>

Additional information on the County's capital assets can be found in note 3.A. of the basic financial statements.

**Long-Term Debt.** As of June 30, 2012, Alexander County had total debt outstanding of \$20,894,547 all of which is debt backed by the full faith and credit of the County.

### **Alexander County's Outstanding Debt Notes Payable and General Obligation Bonds**

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Notes payable	\$ 16,677,271	\$ 18,358,451	\$ 3,200,573	\$ 3,400,609	\$ 19,877,844	\$ 21,759,060
General obligation bond	-	-	1,016,703	1,164,039	1,016,703	1,164,039
Totals	<u>\$ 16,677,271</u>	<u>\$ 18,358,451</u>	<u>\$ 4,217,276</u>	<u>\$ 4,564,648</u>	<u>\$ 20,894,547</u>	<u>\$ 22,923,099</u>

Alexander County's total debt decreased by \$2,028,552 (8.8 percent) during the past fiscal year, primarily due to timely debt service payments.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Alexander County is \$186,690,000.

Additional information regarding Alexander County's long-term debt can be found in note 3.B. of this audited financial report.

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

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

- The County was experiencing an unemployment rate of 10.8 percent at June 30, 2012. This was higher than the state average of 9.4 percent.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities.** General Fund revenues, excluding transfers, are projected to decrease \$172,000 (0.5 percent) from 2012 amounts. This is due to an expected decrease in federal and State grant funds.

The County will complete construction on the new law enforcement and detention center and begin making plans for renovations to the courthouse. This project is funded by debt incurred during fiscal year 2011.

Lottery funds are expected to be used to continue the building project to add classrooms at one elementary school.

**Business-Type Activities.** Budgeted expenditures in the Solid Waste Fund are expected to remain at the same level as fiscal year 2011. Water rates will increase 5 percent to cover increased operating costs passed on from the County's water supplier.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information (including information related to Bethlehem Water District, a blended component unit), should be directed to the Finance Director, Alexander County, 621 Liledoun Road, Taylorsville, North Carolina 28681. You can also call (828) 632-4591, visit our website [www.alexandercountync.gov](http://www.alexandercountync.gov), or send an email to [jherman@alexandercountync.gov](mailto:jherman@alexandercountync.gov) for more information.

## ALEXANDER COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 12,667,307	\$ 1,900,167	\$ 14,567,474
Taxes receivable, net	968,377	-	968,377
Accounts receivable, net	1,313,756	365,647	1,679,403
Due from other governments	1,024,782	7,603	1,032,385
Internal balances	301,231	(301,231)	-
Prepaid items	3,878	-	3,878
Cash and investments, restricted	4,080,370	-	4,080,370
Other assets	-	9,419	9,419
Capital assets:			
Land and other non-depreciable assets	9,974,162	331,925	10,306,087
Depreciable assets, net	5,747,033	15,359,756	21,106,789
Capital assets, net	15,721,195	15,691,681	31,412,876
Total assets	36,080,896	17,673,286	53,754,182
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	1,053,781	60,217	1,113,998
Miscellaneous liabilities	294,496	32,201	326,697
Unearned revenues	133,380	-	133,380
Current portion of compensated absences	420,000	7,700	427,700
Current portion of long-term debt	1,654,440	353,280	2,007,720
Non-current liabilities:			
Accrued landfill post-closure care costs	-	2,316,420	2,316,420
Non-current compensated absences	418,761	16,547	435,308
Non-current other post-employment benefits	4,031,416	146,405	4,177,821
Non-current portion of long-term debt	15,351,506	3,863,996	19,215,502
Total liabilities	23,357,780	6,796,766	30,154,546
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	9,253,772	11,474,405	20,728,177
Restricted for:			
Stabilization for State statute	2,822,481	-	2,822,481
Register of Deeds	10,063	-	10,063
Public safety	736,224	-	736,224
General government	7,541	-	7,541
Environmental protection	6,552	-	6,552
Economic & physical development	5,625	-	5,625
Education	1,329,000	-	1,329,000
Unrestricted (deficit)	(1,448,142)	(597,885)	(2,046,027)
Total net assets	\$ 12,723,116	\$ 10,876,520	\$ 23,599,636

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

# ALEXANDER COUNTY, NORTH CAROLINA

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

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 4,914,326	\$ 513,628	\$ 63,986	\$ -
Public safety	8,096,712	1,663,908	287,807	-
Environmental protection	297,999	64,988	-	-
Economic and physical development	404,284	20,115	58,075	-
Human services	9,657,901	2,354,460	4,366,001	-
Cultural and recreation	835,944	68,069	85,404	460,686
Education	5,630,936	-	-	348,756
Interest and fees	657,105	-	-	-
Total governmental activities	<u>30,495,206</u>	<u>4,685,168</u>	<u>4,861,273</u>	<u>809,442</u>
<b>Business-Type Activities:</b>				
Water and sewer	2,208,882	2,395,337	-	586,239
Solid waste	<u>1,652,732</u>	<u>1,195,758</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>3,861,614</u>	<u>3,591,095</u>	<u>-</u>	<u>586,239</u>
Total primary government	<u>\$ 34,356,820</u>	<u>\$ 8,276,263</u>	<u>\$ 4,861,273</u>	<u>\$ 1,395,681</u>

### General Revenues:

Ad valorem taxes  
 Local option sales taxes  
 Other taxes and licenses  
 Unrestricted intergovernmental revenues  
 Investment earnings, unrestricted

Total general revenues, excluding transfers  
 Transfers

Total general revenues and transfers

Change in net assets

### 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**

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,336,712)	\$ -	\$ (4,336,712)
(6,144,997)	-	(6,144,997)
(233,011)	-	(233,011)
(326,094)	-	(326,094)
(2,937,440)	-	(2,937,440)
(221,785)	-	(221,785)
(5,282,180)	-	(5,282,180)
(657,105)	-	(657,105)
<u>(20,139,323)</u>	<u>-</u>	<u>(20,139,323)</u>
-	772,694	772,694
-	(456,974)	(456,974)
-	315,720	315,720
<u>(20,139,323)</u>	<u>315,720</u>	<u>(19,823,603)</u>
16,642,485	-	16,642,485
5,844,943	-	5,844,943
426,051	-	426,051
5,244	77,447	82,691
30,682	1,061	31,743
22,949,405	78,508	23,027,913
<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
<u>22,799,405</u>	<u>228,508</u>	<u>23,027,913</u>
2,660,082	544,228	3,204,310
<u>10,063,034</u>	<u>10,332,292</u>	<u>20,395,326</u>
<u>\$ 12,723,116</u>	<u>\$ 10,876,520</u>	<u>\$ 23,599,636</u>

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

## ALEXANDER COUNTY, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>General Fund</u>	<u>County Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and investments	\$ 9,917,989	\$ 395,860	\$ 2,353,458	\$ 12,667,307
Taxes receivable, net	901,729	-	66,648	968,377
Accounts receivable, net	1,057,800	-	255,956	1,313,756
Due from other governments	1,024,782	-	-	1,024,782
Due from other funds	499,417	-	39,361	538,778
Prepaid items	3,878	-	-	3,878
Restricted assets:				
Cash and investments	48,621	3,529,769	501,980	4,080,370
Total assets	<u>\$ 13,454,216</u>	<u>\$ 3,925,629</u>	<u>\$ 3,217,403</u>	<u>\$ 20,597,248</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 752,852	\$ 276,716	\$ 24,213	\$ 1,053,781
Due to other funds	39,361	-	198,186	237,547
Miscellaneous liabilities	294,496	-	-	294,496
Deferred revenues	1,089,944	-	66,648	1,156,592
Total liabilities	<u>2,176,653</u>	<u>276,716</u>	<u>289,047</u>	<u>2,742,416</u>
<b>Fund Balances:</b>				
Nonspendable:				
Prepays	3,878	-	-	3,878
Restricted:				
Stabilization for State statute	2,527,164	-	295,317	2,822,481
Restricted, all other	1,177,684	3,529,769	917,321	5,624,774
Committed	-	119,144	1,913,904	2,033,048
Assigned	2,231,905	-	-	2,231,905
Unassigned	5,336,932	-	(198,186)	5,138,746
Total fund balances	<u>11,277,563</u>	<u>3,648,913</u>	<u>2,928,356</u>	<u>17,854,832</u>
Total liabilities and fund balances	<u>\$ 13,454,216</u>	<u>\$ 3,925,629</u>	<u>\$ 3,217,403</u>	

Amounts reported for governmental activities in the Statement of Net Assets  
(Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,721,195
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(21,876,123)
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	<u>1,023,212</u>
Net assets of governmental activities	<u>\$ 12,723,116</u>

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



## ALEXANDER COUNTY, NORTH CAROLINA

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

	<u>General Fund</u>	<u>County Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 15,597,069	\$ -	\$ 946,567	\$ 16,543,636
Local option sales taxes	5,844,943	-	-	5,844,943
Other taxes and licenses	214,596	-	211,455	426,051
Unrestricted intergovernmental revenues	5,244	-	-	5,244
Restricted intergovernmental revenues	4,811,510	-	859,205	5,670,715
Permits and fees	337,920	-	-	337,920
Sales and services	4,228,830	-	-	4,228,830
Interest earned on investments	15,691	13,714	1,277	30,682
Miscellaneous	115,478	-	-	115,478
Total revenues	<u>31,171,281</u>	<u>13,714</u>	<u>2,018,504</u>	<u>33,203,499</u>
<b>Expenditures:</b>				
General government	4,498,594	75,251	29,544	4,603,389
Public safety	6,615,130	5,185,447	1,356,780	13,157,357
Environmental protection	277,873	-	-	277,873
Economic and physical development	295,101	-	49,533	344,634
Human services	9,233,280	-	-	9,233,280
Cultural and recreation	754,102	14,210	526,260	1,294,572
Education	5,215,900	-	398,756	5,614,656
Debt service:				
Principal repayments	1,681,180	-	-	1,681,180
Interest	657,105	-	-	657,105
Total expenditures	<u>29,228,265</u>	<u>5,274,908</u>	<u>2,360,873</u>	<u>36,864,046</u>
Revenues over (under) expenditures	<u>1,943,016</u>	<u>(5,261,194)</u>	<u>(342,369)</u>	<u>(3,660,547)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	23,213	-	378,908	402,121
Transfers out	<u>(428,363)</u>	<u>(121,655)</u>	<u>(2,103)</u>	<u>(552,121)</u>
Total other financing sources (uses)	<u>(405,150)</u>	<u>(121,655)</u>	<u>376,805</u>	<u>(150,000)</u>
Net change in fund balances	1,537,866	(5,382,849)	34,436	(3,810,547)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>9,739,697</u>	<u>9,031,762</u>	<u>2,893,920</u>	<u>21,665,379</u>
End of year - June 30	<u>\$ 11,277,563</u>	<u>\$ 3,648,913</u>	<u>\$ 2,928,356</u>	<u>\$ 17,854,832</u>

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

# ALEXANDER 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 (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ (3,810,547)
Property tax revenues in the Statement of Activities earned in prior periods are reported as revenues in the governmental funds statement.	98,849
Health Department fees in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	2,941
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(13,067)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	6,461,400
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(770,490)
The sale of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold.	(841)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	1,681,180
Net pension obligation and other post-employment benefit expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(989,343)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 2,660,082</u>

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

## ALEXANDER COUNTY, NORTH CAROLINA

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

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 15,342,900	\$ 15,342,900	\$ 15,597,069	\$ 254,169
Local option sales taxes	4,899,200	5,337,890	5,844,943	507,053
Other taxes and licenses	214,200	219,334	214,596	(4,738)
Unrestricted intergovernmental revenues	3,500	3,500	5,244	1,744
Restricted intergovernmental revenues	4,333,287	4,873,268	4,811,510	(61,758)
Permits and fees	312,750	312,750	337,920	25,170
Sales and services	4,091,168	4,274,467	4,228,830	(45,637)
Investment earnings	23,000	23,000	15,691	(7,309)
Miscellaneous	59,274	88,526	115,478	26,952
Total revenues	29,279,279	30,475,635	31,171,281	695,646
<b>Expenditures:</b>				
General government	4,541,751	4,829,788	4,498,594	331,194
Public safety	6,532,909	6,947,424	6,615,130	332,294
Environmental protection	289,028	294,400	277,873	16,527
Economic and physical development	291,526	299,655	295,101	4,554
Human services	9,186,599	9,785,044	9,233,280	551,764
Cultural and recreational	765,411	824,303	754,102	70,201
Education	5,179,475	5,219,475	5,215,900	3,575
Debt service:				
Principal retirement	1,690,000	1,690,000	1,681,180	8,820
Interest and fees	667,000	667,000	657,105	9,895
Contingency	200,000	-	-	-
Total expenditures	29,343,699	30,557,089	29,228,265	1,328,824
Revenues over (under) expenditures	(64,420)	(81,454)	1,943,016	2,024,470
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	23,213	23,213	-
Transfers out	(242,200)	(452,345)	(428,363)	23,982
Appropriated fund balance	306,620	510,586	-	(510,586)
Total other financing sources (uses)	64,420	81,454	(405,150)	(486,604)
Net change in fund balance	\$ -	\$ -	1,537,866	\$ 1,537,866
<b>Fund Balance:</b>				
Beginning of year - July 1			9,739,697	
End of year - June 30			\$ 11,277,563	

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

# ALEXANDER COUNTY, NORTH CAROLINA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2012

	<b>Enterprise</b>		
	<b>County Water and Sewer</b>	<b>Bethlehem Water</b>	<b>Solid Waste</b>
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 701,867	\$ 715,906	\$ 74,923
Accounts receivable, net	149,616	107,148	116,486
Due from other funds	-	-	-
Total current assets	<u>851,483</u>	<u>823,054</u>	<u>191,409</u>
Non-current assets:			
Land and other non-depreciable assets	-	99,952	231,973
Depreciable assets, net of depreciation	12,225,879	1,678,695	560,727
Other assets	-	9,419	-
Total non-current assets	<u>12,225,879</u>	<u>1,788,066</u>	<u>792,700</u>
Total assets	<u>13,077,362</u>	<u>2,611,120</u>	<u>984,109</u>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	13,421	93	39,650
Due to other funds	-	12,178	293,753
Miscellaneous liabilities	11,839	10,091	10,271
Accrued landfill post-closure care costs	-	-	-
Current portion of long-term debt	200,036	153,244	-
Current portion of compensated absences	375	-	7,325
Total current liabilities	<u>225,671</u>	<u>175,606</u>	<u>350,999</u>
Non-current liabilities:			
Non-current compensated absences	254	-	16,293
Non-current other post-employment benefits	10,661	-	135,744
Non-current portion of long-term debt	3,000,537	863,459	-
Total non-current liabilities	<u>3,011,452</u>	<u>863,459</u>	<u>152,037</u>
Total liabilities	<u>3,237,123</u>	<u>1,039,065</u>	<u>503,036</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	9,025,306	761,944	792,700
Unrestricted	<u>814,933</u>	<u>810,111</u>	<u>(311,627)</u>
Total net assets	<u>\$ 9,840,239</u>	<u>\$ 1,572,055</u>	<u>\$ 481,073</u>

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

**Exhibit G**

**Funds**

<u>Landfill Closure</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 361,342	\$ 46,129	\$ 1,900,167
-	-	373,250
-	4,700	4,700
<u>361,342</u>	<u>50,829</u>	<u>2,278,117</u>
-	-	331,925
-	894,455	15,359,756
-	-	9,419
<u>-</u>	<u>894,455</u>	<u>15,701,100</u>
<u>361,342</u>	<u>945,284</u>	<u>17,979,217</u>
7,053	-	60,217
-	-	305,931
-	-	32,201
2,316,420	-	2,316,420
-	-	353,280
<u>-</u>	<u>-</u>	<u>7,700</u>
<u>2,323,473</u>	<u>-</u>	<u>3,075,749</u>
-	-	16,547
-	-	146,405
-	-	3,863,996
<u>-</u>	<u>-</u>	<u>4,026,948</u>
<u>2,323,473</u>	<u>-</u>	<u>7,102,697</u>
-	894,455	11,474,405
<u>(1,962,131)</u>	<u>50,829</u>	<u>(597,885)</u>
<u>\$ (1,962,131)</u>	<u>\$ 945,284</u>	<u>\$ 10,876,520</u>

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

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Enterprise

	County Water and Sewer	Bethlehem Water	Solid Waste
<b>Operating Revenues:</b>			
Water and sewer sales	\$ 1,048,508	\$ 1,124,421	\$ -
Sewer capital reserve fees	-	-	-
Convenience centers	-	-	198,850
Landfill	-	-	1,195,758
Total operating revenues	<u>1,048,508</u>	<u>1,124,421</u>	<u>1,394,608</u>
<b>Operating Expenses:</b>			
Administration	-	15,130	-
Convenience centers	-	-	174,549
Water and sewer operations	667,723	777,431	-
Landfill operations	-	-	1,209,231
Depreciation and amortization	<u>504,644</u>	<u>94,369</u>	<u>55,778</u>
Total operating expenses	<u>1,172,367</u>	<u>886,930</u>	<u>1,439,558</u>
Operating income (loss)	<u>(123,859)</u>	<u>237,491</u>	<u>(44,950)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	53	952	-
Intergovernmental revenues	-	-	77,447
Interest and fees paid	(70,713)	(43,302)	-
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>4,757</u>
Total non-operating revenues (expenses)	<u>(70,660)</u>	<u>(42,350)</u>	<u>82,204</u>
Income (loss) before contributions and transfers	(194,519)	195,141	37,254
Capital contributions	<u>455,189</u>	<u>131,050</u>	<u>-</u>
Income (loss) before transfers	260,670	326,191	37,254
<b>Transfers In (Out):</b>			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(70,759)</u>
Change in net assets	260,670	326,191	(33,505)
<b>Net Assets:</b>			
Beginning of year - July 1	<u>9,579,569</u>	<u>1,245,864</u>	<u>514,578</u>
End of year - June 30	<u>\$ 9,840,239</u>	<u>\$ 1,572,055</u>	<u>\$ 481,073</u>

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

## Exhibit H

<b>Funds</b>		
<b>Landfill Closure</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ -	\$ -	\$ 2,172,929
-	18,801	18,801
-	-	198,850
-	-	1,195,758
-	18,801	3,586,338
-	-	15,130
-	-	174,549
-	-	1,445,154
213,174	-	1,422,405
-	35,570	690,361
213,174	35,570	3,747,599
(213,174)	(16,769)	(161,261)
56	-	1,061
-	-	77,447
-	-	(114,015)
-	-	4,757
56	-	(30,750)
(213,118)	(16,769)	(192,011)
-	-	586,239
(213,118)	(16,769)	394,228
220,759	-	150,000
7,641	(16,769)	544,228
(1,969,772)	962,053	10,332,292
<u>\$ (1,962,131)</u>	<u>\$ 945,284</u>	<u>\$ 10,876,520</u>

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

# ALEXANDER COUNTY, NORTH CAROLINA

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

			<b>Enterprise</b>
	<b>County Water and Sewer</b>	<b>Bethlehem Water</b>	<b>Solid Waste</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,424,664	\$ 1,120,735	\$ 1,452,539
Cash paid for goods and services	(722,648)	(797,497)	(1,136,132)
Cash paid to employees for services	(41,647)	-	(256,566)
Net cash provided (used) by operating activities	<u>660,369</u>	<u>323,238</u>	<u>59,841</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Other non-operating revenues (expenses)	-	-	82,204
Change in due to/from other funds	(32,890)	2,102	(36,311)
Interfund transfer in (out)	-	-	(70,759)
Net cash provided (used) by non-capital financing activities	<u>(32,890)</u>	<u>2,102</u>	<u>(24,866)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(1,143,442)	(97,984)	(6,500)
Principal paid on bonds and notes payable	(200,036)	(147,336)	-
Interest and fees paid on bonds	(72,584)	(44,764)	-
Capital contributions	455,189	131,050	-
Net cash provided (used) by capital and related financing activities	<u>(960,873)</u>	<u>(159,034)</u>	<u>(6,500)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>53</u>	<u>952</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(333,341)	167,258	28,475
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>1,035,208</u>	<u>548,648</u>	<u>46,448</u>
End of year - June 30	<u>\$ 701,867</u>	<u>\$ 715,906</u>	<u>\$ 74,923</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (123,859)	\$ 237,491	\$ (44,950)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	504,644	94,369	55,778
(Increase) decrease in accounts receivable	376,156	(3,686)	57,931
Increase (decrease) in accounts payable	(99,270)	(4,936)	(35,270)
Increase (decrease) in accrued salaries	-	-	(8,858)
Increase (decrease) in other post-employment benefits	3,234	-	33,277
Increase (decrease) in landfill post-closure liability	-	-	-
Increase (decrease) in accrued vacation pay	(536)	-	1,933
Net cash provided (used) by operating activities	<u>\$ 660,369</u>	<u>\$ 323,238</u>	<u>\$ 59,841</u>

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



# Exhibit I

## Funds

<u>Landfill Closure</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ 18,801	\$ 4,016,739
(79,115)	-	(2,735,392)
-	-	(298,213)
<u>(79,115)</u>	<u>18,801</u>	<u>983,134</u>
-	-	82,204
-	(92)	(67,191)
<u>220,759</u>	<u>-</u>	<u>150,000</u>
<u>220,759</u>	<u>(92)</u>	<u>165,013</u>
-	-	(1,247,926)
-	-	(347,372)
-	-	(117,348)
<u>-</u>	<u>-</u>	<u>586,239</u>
<u>-</u>	<u>-</u>	<u>(1,126,407)</u>
<u>56</u>	<u>-</u>	<u>1,061</u>
141,700	18,709	22,801
<u>219,642</u>	<u>27,420</u>	<u>1,877,366</u>
<u>\$ 361,342</u>	<u>\$ 46,129</u>	<u>\$ 1,900,167</u>
\$ (213,174)	\$ (16,769)	\$ (161,261)
-	35,570	690,361
-	-	430,401
(4,331)	-	(143,807)
-	-	(8,858)
-	-	36,511
138,390	-	138,390
<u>-</u>	<u>-</u>	<u>1,397</u>
<u>\$ (79,115)</u>	<u>\$ 18,801</u>	<u>\$ 983,134</u>

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

## ALEXANDER COUNTY, NORTH CAROLINA

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

JUNE 30, 2012

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 143,345
<b>Liabilities:</b>	
Accounts payable	142,040
Intergovernmental payable - State of North Carolina	<u>1,305</u>
Total liabilities	<u>143,345</u>
<b>Net Assets:</b>	
Held in trust	<u>\$ -</u>

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

# ALEXANDER 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 Alexander County (the "County") and its blended component units conform to generally accepted accounting principles as they apply 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. The blended component units, although they are legally separate entities, are in substance, part of the County's operations.

#### Component Units

##### Blended Component Unit

The Bethlehem Water District exists to provide and maintain a water system for the County residents within its district. Under State law (G.S. 162A-89), the County's Board of Commissioners also serve as the governing board for the District. Therefore, the District is reported as an enterprise fund in the County's financial statements.

The Bethlehem Water District issues separate financial statements.

#### B. Basis of Presentation, Basis of Accounting

*Government-Wide Statements.* The Statement of Net Assets and the Statement of Activities display information about the primary government (the County). 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 presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients

# ALEXANDER COUNTY, NORTH CAROLINA

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

of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The County has the following fund categories (further divided by fund type):

**Governmental Funds** - are used to 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 that are required to be accounted for in another fund.

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County has the following special revenue funds: Fire Districts Fund, Revaluation Fund, Multi-Year Operating Grants Fund, and Emergency Telephone System Fund.

### **Capital Project Funds**

Capital project funds are used to account for the acquisition and or construction of major governmental capital assets. The County has two capital project funds, the County Capital Project Fund and the Capital Improvements Fund.

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Proprietary Funds

#### Enterprise Funds

The enterprise funds are used to account for those operations that (a) 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, be financed or recovered primarily through user charges; or (b) where the governing body has decided that the 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 reported the following enterprise funds: Bethlehem Sewer Fund, County Water and Sewer Fund, Bethlehem Water District Fund, Solid Waste Fund, and Landfill Closure Fund. The County has two Enterprise Fund Capital Projects. The Water Capital Projects Fund (comprised of the Hiddenite Industrial Water and Sewer Project, Vashti Road Water Project, and Church Road Water Line Project), which is consolidated with the County Water and Sewer Fund for reporting purposes and the Bethlehem Water Capital Project Fund (comprised of the Hoyle Keller Loop Revitalization Project), which is consolidated with the Bethlehem Water District for reporting purposes.

**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.

#### Agency Funds

Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains four agency funds: Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; Sheriff's Department Fund, which accounts for monies deposited with the Sheriff's Department from court judgments for payment of restitution; the 3% Interest Payable to State Fund, which accounts for the three percent interest collected 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 Fees Fund, which accounts for the additional fees for recorded deeds of trust or mortgages collected by the County and remitted to the State Treasurer.

**Major Funds.** The General Fund, County Capital Project Fund, County Water and Sewer Fund, Bethlehem Water District Fund, Solid Waste Fund, and Landfill Closure Fund are major funds for the year ended June 30, 2012.

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

**County Capital Project Fund** – The County Capital Project Fund is used to account for the acquisition or construction of major governmental capital assets, excluding schools.

## **ALEXANDER COUNTY, NORTH CAROLINA**

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

County Water and Sewer Fund – The County Water and Sewer Fund is used to account for the water and sewer operations for all areas of the County except the Bethlehem Water District.

Bethlehem Water District Fund – The Bethlehem Water District Fund is used to account for the water system operations of the geographic area of the County designated as the Bethlehem Water District.

Solid Waste Fund – The Solid Waste Fund is used to account for the operations of the County's landfill, solid waste transfer station, and garbage disposal and recycling convenience centers.

Landfill Closure Fund – The Landfill Closure Fund is used to account for the closure and post-closure care costs of the County's landfill facility.

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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from 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

# ALEXANDER COUNTY, NORTH CAROLINA

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

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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 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, the 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 and then by general revenues.

# **ALEXANDER COUNTY, NORTH CAROLINA**

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

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.

### **C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds (excluding Multi-Year Operating Grants Fund), the Capital Improvements Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Multi-Year Operating Grants Fund, which is special revenue fund, and the County Capital Projects Fund. Project ordinances are adopted for the Water Capital Projects Fund and Bethlehem Water Capital Project Fund, which are enterprise fund capital projects. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The County Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$5,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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.

### **D. 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.

### **E. 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 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.



# **ALEXANDER COUNTY, NORTH CAROLINA**

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

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 with a maturity of more than one year at acquisition and non-money market 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 fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings, and investment contracts are reported at amortized cost.

### **Cash and Cash Equivalents**

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

### **Restricted Assets**

Restricted assets in the General Fund consists of cash restricted for public safety purposes \$28,903, unspent contributions for animal control \$6,552, cash restricted for cooperative extension of \$5,625, and cash restricted for PEG Channel of \$7,541. The unexpended debt proceeds in the County Capital Project Fund are classified as restricted assets within the fund because their use is completely restricted to the purpose for which the debt was originally issued. Money in the Revaluation Fund is also classified as restricted because its use is restricted per North Carolina General Statute 153A-150.

### **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.

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Prepaid Items

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

### Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated assets are listed at the market value at the date of donation. The County has elected not to capitalize those interest costs which are incurred during the construction period of capital assets.

Minimum capitalization costs are as follows: land, \$5,000; other improvements, \$5,000; equipment and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Alexander County Board of Education properties which 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 Alexander County Board of Education.

Capital assets in the enterprise funds of the County are recorded at original cost at the time of acquisition. Capital assets donated to the Enterprise Fund operations are recorded at the estimated fair market value at the date of donation.

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Other improvements	10 - 40 years
Equipment and vehicles	3 - 10 years

# **ALEXANDER COUNTY, NORTH CAROLINA**

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

### **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 type Statement of Net Assets.

Included within the governmental activities long-term obligations are several notes payable issued for the benefit of the Alexander County Board of Education. The debt service of the Alexander County Board of Education notes payable is covered by a reduction in the local option sales tax or the general allocation due to the Board from the County.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

The County's long-term debt for the water districts and landfill is carried within the Enterprise Fund. The debt service requirements for the water districts' debt are being met by water revenues, but the taxing power of the County is pledged to make these payments if water revenues should ever be insufficient.

### **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 statute.

#### **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.

*Prepays* – portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaid expenses, which are not spendable resources.

# ALEXANDER 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.

*Stabilization for 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 that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds' office.

*Restricted for General Government* – portion of fund balance restricted by revenue source for general government purposes.

*Restricted for Education* – portion of fund balance restricted by revenue source for school debt service and school capital outlay.

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

*Restricted for Environmental Protection* – portion of fund balance restricted by revenue source for environmental protection purposes.

*Restricted for Economic and Physical Development* – portion of fund balance restricted by revenue source for economic and physical development purposes.

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

Purpose	General Fund	County Capital Project Fund	Other Governmental Funds
<b>Restricted, all other:</b>			
Register of Deeds	\$ 10,063	\$ -	\$ -
General Government	7,541	-	-
Education	1,119,000	-	210,000
Environmental Protection	6,552	-	-
Economic and Physical Development	5,625	-	-
Public Safety	-	-	707,321
Public Safety - Jail/Courthouse project	-	3,529,769	-
Public Safety - Federal Shared Asset Program	697	-	-
Public Safety - State Unauthorized Substance	28,206	-	-
Total	<u>\$ 1,177,684</u>	<u>\$ 3,529,769</u>	<u>\$ 917,321</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

### 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 Alexander County's governing body (highest level of decision making authority, Board of Commissioners). The Board of Commissioners can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Any changes or removal of specific purpose restrictions requires majority action by the Board.

*Committed for Tax Revaluation* – portion of fund balance budgeted by the Board to be used for tax revaluation.

*Committed for Future Capital Projects* – portion of fund balance budgeted by the Board to be used for future capital projects.

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

Purpose	County Capital	Other Governmental
	Project Fund	Funds
Tax revaluation	\$ -	\$ 495,120
Future capital projects	119,144	1,418,784
Total	<u>\$ 119,144</u>	<u>\$ 1,913,904</u>

### Assigned Fund Balance

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

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager to modify appropriations up to \$5,000 between departments within a fund.

# ALEXANDER COUNTY, NORTH CAROLINA

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

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

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Subsequent year's expenditures	\$ 2,231,905	\$ -

### 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.

Alexander 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 Officer 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 minimum 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	\$ 11,277,563
Less:	
Prepays	(3,878)
Stabilization for State statute	<u>(2,527,164)</u>
Fund balance available for appropriation	<u>\$ 8,746,521</u>

### F. Revenues, Expenditures, and Expenses

#### Compensated Absences

The vacation policy of the County provides for the accumulation of up to two hundred forty (240) hours earned vacation leave with such leave being fully vested when earned. In the County's governmental proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

# **ALEXANDER COUNTY, NORTH CAROLINA**

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

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.

### **2. Stewardship, Compliance, and Accountability**

#### **Deficit Fund Balance or Net Assets of Individual Funds**

The Landfill Closure Fund had deficit net assets of \$1,962,131 at June 30, 2012. The deficit will be offset by future revenues or transfers.

### **3. Detail Notes On All Funds**

#### **A. Assets**

##### **Deposits**

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for 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 institutions used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

# ALEXANDER COUNTY, NORTH CAROLINA

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

At June 30, 2012, the County's deposits had a carrying amount of \$6,522,523 and a bank balance of \$6,759,154. Of the bank balance, \$752,220 was covered by federal depository insurance and \$6,006,934 by collateral held under the Pooling Method. Cash on hand was \$3,220 at June 30, 2012.

### Investments

At June 30, 2012, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>
N.C. Capital Management Trust - Term Portfolio	\$ 2,001,136	\$ -	\$ 2,001,136	\$ -
N.C. Capital Management Trust - Cash Portfolio	10,264,310	N/A	N/A	N/A
Total investments	<u>\$ 12,265,446</u>	<u>\$ -</u>	<u>\$ 2,001,136</u>	<u>\$ -</u>

The County has no policy regarding credit risk. The County's investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2012.

### 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>
2007	\$ 959,804	\$ 302,338	\$ 1,262,142
2008	1,009,660	237,270	1,246,930
2009	1,171,621	181,600	1,353,221
2010	1,285,408	108,832	1,394,240
2011	1,317,899	105,432	1,423,331
Total	<u>\$ 5,744,392</u>	<u>\$ 935,472</u>	<u>\$ 6,679,864</u>



# ALEXANDER COUNTY, NORTH CAROLINA

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

### Receivables

Receivables at the government-wide level (Exhibit A) at June 30, 2012, were as follows:

	<b>Accounts Receivable</b>	<b>Taxes Receivable</b>	<b>Due from Other Governments</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	\$ 1,315,465	\$ 1,283,909	\$ 1,024,782	\$ 3,624,156
Other governmental	<u>255,956</u>	<u>78,468</u>	<u>-</u>	<u>334,424</u>
Total receivables	1,571,421	1,362,377	1,024,782	3,958,580
Allowance for doubtful accounts	<u>(257,665)</u>	<u>(394,000)</u>	<u>-</u>	<u>(651,665)</u>
Total governmental activities	<u>\$ 1,313,756</u>	<u>\$ 968,377</u>	<u>\$ 1,024,782</u>	<u>\$ 3,306,915</u>
<b>Business-Type Activities:</b>				
Solid Waste Fund	\$ 118,454	\$ -	\$ -	\$ 118,454
Water and Sewer Fund	<u>263,666</u>	<u>-</u>	<u>7,603</u>	<u>271,269</u>
Total receivables	382,120	-	7,603	389,723
Allowance for doubtful accounts	<u>(16,473)</u>	<u>-</u>	<u>-</u>	<u>(16,473)</u>
Total business-type activities	<u>\$ 365,647</u>	<u>\$ -</u>	<u>\$ 7,603</u>	<u>\$ 373,250</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 738,247
Grants receivable	7,603
Sales tax refund	<u>286,535</u>
Total	<u>\$ 1,032,385</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Capital Assets

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

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 2,849,301	\$ -	\$ -	\$ 2,849,301
Construction in progress	1,413,154	5,711,707	-	7,124,861
<b>Depreciable Assets:</b>				
Buildings	7,472,070	-	-	7,472,070
Other improvements	1,160,563	57,858	-	1,218,421
Equipment and machinery	3,622,344	416,421	(97,332)	3,941,433
Vehicles	2,177,964	275,415	(104,900)	2,348,479
Furniture and fixtures	7,724	-	-	7,724
Total assets	<u>18,703,120</u>	<u>6,461,401</u>	<u>(202,232)</u>	<u>24,962,289</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(3,556,596)	(187,864)	-	(3,744,460)
Other improvements	(448,928)	(87,195)	-	(536,123)
Equipment and machinery	(2,774,100)	(318,488)	96,492	(2,996,096)
Vehicles	(1,884,647)	(176,943)	104,899	(1,956,691)
Furniture and fixtures	(7,724)	-	-	(7,724)
Total accumulated depreciation	<u>(8,671,995)</u>	<u>(770,490)</u>	<u>201,391</u>	<u>(9,241,094)</u>
Capital assets, net	<u>\$ 10,031,125</u>	<u>\$ 5,690,911</u>	<u>\$ (841)</u>	<u>\$ 15,721,195</u>

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

<b>Governmental Activities:</b>	
General government	\$ 318,207
Public safety	278,303
Environmental protection	5,242
Human services	56,029
Cultural and recreational	44,468
Economic and physical development	51,961
Education	<u>16,280</u>
Total	<u>\$ 770,490</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Proprietary Capital Assets

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

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Business-Type Activities:</b>					
<b>County Water &amp; Sewer Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Construction in progress	\$ 2,488,515	\$ 827,928	\$ -	\$ (3,316,443)	\$ -
<b>Depreciable Assets:</b>					
Infrastructure	12,214,262	3,631,957	-	-	15,846,219
Vehicles	30,851	-	-	-	30,851
Furniture and fixtures	<u>1,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,603</u>
Total assets	<u>14,735,231</u>	<u>4,459,885</u>	<u>-</u>	<u>(3,316,443)</u>	<u>15,878,673</u>
<b>Less Accumulated Depreciation:</b>					
Infrastructure	(3,115,696)	(504,644)	-	-	(3,620,340)
Vehicles	(30,851)	-	-	-	(30,851)
Furniture and fixtures	<u>(1,603)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,603)</u>
Total accumulated depreciation	<u>(3,148,150)</u>	<u>\$ (504,644)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,652,794)</u>
County W&S capital assets, net	<u>11,587,081</u>				<u>12,225,879</u>
<b>Bethlehem Water Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Construction in progress	1,968	\$ 97,984	\$ -	\$ -	99,952
<b>Depreciable Assets:</b>					
Infrastructure	<u>3,637,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,637,798</u>
Total assets	<u>3,639,766</u>	<u>97,984</u>	<u>-</u>	<u>-</u>	<u>3,737,750</u>
<b>Less Accumulated Depreciation:</b>					
Infrastructure	<u>(1,866,349)</u>	<u>\$ (92,754)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,959,103)</u>
Bethlehem Water capital assets, net	<u>1,773,417</u>				<u>1,778,647</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Business-Type Activities (cont):</b>					
<b>Solid Waste Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	231,973	-	-	-	231,973
<b>Depreciable Assets:</b>					
Buildings	645,204	-	-	-	645,204
Infrastructure	217,411	-	-	-	217,411
Vehicles	516,464	6,500	(182,975)	-	339,989
Equipment and machinery	742,214	-	(6,500)	-	735,714
Furniture and fixtures	<u>1,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067</u>
Total assets	<u>2,354,333</u>	<u>6,500</u>	<u>(189,475)</u>	<u>-</u>	<u>2,171,358</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	(222,382)	(16,006)	-	-	(238,388)
Infrastructure	(216,404)	(34)	-	-	(216,438)
Vehicles	(400,656)	(26,490)	182,975	-	(244,171)
Equipment and machinery	(671,846)	(13,248)	6,500	-	(678,594)
Furniture and fixtures	<u>(1,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,067)</u>
Total accumulated depreciation	<u>(1,512,355)</u>	<u>\$ (55,778)</u>	<u>\$ 189,475</u>	<u>\$ -</u>	<u>(1,378,658)</u>
Solid Waste capital assets, net	<u>841,978</u>				<u>792,700</u>
<b>Bethlehem Sewer Fund:</b>					
<b>Depreciable Assets:</b>					
Infrastructure	<u>1,422,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,422,797</u>
<b>Less Accumulated Depreciation:</b>					
Infrastructure	<u>(492,772)</u>	<u>\$ (35,570)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(528,342)</u>
Bethlehem Sewer capital assets, net	<u>930,025</u>				<u>894,455</u>
<b>Total business-type activities</b>					
<b>capital assets, net</b>	<u>\$ 15,132,501</u>				<u>\$ 15,691,681</u>

The County contracts with the City of Hickory to provide billing and collection services, as well as maintenance on the water lines for the County Water and Sewer Fund and Bethlehem Water District. Total service fees paid for the year ending June 30, 2012 were \$446,180 for the County Water and Sewer Fund and \$744,397 for Bethlehem Water District.

# ALEXANDER 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:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 15,721,195	\$ 15,691,681
Long-term debt	(16,677,271)	(4,217,276)
Long-term debt for assets not owned by the County	6,680,079	-
Unspent debt proceeds	3,529,769	-
Invested in capital assets, net of related debt	<u>\$ 9,253,772</u>	<u>\$ 11,474,405</u>

### B. Liabilities

#### Payables

Payables at the government-wide level (Exhibit A) at June 30, 2012, were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Accrued Interest</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	\$ 538,125	\$ 509,223	\$ -	\$ 1,047,348
Other governmental	300,929	-	-	300,929
Total governmental activities	<u>\$ 839,054</u>	<u>\$ 509,223</u>	<u>\$ -</u>	<u>\$ 1,348,277</u>
<b>Business-Type Activities:</b>				
Solid Waste Fund	\$ 41,434	\$ 8,487	\$ -	\$ 49,921
Landfill Closure Fund	7,053	-	-	7,053
Water and Sewer Fund	13,514	637	21,293	35,444
Total business-type activities	<u>\$ 62,001</u>	<u>\$ 9,124</u>	<u>\$ 21,293</u>	<u>\$ 92,418</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Pension Plan and Other Post-Employment Obligations

#### Local Governmental Employees' Retirement System

**Plan Description.** The 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 LGERS 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 at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.00% and 7.05%, 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 \$662,225, \$562,845, and \$447,614, respectively. The contributions made by the County equaled the required contributions for each year.

#### Law Enforcement Officers' Special Separation Allowance

**Plan Description.** The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan does not issue a separate stand-alone financial report.

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	-
Active plan members	<u>31</u>
Total	<u><u>31</u></u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

### 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. Both item (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

### Three-Year Trend Information

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2010	\$ 29,952	70.38%	\$ 267,455
6/30/2011	36,833	25.10%	295,043
6/30/2012	33,632	0.00%	328,675

**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 \$266,813. The covered payroll (annual payroll of active employees covered by the plan) was \$1,077,088, and the ratio of the UAAL to the covered payroll was 24.77 percent.

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.

## ALEXANDER COUNTY, NORTH CAROLINA

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

**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:

Annual required contribution	\$ 36,481
Interest on net pension obligation	14,752
Adjustment to annual required contribution	<u>(17,601)</u>
Annual pension cost	33,632
Less: Contributions made	<u>-</u>
Increase in net pension obligation	33,632
Net pension obligation, beginning of year	<u>295,043</u>
Net pension obligation, end of year	<u><u>\$ 328,675</u></u>

#### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$80,200, which consisted of \$56,051 from the County and \$24,149 from the law enforcement officers.



# ALEXANDER COUNTY, NORTH CAROLINA

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

### Register of Deeds' Supplemental Pension Fund

**Plan Description.** The County contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds that is retired under the Local Government Employees' Retirement System (LERS) 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 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 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. Chapter 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 \$2,308.

### Other Post-Employment Benefits

**Plan Description.** The County (by local policy) provides post-employment medical insurance benefits to retirees of the County through a single employer defined benefit plan, provided they retire through the North Carolina Local Governmental Employees' Retirement System (LERS) and meet the following requirements.

For employees hired prior to July 1, 2008: At the date of retirement, the participant occupies a full-time or part-time with benefits budgeted position (50% or greater) and has completed: 1) a minimum of fifteen (15) consecutive years of employment with the County for reduced retiree health benefits or 2) twenty (20) consecutive years of employment with the County for retiree health benefits.

## ALEXANDER COUNTY, NORTH CAROLINA

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

For employees hired on or after July 1, 2008 and before July 1, 2009: At the date of retirement, the participant occupies a full-time position and has completed a minimum of thirty (30) consecutive years of employment with the County for retiree health benefits.

The post-employment medical insurance benefits are not available to employees hired on or after July 1, 2009.

Medical insurance coverage will only be extended to qualified retirees until they become eligible for Medicare. For participants in the non-reduced retiree health benefits plan: When the qualified retiree becomes eligible for Medicare, the County will provide retiree health benefits by supplemental medical insurance only. For participants in the reduced retiree health benefits plan: When the qualified retiree becomes eligible for Medicare, participation in the County's group health plan will cease. The County Commissioners may amend the benefit provisions. A separate report was not issued for the Plan.

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

	<b><u>General Employees</u></b>	<b><u>Law Enforcement Officers</u></b>
Retirees receiving benefits	17	4
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	<u>196</u>	<u>25</u>
Total	<u>213</u>	<u>29</u>

**Funding Policy.** The County employees that retire with 15 years up to 20 years of service and were hired before July 1, 2008, may participate in the County's group medical insurance plan and pay for the full cost themselves. Dependent coverage is not available. Those members that retire with 20 or more years of service and were hired before July 1, 2008 will receive individual medical insurance coverage at no cost to the retiree, except those retirees paying a pro-rated share for their medical insurance at retirement will continue to pay their pro-rated share. Dependent coverage is not available. The County employees that retire with 30 or more years of service and were hired on or after July 1, 2008 and before July 1, 2009, will receive medical insurance coverage at no cost to the retiree. Dependent coverage is not available. The County has chosen to fund the medical insurance benefits on a pay-as-you-go basis.

# ALEXANDER COUNTY, NORTH CAROLINA

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

The current ARC rate is 14.27% of annual covered payroll. For the current year, the County contributed \$145,551 or 1.75%, 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 1.40% and 2.40% of covered payroll, respectively. There were no contributions made by employees. The County's obligation to contribute to the Plan is established and may be amended by the Board of County Commissioners.

**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 budgeted on an annual basis to be 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

	<b>Governmental Activities</b>	<b>Business -Type Activities</b>	<b>Total</b>
Annual required contribution	\$ 1,149,381	\$ 38,107	\$ 1,187,488
Interest on net OPEB obligation	123,334	4,089	127,423
Adjustments to annual required contribution	(171,453)	(5,685)	(177,138)
Annual OPEB cost (expense)	1,101,262	36,511	1,137,773
Contributions made	(145,551)	-	(145,551)
Increase (decrease) in net OPEB obligation	955,711	36,511	992,222
Net OPEB obligation, beginning of year	3,075,705	109,894	3,185,599
Net OPEB obligation, end of year	<u>\$ 4,031,416</u>	<u>\$ 146,405</u>	<u>\$ 4,177,821</u>

## ALEXANDER COUNTY, NORTH CAROLINA

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

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

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2010	\$ 1,127,910	8.00%	\$ 2,156,883
2011	1,154,646	10.90%	3,185,599
2012	1,137,773	12.79%	4,177,821

**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 \$9,544,595. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,320,604, and the ratio of the UAAL to the covered payroll was 114.7 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

## **ALEXANDER COUNTY, NORTH CAROLINA**

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

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

As of June 30, 2012, management has decided not to set aside funds for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year.

#### **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 Death Benefit Plan, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the Death Benefit Plan at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the County made contributions to the State for death benefits of \$10,008. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.14% 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.

# **ALEXANDER COUNTY, NORTH CAROLINA**

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

### **Closure and Post-Closure Care Costs - Landfill Facility**

Federal and State laws and regulations require the County to place a final cover on its current operating cell at the landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County also has a closed cell at the landfill facility for which the entire amount of the closure and post-closure costs has been recognized as the cell capacity was used. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,316,420 reported as landfill closure and post-closure care liability at June 30, 2012 represents a cumulative amount reported to date based on the use of 75% of the total estimated capacity of the construction and demolition operating cell of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$772,140 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2012. The County closed the material solid waste operating cell at the landfill facility in fiscal year 1998 and expects to close the construction and demolition operating cell in 2033. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under federal and State laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. However, the County has elected to establish a Landfill Closure Fund, a proprietary fund type, to accumulate resources for the payment of closure and post-closure care costs. A transfer of \$220,759 was made to the Landfill Closure Fund during the fiscal year ended June 30, 2012. The Landfill Closure Fund has \$361,342 in cash at June 30, 2012.

The County expects that future inflation costs will be paid from the interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Deferred/Unearned Revenues

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at June 30, 2012 is composed of the following elements:

	Deferred Revenues		Unearned Revenues	
	General Fund	Fire District Fund	General Fund	Fire District Fund
Taxes receivable (net)	\$ 901,729	\$ 66,648	\$ -	\$ -
Health Department receivables (net)	54,835	-	-	-
Miscellaneous unearned	7,676	-	7,676	-
Taxes collected in advance	125,704	-	125,704	-
Total	<u>\$ 1,089,944</u>	<u>\$ 66,648</u>	<u>\$ 133,380</u>	<u>\$ -</u>

### Summary Disclosure of Significant Commitments

The County has active construction projects as of June 30, 2012. The projects include the law enforcement and detention center and a water district project. At June 30, 2012, the County's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Law Enforcement and Detention Center	\$ 5,374,389	\$ 2,513,723
Bethlehem Water District-Hoyle Keller Loop	36,642	12,638
	<u>\$ 5,411,031</u>	<u>\$ 2,526,361</u>

### 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 obtains workers' compensation and employer liability insurance through Key Risk Insurance Company with workers' compensation coverage up to the statutory limits and employer liability coverage subject to a limit of \$1,000,000. The County obtains property coverage through Millennium Insurance Group equal to replacement cost values of owned property subject to a limit of \$22 million for any one occurrence; 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 (ambulances at replacement cost), and crime coverage of \$250,000 per occurrence. The County obtains medical and dental insurance for employees through Blue Cross and Blue Shield of North Carolina and United Healthcare, respectively. The County uses a third-party administrator to manage the group medical and dental insurance plans.

# ALEXANDER COUNTY, NORTH CAROLINA

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

The County participates in the National Flood Insurance Program (NFIP) with Flood Insurance Rate Maps that designate two County-owned properties as having a one-percent annual chance of a 100-year flood in any given year. The County has not secured flood insurance through the NFIP, but carries flood insurance with a \$1,000,000 limit and a \$50,000 deductible through the County's property insurance carrier.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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. The Finance Director, Tax Administrator, County Manager, and Tax Collector are individually bonded for \$100,000 each. The Sheriff and Register of Deeds are bonded for \$25,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000. This blanket bond also covers the County positions named above.

### **Contingent Liabilities**

At June 30, 2012, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

### **Long-Term Obligations**

#### **General Obligation Indebtedness**

The general obligation bonds financed by the governmental funds are accounted for in the governmental funds. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water systems, and which are being retired by its resources, are reported as long-term debt in the Enterprise Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements are appropriated when due.

General obligation bonds payable at June 30, 2012 are comprised of the following individual issues:

#### **Business-Type Activities:**

#### **Proprietary Funds:**

#### **Blended Component Unit:**

\$2,160,305 April 2003 Water Refunding Bonds due semi-annually on October 1 and April 1 in installments of \$96,050, which includes interest at 3.97%, through April 2018

\$ 1,016,703



# ALEXANDER COUNTY, NORTH CAROLINA

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

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

<b>Business-Type Activities:</b>			
<b>Proprietary Funds:</b>			
<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 153,244	\$ 38,857	\$ 192,101
2014	159,388	32,713	192,101
2015	165,778	26,323	192,101
2016	172,425	19,676	192,101
2017	179,339	12,762	192,101
2018	186,529	5,572	192,101
Total general obligation bonds	<u>\$ 1,016,703</u>	<u>\$ 135,903</u>	<u>\$ 1,152,606</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

### Notes Payable

Notes payable at June 30, 2012, is comprised of the following individual agreements:

#### Governmental Funds:

\$476,667 February 2005 agreement to purchase real property and a building for the Alexander County branch of Catawba Valley Community College, due in 30 semi-annual payments of \$21,667 plus interest at 4.15%, through December 2015, secured by real property	\$ 151,666
\$5,800,000 March 2001 agreement to construct a new building for Ellendale Elementary School, due in 40 semi-annual payments of \$230,467 including interest at 4.97%, through March 2021, secured by a deed of trust	3,312,257
\$6,256,217 June 2004 agreement to construct a new Department of Social Services Building and Alexander Central High School Auditorium, due in 13 semi-annual payments of \$254,537, followed by 17 semi-annual payments of \$173,333 plus interest at 3.399%, through June 2019, secured by real property	2,427,237
\$3,850,000 October 2002 agreement to construct classrooms, make renovations at various Alexander County schools, due in 30 semi-annual payments of \$128,333 plus interest at 4.05%, through September 2017, secured by a deed of trust	1,411,667
\$370,000 February 2008 agreement to purchase the Bethlehem Library Building, due in nine (9) semi-annual installments of \$41,111 plus interest at 2.36%, through August 2012, secured by a deed of trust	41,111
\$10,000,000 January 2011 agreement to construct a new County jail and law enforcement center and to make renovations to the existing County courthouse, due in 30 semi-annual payments of \$333,333 plus interest at 3.19%, through January 2026, secured by a deed of trust	<u>9,333,333</u>
Total	<u>16,677,271</u>

#### Proprietary Funds:

\$3,600,645 June 2009 Drinking Water State Revolving Fund agreement to construct water system due on May 1 in installments of \$200,036 with interest payable on May 1 and November 1 at 2.10%, through May 2028 unsecured	<u>3,200,573</u>
Total proprietary funds	<u>3,200,573</u>
Total all funds	<u>\$ 19,877,844</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

Annual debt service requirements to maturity for the County's notes payable are as follows:

### Governmental Activities:

#### Governmental Funds:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,654,440	\$ 594,982	\$ 2,249,422
2014	1,628,424	533,940	2,162,364
2015	1,644,279	472,678	2,116,957
2016	1,639,264	410,734	2,049,998
2017	1,635,088	349,071	1,984,159
2018-2022	5,809,110	940,470	6,749,580
2023-2026	<u>2,666,666</u>	<u>191,400</u>	<u>2,858,066</u>
Total governmental funds	<u>16,677,271</u>	<u>3,493,275</u>	<u>20,170,546</u>

### Business-Type Activities:

#### Proprietary Funds:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 200,036	\$ 67,212	\$ 267,248
2014	200,036	63,011	263,047
2015	200,036	58,811	258,847
2016	200,036	54,610	254,646
2017	200,036	50,409	250,445
2018-2022	1,000,180	189,034	1,189,214
2023-2027	1,000,180	84,015	1,084,195
2028	<u>200,033</u>	<u>4,201</u>	<u>204,234</u>
Total proprietary funds	<u>3,200,573</u>	<u>571,303</u>	<u>3,771,876</u>
Total notes payable	<u>\$ 19,877,844</u>	<u>\$ 4,064,578</u>	<u>\$ 23,942,422</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

A summary of changes in long-term obligations follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 18,358,451	\$ -	\$ 1,681,180	\$ 16,677,271	\$ 1,654,440
Compensated absences	825,694	432,888	419,821	838,761	420,000
OPEB liability	3,075,705	1,101,262	145,551	4,031,416	-
Net pension obligation	295,043	33,632	-	328,675	-
Total	<u>\$ 22,554,893</u>	<u>\$ 1,567,782</u>	<u>\$ 2,246,552</u>	<u>\$ 21,876,123</u>	<u>\$ 2,074,440</u>
<b>Business-Type Activities:</b>					
<b>County Water &amp; Sewer Fund:</b>					
Notes payable	\$ 3,400,609	\$ -	\$ 200,036	\$ 3,200,573	\$ 200,036
OPEB liability	7,427	3,234	-	10,661	-
Compensated absences	1,165	51	587	629	375
Total	<u>3,409,201</u>	<u>3,285</u>	<u>200,623</u>	<u>3,211,863</u>	<u>200,411</u>
<b>Bethlehem Water Fund:</b>					
General obligation bonds	<u>1,164,039</u>	<u>-</u>	<u>147,336</u>	<u>1,016,703</u>	<u>153,244</u>
<b>Solid Waste Fund:</b>					
OPEB liability	102,467	33,277	-	135,744	-
Compensated absences	21,685	9,080	7,147	23,618	7,325
Total	<u>124,152</u>	<u>42,357</u>	<u>7,147</u>	<u>159,362</u>	<u>7,325</u>
<b>Landfill Closure Fund:</b>					
Accrued landfill post-closure costs	<u>2,178,030</u>	<u>213,174</u>	<u>74,784</u>	<u>2,316,420</u>	<u>-</u>
<b>Total business-type activities</b>	<u>\$ 6,875,422</u>	<u>\$ 258,816</u>	<u>\$ 429,890</u>	<u>\$ 6,704,348</u>	<u>\$ 360,980</u>

At June 30, 2012, the County had a legal debt margin of approximately \$186,690,000.

Compensated absences, pension obligations, and OPEB for governmental activities have typically been liquidated in the General Fund.

# ALEXANDER COUNTY, NORTH CAROLINA

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

### C. Interfund Balances and Activity

	Transfers		
	From	To	Purpose
<b>Transfers From/To Other Funds:</b>			
General Fund	\$ -	\$ 23,213	
Special Revenue (E911) Fund	2,103	-	Reimbursements among funds
Capital Project (County Capital Projects) Fund	21,110	-	Resources for re-roofing projects on two County buildings
General Fund	428,363	-	
Enterprise (Landfill Closure) Fund	-	150,000	Resources for monitoring of closed landfill
Capital Project (School Capital Improvements) Fund	-	278,363	School sales tax hold harmless funds; resources for school construction
Capital Project (County Capital Projects) Fund	25,545	-	
Capital Project (School Capital Improvements) Fund	-	25,545	Resources for high school track resurfacing project
Capital Project (County Capital Projects) Fund	75,000	-	
Special Revenue (Multi-Year Operating Grants) Fund	-	75,000	Local funds for parks and recreation grant project
Capital Project (Water Capital Projects) Fund	38,067	-	
Enterprise (County Water & Sewer) Fund	-	38,067	Reimbursements among funds
Enterprise (County Water & Sewer) Fund	124,705	-	
Capital Project (Water Capital Projects) Fund	-	124,705	Local funds for two separate water grant projects
Enterprise (Solid Waste) Fund	70,759	-	
Enterprise (Landfill Closure) Fund	-	70,759	Finance closure & postclosure costs
Total Transfers	<u>\$ 785,652</u>	<u>\$ 785,652</u>	

## ALEXANDER COUNTY, NORTH CAROLINA

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

The following is a summary of interfund and intrafund receivables and payables as of June 30, 2012:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	<u>Purpose</u>
School Cap Improve Fund	General Fund	\$ 39,361	Sales tax hold harmless amount due to schools for July & Aug sales tax distributions
Bethlehem Sewer Fund	Bethlehem Water Fund	4,700	Sewer surcharge for quarter ended 6/30/12 - include in pymt from City of Hickory to Bethlehem Water Fund
General Fund	Bethlehem Water Cap Proj Fund	7,478	Cash overdraft
General Fund	Multi-Year Grants Fund	198,186	Cash overdraft
General Fund	Solid Waste Fund	293,753	Cash overdraft
Total		<u>\$ 543,478</u>	

#### 4. Summary Disclosure of Significant Contingencies

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.

#### 5. Jointly Governed Organizations

The County, in conjunction with three other counties and twenty-three municipalities, established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$32,044 and administrative and other fees of \$44,521 to the Council during the fiscal year ended June 30, 2012.

Smoky Mountain Center is the MH/DD/SAS area program for the following 15 counties: Alexander, Alleghany, Ashe, Avery, Caldwell, Cherokee, Clay, Graham, Haywood, Jackson, Macon, McDowell, Swain, Watauga, and Wilkes. The County Commissioners are responsible for appointing two of the thirty members of the Board of Directors of Smoky Mountain Center for MH/DD/SAS. The County Commissioners also appoint one at-large member to the Smoky Mountain Center Board, but this member has no voting power. The County's accountability for this organization does not extend beyond making these appointments.

## ALEXANDER COUNTY, NORTH CAROLINA

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

The County, in conjunction with three other counties (Burke, Caldwell and Catawba) and three municipalities (Hickory, Conover, and Newton), established the Western Piedmont Regional Transit Authority (RTA) which began operations as of July 1, 2008. Each participating government appoints one member and one alternate to the RTA's governing board. The County paid \$4,080 as a special appropriation to the RTA during the fiscal year ended June 30, 2012.

#### 6. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. 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 financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 22,957,072	\$ 13,299,541
Temporary Assistance to Needy Families	164,833	-
Foster Care	68,416	18,227
Low Income Energy Assistance	79,919	-
State/County Domiciliary Care	-	279,271
IV-E Adoption Subsidy	198,560	53,607
CWS Adoption Subsidy	-	35,814
State Foster Home	-	25,924
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 23,468,800</u>	<u>\$ 13,712,384</u>

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## ALEXANDER 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 Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2005	\$ -	\$ 205,644	\$ 205,644	0.00%	\$ 783,654	26.24%
12/31/2006	-	187,610	187,610	0.00%	817,911	22.94%
12/31/2007	-	202,790	202,790	0.00%	865,258	23.44%
12/31/2008	-	203,072	203,072	0.00%	990,531	20.50%
12/31/2009	-	297,737	297,737	0.00%	932,629	31.92%
12/31/2010	-	258,707	258,707	0.00%	1,114,313	23.22%
12/31/2011	-	266,813	266,813	0.00%	1,077,088	24.77%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 27,494	76.68%
2011	37,779	24.47%
2012	36,481	0.00%

## 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 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*	4.25 - 7.85%
Cost of living adjustments	None

\*Includes inflation at 3.00%

## ALEXANDER 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 % of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 9,133,405	\$ 9,133,405	0.00%	\$ 9,230,942	98.9%
12/31/2010	-	9,544,595	9,544,595	0.00%	8,320,604	114.7%

## Schedule of Employer Contributions

Year Ended June 30	Annual OPEB Cost	Percentage Contributed
2010	\$ 1,127,910	8.00%
2011	1,154,645	10.90%
2012	1,137,773	12.79%

## 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 dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate:	
Pre-Medicare trend rate	10.5% - 5.0%
Post-Medicare trend rate	8.5% - 5.0%
Year of Ultimate trend rate	2018

\*Includes inflation at 3.00%

ALEXANDER COUNTY, NORTH CAROLINA

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 15,218,900	\$ 15,454,798	\$ 235,898	\$ 15,251,176
Penalties and interest	124,000	142,271	18,271	133,960
Total	15,342,900	15,597,069	254,169	15,385,136
<b>Local Option Sales Taxes:</b>				
Article 39 one percent	1,561,200	1,666,580	105,380	1,568,865
Article 40 one-half of one percent	1,821,700	1,995,923	174,223	1,884,078
Article 42 one-half of one percent	899,145	933,201	34,056	882,088
Article 44 one-half of one percent	-	(441)	(441)	(23,227)
Article 46 one-fourth of one percent	327,300	367,456	40,156	340,754
Medicaid Hold Harmless	728,545	882,224	153,679	699,698
Total	5,337,890	5,844,943	507,053	5,352,256
<b>Other Taxes and Licenses:</b>				
ABC \$.05 per bottle	3,200	3,194	(6)	3,342
Franchise fees	29,134	29,617	483	26,146
Video programming distribution	187,000	181,785	(5,215)	144,095
Total	219,334	214,596	(4,738)	173,583
<b>Unrestricted Intergovernmental Revenues:</b>				
ABC net revenues	3,500	5,244	1,744	3,348
Total	3,500	5,244	1,744	3,348
<b>Restricted Intergovernmental Revenues:</b>				
Federal and State grants	4,824,045	4,747,524	(76,521)	4,971,855
Controlled substance tax	4,223	21,504	17,281	6,449
Court facility fees	45,000	42,482	(2,518)	46,850
Total	4,873,268	4,811,510	(61,758)	5,025,154
<b>Permits and Fees:</b>				
Register of Deeds	190,000	183,167	(6,833)	168,140
Building inspections	110,500	129,127	18,627	127,191
Gun and concealed weapon permits	9,000	18,475	9,475	16,729
Other fees	3,250	7,151	3,901	4,809
Total	312,750	337,920	25,170	316,869
<b>Sales and Services:</b>				
Rents, concessions, and fees	171,338	161,934	(9,404)	138,191
Jail fees and State payment for prisoners	11,500	19,604	8,104	29,824
Ambulance fees	1,264,023	1,543,533	279,510	1,351,138
Recreation Department	60,035	54,085	(5,950)	53,011
Health Department	2,320,437	2,029,803	(290,634)	2,040,178
Information Technology	2,000	489	(1,511)	13,747

## ALEXANDER COUNTY, NORTH CAROLINA

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Social services	333,200	289,636	(43,564)	367,778
Senior Center	11,060	14,357	3,297	9,469
License Plate Agency	68,500	85,899	17,399	68,593
Library	7,000	11,650	4,650	10,877
State payments - soil & water technical assistance	25,374	17,840	(7,534)	22,190
Total	4,274,467	4,228,830	(45,637)	4,104,996
<b>Investment Earnings</b>	23,000	15,691	(7,309)	23,429
<b>Miscellaneous:</b>				
Insurance claim reimbursement	5,850	17,075	11,225	9,977
Donations	21,200	29,729	8,529	19,797
Grant	18,000	16,500	(1,500)	15,057
Sale of fixed assets	8,000	10,110	2,110	24,291
Other	35,476	42,064	6,588	40,674
Total	88,526	115,478	26,952	109,796
Total revenues	30,475,635	31,171,281	695,646	30,494,567
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing body	544,926	425,579	119,347	447,404
Administration	287,567	274,925	12,642	268,202
Planning	66,995	59,723	7,272	75,414
Elections	262,783	219,715	43,068	155,872
Finance	420,075	408,004	12,071	357,240
Tax office	491,498	478,742	12,756	473,087
Information Technology	690,931	679,239	11,692	742,907
Register of Deeds	271,382	254,244	17,138	277,934
License Plate Agency	128,801	124,448	4,353	124,899
Public buildings	684,896	663,315	21,581	526,850
Garage	477,933	471,544	6,389	393,248
Human resources	389,914	357,912	32,002	367,067
Court facilities	112,087	81,204	30,883	190,468
Total	4,829,788	4,498,594	331,194	4,400,592
<b>Public Safety:</b>				
Sheriff's Department	2,311,940	2,183,346	128,594	1,871,215
DARE program	11,210	11,054	156	8,291
Jail	1,211,924	1,132,277	79,647	1,038,345
Pre-trial release program	61,098	57,221	3,877	60,803
Resource Center	82,365	78,398	3,967	78,864
Fire protection	312,566	292,731	19,835	201,348
Emergency communications	539,940	482,160	57,780	491,150
Forestry	48,550	48,550	-	47,548
Inspections	150,353	138,244	12,109	135,276
Emergency medical	2,196,478	2,174,649	21,829	2,094,849
Medical examiner	21,000	16,500	4,500	18,800
Total	6,947,424	6,615,130	332,294	6,046,489

# ALEXANDER COUNTY, NORTH CAROLINA

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Environmental Protection:</b>				
Soil and water	102,264	90,169	12,095	96,492
Animal control	192,136	187,704	4,432	208,238
Total	294,400	277,873	16,527	304,730
<b>Economic and Physical Development:</b>				
Economic development	105,005	104,693	312	102,524
Agricultural extension	194,650	190,408	4,242	184,270
Total	299,655	295,101	4,554	286,794
<b>Human Services:</b>				
<b>Health Department:</b>				
Environmental health	319,673	337,671	(17,998)	313,193
General health	144,698	121,406	23,292	118,834
Maternal health	280,011	221,753	58,258	202,431
Home health	970,119	829,011	141,108	801,419
WIC program	179,125	173,878	5,247	175,339
Dental health	410,735	369,686	41,049	346,280
Family planning	228,802	211,500	17,302	223,484
Communicable disease	163,888	139,613	24,275	94,469
Health promotion	97,266	76,687	20,579	214,526
Child health	330,084	314,398	15,686	110,354
Adult health	51,224	60,707	(9,483)	55,672
Bioterrorism grant	62,169	55,623	6,546	128,168
Total	3,237,794	2,911,933	325,861	2,784,169
<b>Veterans Service</b>	70,841	65,051	5,790	64,653
<b>Transportation</b>	-	-	-	148,501
<b>Juvenile Crime Prevention</b>	104,474	102,394	2,080	87,464
<b>Social Services Department:</b>				
Administration	3,282,610	3,102,582	180,028	3,057,043
In-home services	182,041	163,806	18,235	166,981
Public assistance	85,650	84,027	1,623	72,988
Medical assistance	58,000	58,141	(141)	48,806
General assistance	1,783,244	1,870,662	(87,418)	1,751,753
Foster care	315,388	256,338	59,050	255,709
Work First	99,382	68,619	30,763	77,765
Aging-nutrition	113,998	111,718	2,280	116,747
Total	5,920,313	5,715,893	204,420	5,547,792
Special appropriations	314,951	314,525	426	789,829
Senior Center	136,671	123,484	13,187	103,528
Total	9,785,044	9,233,280	551,764	9,525,936

# ALEXANDER COUNTY, NORTH CAROLINA

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Cultural and Recreational:</b>				
Recreation	340,975	321,560	19,415	301,266
Rocky Face Park	45,303	13,348	31,955	-
Library	372,759	360,204	12,555	359,437
Bethlehem Library	65,266	58,990	6,276	60,299
Total	824,303	754,102	70,201	721,002
<b>Education:</b>				
<b>Alexander County Board of Education:</b>				
Current expenses	5,000,000	5,000,000	-	5,000,000
Auditorium reimbursement	150,000	150,000	-	150,000
<b>CVCC - Alexander County</b>	69,475	65,900	3,575	51,475
Total	5,219,475	5,215,900	3,575	5,201,475
<b>Debt Service:</b>				
Principal retirement	1,690,000	1,681,180	8,820	1,082,033
Interest and fees	667,000	657,105	9,895	384,547
Total	2,357,000	2,338,285	18,715	1,466,580
Total expenditures	30,557,089	29,228,265	1,328,824	27,953,598
Revenues over (under) expenditures	(81,454)	1,943,016	2,024,470	2,540,969
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
Enterprise funds	-	-	-	13,250
Special revenue funds	2,103	2,103	-	1,221
Capital project funds	21,110	21,110	-	796,824
Transfers out:				
Special revenue funds	-	-	-	(35,000)
Capital project funds	(302,345)	(278,363)	23,982	(893,201)
Enterprise funds	(150,000)	(150,000)	-	(260,825)
Appropriated fund balance	510,586	-	(510,586)	-
Total	81,454	(405,150)	(486,604)	(377,731)
Net change in fund balance	\$ -	1,537,866	\$ 1,537,866	2,163,238
<b>Fund Balance:</b>				
Beginning of year, July 1		9,739,697		7,576,459
End of year, June 30		\$ 11,277,563		\$ 9,739,697

## ALEXANDER COUNTY, NORTH CAROLINA

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

		Actual		
	Budget	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 16,635	\$ 8,041	\$ 13,714	\$ 21,755
Expenditures:				
Capital outlay:				
JC Park basketball court	10,000	-	9,003	9,003
Bethlehem tennis courts	78,500	77,520	-	77,520
Jail/courthouse administration	35,000	31,605	200	31,805
Jail construction	7,684,811	754,822	5,185,152	5,939,974
Courthouse renovations	1,500,000	-	95	95
Dusty Ridge Park paving	101,000	92,551	5,207	97,758
Technology/computers	79,000	-	75,251	75,251
County building acquisition and renovation project	900,000	-	-	-
Contingency	986,888	-	-	-
Total expenditures	11,375,199	956,498	5,274,908	6,231,406
Revenues over (under) expenditures	(11,358,564)	(948,457)	(5,261,194)	(6,209,651)
Other Financing Sources (Uses):				
Long-term debt issued	10,000,000	10,000,000	-	10,000,000
Transfers in:				
General Fund	2,289,500	789,500	-	789,500
Capital Improvements Fund	10,299	10,298	-	10,298
Transfers out:				
Special revenue funds	(97,755)	(22,755)	(75,000)	(97,755)
General Fund	(817,934)	(796,824)	(21,110)	(817,934)
Capital Improvements Fund	(25,546)	-	(25,545)	(25,545)
Total other financing sources (uses)	11,358,564	9,980,219	(121,655)	9,858,564
Net change in fund balance	\$ -	\$ 9,031,762	(5,382,849)	\$ 3,648,913
Fund Balance:				
Beginning of year - July 1			9,031,762	
End of year - June 30			\$ 3,648,913	

# ALEXANDER COUNTY, NORTH CAROLINA

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2012

	Special Revenue Funds			
	Fire Districts Fund	Revaluation Fund	Multi-Year Operating Grants Fund	Emergency Telephone System Fund
<b>Assets:</b>				
Cash and investments	\$ 55,184	\$ -	\$ -	\$ 669,490
Taxes receivable, net	66,648	-	-	-
Accounts receivable	-	-	238,335	17,621
Due from other funds	-	-	-	-
Cash and investments, restricted	-	501,980	-	-
Total assets	<u>\$ 121,832</u>	<u>\$ 501,980</u>	<u>\$ 238,335</u>	<u>\$ 687,111</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 16,458	\$ 6,860	\$ -	\$ 895
Due to other funds	-	-	198,186	-
Deferred revenues	66,648	-	-	-
Total liabilities	<u>83,106</u>	<u>6,860</u>	<u>198,186</u>	<u>895</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization for State statute	-	-	238,335	17,621
Restricted, all other	38,726	-	-	668,595
Committed	-	495,120	-	-
Unassigned	-	-	(198,186)	-
Total fund balances	<u>38,726</u>	<u>495,120</u>	<u>40,149</u>	<u>686,216</u>
Total liabilities and fund balances	<u>\$ 121,832</u>	<u>\$ 501,980</u>	<u>\$ 238,335</u>	<u>\$ 687,111</u>



**Schedule 5**

<b>Total Nonmajor Special Revenue Funds</b>	<b>Capital Project Fund Capital Improvements Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 724,674	\$ 1,628,784	\$ 2,353,458
66,648	-	66,648
255,956	-	255,956
-	39,361	39,361
501,980	-	501,980
<u>\$ 1,549,258</u>	<u>\$ 1,668,145</u>	<u>\$ 3,217,403</u>
\$ 24,213	\$ -	\$ 24,213
198,186	-	198,186
66,648	-	66,648
<u>289,047</u>	<u>-</u>	<u>289,047</u>
255,956	39,361	295,317
707,321	210,000	917,321
495,120	1,418,784	1,913,904
(198,186)	-	(198,186)
<u>1,260,211</u>	<u>1,668,145</u>	<u>2,928,356</u>
<u>\$ 1,549,258</u>	<u>\$ 1,668,145</u>	<u>\$ 3,217,403</u>

# ALEXANDER COUNTY, NORTH CAROLINA

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

	Special Revenue Funds			
	Fire Districts Fund	Revaluation Fund	Multi-Year Operating Grants Fund	Emergency Telephone System Fund
<b>Revenues:</b>				
Ad valorem taxes	\$ 901,567	\$ 45,000	\$ -	\$ -
Other taxes and licenses	-	-	-	211,455
Intergovernmental revenues	-	-	510,449	-
Investment earnings	-	116	-	339
Total revenues	<u>901,567</u>	<u>45,116</u>	<u>510,449</u>	<u>211,794</u>
<b>Expenditures:</b>				
Public safety	906,747	-	-	450,033
General government	-	29,544	-	-
Education	-	-	-	-
Cultural and recreation	-	-	526,260	-
Economic and physical development	-	-	49,533	-
Total expenditures	<u>906,747</u>	<u>29,544</u>	<u>575,793</u>	<u>450,033</u>
Revenues over (under) expenditures	<u>(5,180)</u>	<u>15,572</u>	<u>(65,344)</u>	<u>(238,239)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	75,000	-
Transfers out	-	-	-	(2,103)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>(2,103)</u>
Net change in fund balances	(5,180)	15,572	9,656	(240,342)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>43,906</u>	<u>479,548</u>	<u>30,493</u>	<u>926,558</u>
End of year - June 30	<u>\$ 38,726</u>	<u>\$ 495,120</u>	<u>\$ 40,149</u>	<u>\$ 686,216</u>

**Schedule 6**

<b>Total Nonmajor Special Revenue Funds</b>	<b>Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Capital Improvements Fund</b>		
\$ 946,567	\$ -	\$ 946,567
211,455	-	211,455
510,449	348,756	859,205
455	822	1,277
<u>1,668,926</u>	<u>349,578</u>	<u>2,018,504</u>
1,356,780	-	1,356,780
29,544	-	29,544
-	398,756	398,756
526,260	-	526,260
49,533	-	49,533
<u>1,962,117</u>	<u>398,756</u>	<u>2,360,873</u>
<u>(293,191)</u>	<u>(49,178)</u>	<u>(342,369)</u>
75,000	303,908	378,908
<u>(2,103)</u>	<u>-</u>	<u>(2,103)</u>
<u>72,897</u>	<u>303,908</u>	<u>376,805</u>
(220,294)	254,730	34,436
<u>1,480,505</u>	<u>1,413,415</u>	<u>2,893,920</u>
<u>\$ 1,260,211</u>	<u>\$ 1,668,145</u>	<u>\$ 2,928,356</u>

## ALEXANDER COUNTY, NORTH CAROLINA

## FIRE DISTRICTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2012

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 921,080	\$ 901,567	\$ (19,513)	\$ 889,583
<b>Expenditures:</b>				
Public safety:				
Bethlehem Fire District	211,775	210,224	1,551	205,384
Wittenburg Fire District	154,297	152,817	1,480	150,297
Hiddenite Fire District	123,045	120,645	2,400	121,052
East Alexander Fire District	93,287	91,061	2,226	88,230
Ellendale Fire District	95,105	93,360	1,745	89,772
Sugarloaf Fire District	88,055	86,782	1,273	83,463
Central Alexander Fire District	106,970	104,778	2,192	101,122
Vashti Fire District	49,260	47,080	2,180	46,963
Total expenditures	921,794	906,747	15,047	886,283
Revenues over (under) expenditures	(714)	(5,180)	(4,466)	3,300
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	714	-	(714)	-
Net change in fund balance	\$ -	(5,180)	\$ (5,180)	3,300
<b>Fund Balance:</b>				
Beginning of year - July 1		43,906		40,606
End of year - June 30		\$ 38,726		\$ 43,906

## ALEXANDER COUNTY, NORTH CAROLINA

## REVALUATION FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2012

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 45,000	\$ 45,000	\$ -	\$ 75,000
Investment earnings	250	116	(134)	250
Total revenues	<u>45,250</u>	<u>45,116</u>	<u>(134)</u>	<u>75,250</u>
<b>Expenditures:</b>				
General government	<u>92,354</u>	<u>29,544</u>	<u>62,810</u>	<u>35,174</u>
Revenues over (under) expenditures	(47,104)	15,572	62,676	40,076
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>47,104</u>	<u>-</u>	<u>(47,104)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>15,572</u>	<u>\$ 15,572</u>	<u>40,076</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>479,548</u>		<u>439,472</u>
End of year - June 30		<u>\$ 495,120</u>		<u>\$ 479,548</u>

ALEXANDER COUNTY, NORTH CAROLINA

**MULTI-YEAR OPERATING GRANTS FUND**  
**BUDGETARY BASIS (NON-GAAP)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

		<b>Actual</b>		
	<b>Budget</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Project Budget:</b>				
<b>CDBG - Piedmont Wood Products:</b>				
<b>Revenues:</b>				
CDBG Grant	\$ 250,000	\$ 206,097	\$ 43,903	\$ 250,000
<b>Expenditures:</b>				
Assistance to business	225,000	190,610	34,390	225,000
Administration	20,000	15,487	4,513	20,000
Planning	5,000	230	4,770	5,000
Total expenditures	250,000	206,327	43,673	250,000
Revenues over (under) expenditures	\$ -	\$ (230)	\$ 230	\$ -
<b>Project Budget:</b>				
<b>Rocky Face Park Project:</b>				
<b>Revenues:</b>				
NC PARTF Grant	\$ 477,776	\$ 17,090	\$ 460,686	\$ 477,776
Felburn Foundation Grant	22,755	22,755	-	22,755
Local contribution - County Capital Projects Fund	97,755	22,755	75,000	97,755
Local contribution - General Fund	45,000	45,000	-	45,000
Total revenues	643,286	107,600	535,686	643,286
<b>Expenditures:</b>				
Planning	10,000	10,000	-	10,000
Park development	547,310	45,510	483,530	529,040
Project design & engineering	64,636	21,367	42,730	64,097
Contingency	21,340	-	-	-
Total expenditures	643,286	76,877	526,260	603,137
Revenues over (under) expenditures	\$ -	\$ 30,723	\$ 9,426	\$ 40,149
<b>Project Budget:</b>				
<b>Recovery Act JAG Program:</b>				
<b>Revenues:</b>				
ARRA - Justice Assistance Grant	\$ 39,294	\$ 29,208	\$ -	\$ 29,208
<b>Expenditures:</b>				
Capital outlay	29,208	29,208	-	29,208
Transfer to General Fund	10,086	-	-	-
Total expenditures	39,294	29,208	-	29,208
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

ALEXANDER COUNTY, NORTH CAROLINA

MULTI-YEAR OPERATING GRANTS FUND  
BUDGETARY BASIS (NON-GAAP)  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual		
	Budget	Prior Years	Current Year	Total to Date
<b>Project Budget:</b>				
<b>Composite Fabrics Building Renovation Project:</b>				
<b>Revenues:</b>				
NC Rural Center Grant	\$ 19,000	\$ -	\$ -	\$ -
Local contribution - General Fund	570	-	-	-
Total revenues	19,570	-	-	-
<b>Expenditures:</b>				
Building renovation	19,000	-	-	-
Grant administration	570	-	-	-
Total expenditures	19,570	-	-	-
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

<b>Project Budget:</b>				
<b>Piedmont Wood Products Building Renovation Project:</b>				
<b>Revenues:</b>				
NC Rural Center Grant	\$ 37,847	\$ -	\$ 5,860	\$ 5,860
Local contribution - General Fund	1,135	-	-	-
Total revenues	38,982	-	5,860	5,860
<b>Expenditures:</b>				
Building renovation	37,847	-	5,860	5,860
Grant administration	1,135	-	-	-
Total expenditures	38,982	-	5,860	5,860
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

<b>Project Budget:</b>				
<b>Terry Moore Ford Building Renovation Project:</b>				
<b>Revenues:</b>				
NC Rural Center Grant	\$ 48,000	\$ -	\$ -	\$ -
Local contribution - General Fund	1,440	-	-	-
Total revenues	49,440	-	-	-
<b>Expenditures:</b>				
Building renovation	48,000	-	-	-
Grant administration	1,440	-	-	-
Total expenditures	49,440	-	-	-
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

ALEXANDER COUNTY, NORTH CAROLINA

MULTI-YEAR OPERATING GRANTS FUND  
BUDGETARY BASIS (NON-GAAP)  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual		
	Budget	Prior Years	Current Year	Total to Date
<b>Total for Multi-Year Operating Grants Fund:</b>				
Revenues	\$ 894,672	\$ 275,150	\$ 510,449	\$ 785,599
Economic and physical development expenditures	357,992	206,327	49,533	255,860
Cultural and recreation expenditures	643,286	76,877	526,260	603,137
Public safety expenditures	29,208	29,208	-	29,208
Other financing sources (uses)	135,814	67,755	75,000	142,755
Net change in fund balance	\$ -	\$ 30,493	\$ 9,656	\$ 40,149



## ALEXANDER 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

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes and licenses	\$ 211,455	\$ 211,455	\$ -	\$ 311,585
Investment earnings	-	339	339	450
Total revenues	<u>211,455</u>	<u>211,794</u>	<u>339</u>	<u>312,035</u>
<b>Expenditures:</b>				
Public safety	-	-	-	88,349
Telephone	65,751	53,743	12,008	-
Furniture	10,000	1,527	8,473	-
Software & software maintenance	32,000	18,368	13,632	-
Hardware & hardware maintenance	101,856	23,801	78,055	-
Training	6,000	1,732	4,268	-
S.L. 2010-158 expenditures (50%)	351,437	350,862	575	-
Total expenditures	<u>567,044</u>	<u>450,033</u>	<u>117,011</u>	<u>88,349</u>
Revenues over (under) expenditures	<u>(355,589)</u>	<u>(238,239)</u>	<u>117,350</u>	<u>223,686</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(2,103)	(2,103)	-	(1,221)
Appropriated fund balance	<u>357,692</u>	<u>-</u>	<u>(357,692)</u>	<u>-</u>
Total other financing sources (uses)	<u>355,589</u>	<u>(2,103)</u>	<u>(357,692)</u>	<u>(1,221)</u>
Net change in fund balance	<u>\$ -</u>	<u>(240,342)</u>	<u>\$ (240,342)</u>	<u>222,465</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>926,558</u>		<u>704,093</u>
End of year - June 30		<u>\$ 686,216</u>		<u>\$ 926,558</u>

## ALEXANDER COUNTY, NORTH CAROLINA

## NONMAJOR CAPITAL PROJECT FUND

## CAPITAL IMPROVEMENTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND

## CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2012

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
State lottery revenue	\$ 850,000	\$ 348,756	\$ (501,244)	\$ -
Investment earnings	1,000	822	(178)	1,480
Total revenues	<u>851,000</u>	<u>349,578</u>	<u>(501,422)</u>	<u>1,480</u>
<b>Expenditures:</b>				
Education	1,050,345	398,756	651,589	545,671
Contingency	153,000	-	153,000	-
Total expenditures	<u>1,203,345</u>	<u>398,756</u>	<u>804,589</u>	<u>545,671</u>
Revenues over (under) expenditures	<u>(352,345)</u>	<u>(49,178)</u>	<u>303,167</u>	<u>(544,191)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	327,891	303,908	(23,983)	303,701
Transfers out	-	-	-	(10,298)
Appropriated fund balance	24,454	-	(24,454)	-
Total other financing sources (uses)	<u>352,345</u>	<u>303,908</u>	<u>(48,437)</u>	<u>293,403</u>
Net change in fund balance	<u>\$ -</u>	<u>254,730</u>	<u>\$ 254,730</u>	<u>(250,788)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		1,413,415		1,664,203
End of year - June 30		<u>\$ 1,668,145</u>		<u>\$ 1,413,415</u>

**ALEXANDER COUNTY, NORTH CAROLINA****MAJOR ENTERPRISE FUND****COUNTY WATER AND SEWER FUND****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2012****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	<b>2012</b>			<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Water revenues	\$ 1,073,000	\$ 1,048,508	\$ (24,492)	\$ 1,059,642
Non-operating revenues:				
Investment earnings	120	53	(67)	115
Total revenues	1,073,120	1,048,561	(24,559)	1,059,757
<b>Expenditures:</b>				
Water and distribution	728,732	665,025	63,707	656,242
Capital outlay	375,350	315,514	59,836	-
Contingency	1,388	-	1,388	-
Budgetary appropriations:				
Debt principal	201,000	200,036	964	200,036
Interest and fees paid	72,000	70,713	1,287	150,700
Total expenditures	1,378,470	1,251,288	127,182	1,006,978
Revenues over (under) expenditures	(305,350)	(202,727)	102,623	52,779
<b>Other Financing Sources (Uses):</b>				
Transfer to Water Capital Projects Fund	(151,235)	(124,705)	26,530	(317,908)
Transfer from Water Capital Projects Fund	38,068	38,067	(1)	77,977
Appropriated fund balance	418,517	-	(418,517)	-
Total other financing sources (uses)	305,350	(86,638)	(391,988)	(239,931)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (289,365)	\$ (289,365)	\$ (187,152)

**ALEXANDER COUNTY, NORTH CAROLINA****MAJOR ENTERPRISE FUND****COUNTY WATER AND SEWER FUND****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2012****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (289,365)		
Reconciling items:				
Capital contributions - capital project grants		455,189		
Transfer to Water Capital Projects Funds		124,705		
Transfer from Water Capital Projects Funds		(38,067)		
Capital outlay		315,514		
Debt principal		200,036		
Depreciation		(504,644)		
Change in compensated absences		536		
Change in other post-employment benefits		<u>(3,234)</u>		
Change in net assets		<u>\$ 260,670</u>		

## ALEXANDER COUNTY, NORTH CAROLINA

## WATER CAPITAL PROJECT FUND

## HIDDENITE INDUSTRIAL WATER AND SEWER PROJECT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Hiddenite Industrial Water and Sewer Project:</b>				
<b>Revenues:</b>				
Intergovernmental revenue - Town of Taylorsville	\$ 420,500	\$ 53,353	\$ -	\$ 53,353
Federal Pass-Through Grant - CDBG	750,000	750,000	-	750,000
Appalachian Regional Commission Grant	200,000	200,000	-	200,000
NC Rural Center Grant	232,688	232,688	-	232,688
Total revenues	<u>1,603,188</u>	<u>1,236,041</u>	<u>-</u>	<u>1,236,041</u>
<b>Expenditures:</b>				
Water improvements	200,000	200,000	-	200,000
Sewer improvements	1,473,188	1,106,384	-	1,106,384
Administration	45,000	44,657	-	44,657
Total expenditures	<u>1,718,188</u>	<u>1,351,041</u>	<u>-</u>	<u>1,351,041</u>
Revenues over (under) expenditures	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>	<u>(115,000)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Hwy 16 South Water District	60,000	60,000	-	60,000
Transfer from County Water and Sewer Fund	7,050	-	7,050	7,050
Transfers from other enterprise funds	47,950	47,950	-	47,950
Total other financing sources (uses)	<u>115,000</u>	<u>107,950</u>	<u>7,050</u>	<u>115,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (7,050)</u>	<u>\$ 7,050</u>	<u>\$ -</u>

## ALEXANDER COUNTY, NORTH CAROLINA

## WATER CAPITAL PROJECT FUND

## VASHTI ROAD WATER PROJECT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Vashti Road Water Project:</b>				
<b>Revenues:</b>				
CDBG Grant	\$ 750,000	\$ 745,350	\$ 4,650	\$ 750,000
NC Rural Center Grant	500,000	367,368	132,632	500,000
Total revenues	<u>1,250,000</u>	<u>1,112,718</u>	<u>137,282</u>	<u>1,250,000</u>
<b>Expenditures:</b>				
Administration	81,487	80,697	790	81,487
Planning	3,500	3,500	-	3,500
Water improvements	<u>1,126,945</u>	<u>999,613</u>	<u>127,333</u>	<u>1,126,946</u>
Total expenditures	<u>1,211,932</u>	<u>1,083,810</u>	<u>128,123</u>	<u>1,211,933</u>
Revenues over (under) expenditures	38,068	28,908	9,159	38,067
<b>Other Financing Sources (Uses):</b>				
Transfer to County Water and Sewer Fund	<u>(38,068)</u>	<u>-</u>	<u>(38,067)</u>	<u>(38,067)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 28,908</u>	<u>\$ (28,908)</u>	<u>\$ -</u>

## ALEXANDER COUNTY, NORTH CAROLINA

## WATER CAPITAL PROJECT FUND

## CHURCH ROAD WATER LINE PROJECT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Church Road Water Line Project:</b>				
<b>Revenues:</b>				
NC Rural Center Grant	\$ 317,907	\$ -	\$ 317,907	\$ 317,907
<b>Expenditures:</b>				
Engineering	114,530	53,140	48,860	102,000
Grant administration	14,000	-	-	-
Water construction	651,470	525	650,945	651,470
Total expenditures	780,000	53,665	699,805	753,470
Revenues over (under) expenditures	(462,093)	(53,665)	(381,898)	(435,563)
<b>Other Financing Sources (Uses):</b>				
Transfer from County Water and Sewer Fund	462,093	317,908	117,655	435,563
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 264,243	\$ (264,243)	\$ -

## ALEXANDER COUNTY, NORTH CAROLINA

## MAJOR ENTERPRISE FUND

## BETHLEHEM WATER DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2012

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales	\$ 1,153,000	\$ 1,124,421	\$ (28,579)	\$ 1,125,326
Non-operating revenues:				
Investment earnings	800	952	152	921
Total revenues	1,153,800	1,125,373	(28,427)	1,126,247
<b>Expenditures:</b>				
Administration	100,200	15,130	85,070	46,799
Water and distribution	783,100	744,397	38,703	747,193
Budgetary appropriations:				
Capital outlay	50,000	-	50,000	29,578
Debt principal	147,500	147,336	164	171,657
Interest and fees paid	45,000	43,302	1,698	50,026
Contingency	28,000	-	28,000	-
Total expenditures	1,153,800	950,165	203,635	1,045,253
Revenues over (under) expenditures	\$ -	\$ 175,208	\$ 175,208	\$ 80,994

**Reconciliation from Budgetary Basis  
(Modified Accrual) to Full Accrual:**

Revenues over (under) expenditures	\$ 175,208
Reconciling items:	
Debt principal	147,336
Capital contributions - capital project grant	131,050
Capital project expenses not capitalized	(33,034)
Depreciation and amortization	(94,369)
Change in net assets	\$ 326,191



## ALEXANDER COUNTY, NORTH CAROLINA

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

		<b>Actual</b>		
	<b><u>Project</u></b>	<b><u>Prior</u></b>	<b><u>Current</u></b>	<b><u>Total</u></b>
	<b><u>Authorization</u></b>	<b><u>Years</u></b>	<b><u>Year</u></b>	<b><u>to Date</u></b>
<b>Hoyle Keller Loop Revitalization Project:</b>				
<b>Revenues:</b>				
CDBG Grant	\$ 389,105	\$ 5,468	\$ 131,050	\$ 136,518
<b>Expenditures:</b>				
Rehabilitation	140,000	-	29,079	29,079
Clearance activities	11,000	-	3,955	3,955
Administration	60,000	1,968	35,022	36,990
Planning	3,500	3,500	-	3,500
Water improvements	174,605	-	62,962	62,962
Total expenditures	389,105	5,468	131,018	136,486
Revenues over (under) expenditures	\$ -	\$ -	\$ 32	\$ 32

## ALEXANDER COUNTY, NORTH CAROLINA

## MAJOR ENTERPRISE FUND

## SOLID WASTE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2012

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Landfill	\$ 1,171,743	\$ 1,195,758	\$ 24,015	\$ 1,155,244
Convenience center	191,780	198,850	7,070	183,637
Non-operating revenues:				
Intergovernmental revenues	72,887	77,447	4,560	76,445
Grant revenue	-	-	-	6,355
Miscellaneous revenue	4,757	4,757	-	-
Total revenues	1,441,167	1,476,812	35,645	1,421,681
<b>Expenditures:</b>				
Convenience centers	178,786	174,549	4,237	169,770
Landfill operations	1,185,122	1,174,021	11,101	1,166,493
Capital outlay	6,500	6,500	-	192,279
Total expenditures	1,370,408	1,355,070	15,338	1,528,542
Revenues over (under) expenditures	70,759	121,742	50,983	(106,861)
<b>Other Financing Sources (Uses):</b>				
Transfers - Landfill Closure Fund	(70,759)	(70,759)	-	(100,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 50,983	\$ 50,983	\$ (96,036)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 50,983		
Reconciling items:				
Capital outlay capitalized		6,500		
Change in compensated absences		(1,933)		
Change in other post-employment benefits		(33,277)		
Depreciation		(55,778)		
Change in net assets		\$ (33,505)		

**ALEXANDER COUNTY, NORTH CAROLINA****MAJOR ENTERPRISE FUND****LANDFILL CLOSURE FUND****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2012****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Non-operating revenues:				
Investment earnings	\$ 70	\$ 56	\$ (14)	\$ 75
<b>Other Financing Sources (Uses):</b>				
Transfer in - Solid Waste Fund	70,759	70,759	-	100,000
Transfer in - General Fund	150,000	150,000	-	150,000
Contingencies	(220,829)	-	220,829	-
Total other financing sources (uses)	(70)	220,759	220,829	250,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 220,815	\$ 220,815	\$ 250,075
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 220,815		
Reconciling items:				
(Increase)/decrease in accrued landfill closure and post-closure care costs		(213,174)		
Change in net assets		\$ 7,641		

**ALEXANDER COUNTY, NORTH CAROLINA**

**PROPRIETARY FUND TYPES**  
**NONMAJOR ENTERPRISE FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<b>Bethlehem Sewer</b>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 46,129
Due from other funds	4,700
Total current assets	<u>50,829</u>
Non-current assets:	
Depreciable assets, net	<u>894,455</u>
Total assets	<u>945,284</u>
<b>Net Assets:</b>	
Invested in capital assets	894,455
Unrestricted	<u>50,829</u>
Total net assets	<u><u>\$ 945,284</u></u>

**ALEXANDER COUNTY, NORTH CAROLINA**

**PROPRIETARY FUND TYPES**  
**NONMAJOR ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Bethlehem Sewer</b>
<b>Operating Revenues:</b>	
Sewer capital reserve fees	\$ 18,801
<b>Operating Expenses:</b>	
Depreciation and amortization	35,570
Change in net assets	(16,769)
<b>Net Assets:</b>	
Beginning of year - July 1	962,053
End of year - June 30	\$ 945,284

**ALEXANDER COUNTY, NORTH CAROLINA**

**PROPRIETARY FUND TYPES**  
**NONMAJOR ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Bethlehem Sewer</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 18,801
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Change in due to/from other funds	(92)
Net increase (decrease) in cash and cash equivalents	18,709
<b>Cash and Cash Equivalents - Beginning of Year, July 1</b>	<u>27,420</u>
<b>Cash and Cash Equivalents - End of Year, June 30</b>	<u>\$ 46,129</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (16,769)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	<u>35,570</u>
Net cash provided (used) by operating activities	<u>\$ 18,801</u>

## ALEXANDER COUNTY, NORTH CAROLINA

## NONMAJOR ENTERPRISE FUND

## BETHLEHEM SEWER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2012

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Operating revenues:				
Sewer capital reserve fee	\$ 15,000	\$ 18,801	\$ 3,801	\$ 18,437
<b>Expenditures:</b>				
Operations	15,000	-	15,000	-
Revenues over (under) expenditures	\$ -	\$ 18,801	\$ 18,801	\$ 18,437
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues over (under) expenditures		\$ 18,801		
Reconciling items:				
Depreciation		(35,570)		
Change in net assets		\$ (16,769)		

## ALEXANDER COUNTY, NORTH CAROLINA

**AGENCY FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**

	<b>Social Services Fund</b>	<b>Sheriff's Department Fund</b>	<b>3% Interest Payable to State</b>	<b>Deed of Trust Fees Fund</b>	<b>Totals June 30, 2012</b>
<b>Assets:</b>					
Cash and investments	\$ 139,820	\$ 2,220	\$ 1,093	\$ 212	\$ 143,345
<b>Liabilities:</b>					
Accounts payable	\$ 139,820	\$ 2,220	\$ -	\$ -	\$ 142,040
Intergovernmental payable - State of NC	-	-	1,093	212	1,305
Total liabilities	\$ 139,820	\$ 2,220	\$ 1,093	\$ 212	\$ 143,345



## ALEXANDER COUNTY, NORTH CAROLINA

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

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<b>Social Services:</b>				
<b>Assets:</b>				
Cash and investments:				
Client Services	\$ 5,413	\$ 90,325	\$ 71,255	\$ 24,483
Cash and investments:				
Emergency Assistance	134,861	15,870	35,394	115,337
Total assets	<u>\$ 140,274</u>	<u>\$ 106,195</u>	<u>\$ 106,649</u>	<u>\$ 139,820</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 140,274</u>	<u>\$ 106,195</u>	<u>\$ 106,649</u>	<u>\$ 139,820</u>
<b>Sheriff's Department:</b>				
<b>Assets:</b>				
Cash and investments	<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220</u>
<b>3% Interest Payable to State:</b>				
<b>Assets:</b>				
Cash and investments	<u>\$ 825</u>	<u>\$ 12,777</u>	<u>\$ 12,509</u>	<u>\$ 1,093</u>
<b>Liabilities:</b>				
Intergovernmental payable:				
State of North Carolina	<u>\$ 825</u>	<u>\$ 12,777</u>	<u>\$ 12,509</u>	<u>\$ 1,093</u>
<b>Deed of Trust Fees:</b>				
Cash and investments	<u>\$ 410</u>	<u>\$ 3,177</u>	<u>\$ 3,375</u>	<u>\$ 212</u>
<b>Liabilities:</b>				
Intergovernmental payable:				
State of North Carolina	<u>\$ 410</u>	<u>\$ 3,177</u>	<u>\$ 3,375</u>	<u>\$ 212</u>
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and investments	<u>\$ 143,728</u>	<u>\$ 122,149</u>	<u>\$ 122,533</u>	<u>\$ 143,345</u>
<b>Liabilities:</b>				
Accounts payable	\$ 142,494	\$ 106,195	\$ 106,649	\$ 142,040
Intergovernmental payable:				
State of North Carolina	1,235	15,954	15,884	1,305
Total liabilities	<u>\$ 143,728</u>	<u>\$ 122,149</u>	<u>\$ 122,533</u>	<u>\$ 143,345</u>

## ALEXANDER COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2012**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2011</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2012</b>
2012	\$ -	\$ 15,621,035	\$ 14,933,304	\$ 687,731
2011	674,552	-	406,554	267,998
2010	229,057	-	93,579	135,478
2009	106,581	-	39,328	67,253
2008	57,262	-	12,781	44,481
2007	25,578	-	6,608	18,970
2006	17,842	-	3,735	14,107
2005	16,441	-	1,207	15,234
2004	15,155	-	869	14,286
2003	19,503	-	1,132	18,371
2002	18,780	-	18,780	-
Total	<u>\$ 1,180,751</u>	<u>\$ 15,621,035</u>	<u>\$ 15,517,877</u>	<u>1,283,909</u>

Less: Allowance for uncollectible ad valorem taxes receivable:

General Fund (382,180)

**Ad Valorem Taxes Receivable, Net:**

General Fund \$ 901,729

**Reconciliation of Collections and Credits with Revenues:**

Ad valorem taxes - General Fund \$ 15,597,069

Ad valorem taxes - Revaluation Fund 45,000

Total ad valorem taxes 15,642,069

Reconciling items:

Interest and penalties collected (142,271)

Tax refunds 205

Miscellaneous adjustments (906)

Amounts written off for tax year 2002 per Statute of Limitations 18,780

Total collections and credits \$ 15,517,877

## ALEXANDER COUNTY, NORTH CAROLINA

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

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
County-wide:					
Property tax	\$2,605,647,918	0.605	\$ 15,673,451	\$ 14,168,324	\$ 1,505,127
Late list penalties	-		13,175	13,175	-
Total original levy	<u>2,605,647,918</u>		<u>15,686,626</u>	<u>14,181,499</u>	<u>1,505,127</u>
<b>Discoveries</b>	6,243,967		37,776	37,776	-
<b>Abatements and Discounts</b>	<u>(17,085,455)</u>		<u>(103,367)</u>	<u>(103,367)</u>	<u>-</u>
Total property valuation	<u>\$2,594,806,430</u>				
<b>Net Levy</b>			15,621,035	14,115,908	1,505,127
Uncollected taxes at June 30, 2012			<u>687,731</u>	<u>541,825</u>	<u>145,906</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 14,933,304</u>	<u>\$ 13,574,083</u>	<u>\$ 1,359,221</u>
<b>Current Levy Collection Percentage</b>			<u>95.60%</u>	<u>96.16%</u>	<u>90.31%</u>

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**ALEXANDER COUNTY  
NORTH CAROLINA**

**COMPLIANCE LETTERS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**ALEXANDER COUNTY, NORTH CAROLINA**  
**COMPLIANCE LETTERS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

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

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

To the Board of Commissioners  
Alexander County, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of Alexander County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Alexander County's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alexander County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Alexander County in a separate letter dated November 5, 2012.

This report is intended solely for the information and use of management, Board of Commissioners, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 5, 2012



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## **Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditors' Report**

To the Board of Commissioners  
Alexander County, North Carolina

#### **Compliance**

We have audited the compliance of Alexander County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Alexander County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Alexander County's management. Our responsibility is to express an opinion on Alexander County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alexander County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Alexander County's compliance with those requirements.

In our opinion, Alexander County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## **Internal Control Over Compliance**

The management of Alexander County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Alexander County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and applicable sections of the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Alexander County, North Carolina's basic financial statements, and have issued our report thereon dated November 5, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Alexander County, North Carolina's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 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 Schedule of Expenditure of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Commissioners, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.

November 5, 2012

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

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

## **Report On Compliance with Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditors' Report**

To the Board of Commissioners  
Alexander County, North Carolina

#### **Compliance**

We have audited Alexander County, North Carolina's compliance with the types of compliance requirements described in applicable sections of U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Alexander County's major State programs for the year ended June 30, 2012. Alexander County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of Alexander County's management. Our responsibility is to express an opinion on Alexander County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Alexander County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Alexander County's compliance with those requirements.

In our opinion, Alexander County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2012-01.

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13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085  
Toll Free Both Locations 1-800-948-0585 ♦ Website: [www.martinstarnes.com](http://www.martinstarnes.com)

## **Internal Control over Compliance**

Management of Alexander County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered Alexander County's internal control over compliance with requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Alexander County, North Carolina's basic financial statements, and have issued our report thereon dated November 5, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Alexander County, North Carolina's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 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 Schedule of Expenditure of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Alexander County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. We did not audit Alexander County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Commissioners, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.

November 5, 2012

# ALEXANDER COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

### 1. Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

• Material weaknesses identified? \_\_\_\_\_ Yes   X   No

• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   No

Non-compliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major federal programs:

• Material weaknesses identified? \_\_\_\_\_ Yes   X   No

• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   No

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

## ALEXANDER COUNTY, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778, 93.777, 93.775, 93.720
Child Care Development Fund Cluster	93.575, 93.596
Temporary Assistance for Needy Families Cluster	93.558, 93.714, 93.716
Adoption Assistance	93.659
Low-Income Home Energy Assistance Block Grant	93.568

Dollar threshold used to distinguish between  
Type A and Type B Programs:

\$829,410

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

#### State Awards

Internal control over major State programs:

• Material weaknesses identified? \_\_\_\_\_ Yes      X   No

• Significant deficiencies identified that  
are not considered to be material  
weaknesses? \_\_\_\_\_ Yes      X   No

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

Unqualified

Any findings disclosed that are required to  
be reported in accordance with the State  
Single Audit Implementation Act?

  X   Yes    \_\_\_\_\_ No

Identification of major state programs:

Subsidized Child Care Cluster  
Medicaid Cluster  
Public School Building Capital Fund  
NC Parks and Recreation Trust Fund  
NC Rural Economic Development Center Grant – Church Road Water Project



## ALEXANDER COUNTY, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

**2. Findings and Questioned Costs Related to the Audit of the Financial Statements and Federal Awards**

None reported.

**3. Findings and Questioned Costs Related to the Audit of the Financial Statements and State Awards**

**2012-01:**

**Criteria:** Management should have a system in place to ensure compliance with applicable compliance requirements, laws, and regulations and contract provisions.

**Condition:** According to a grant agreement signed by Alexander County and the Rural Economic Development Center for the Church Road Water Line Project, the County shall furnish the Center with detailed written progress reports on a quarterly basis or other periods as specified in Exhibit C of the agreement.

**Context:** During our testing of the County's compliance with the Rural Economic Development Center Grant, we noted that reports for the Church Road Water Line Project were not being completed as required by the agreement.

**Effect:** The County did not comply with the terms of its grant agreement with respect to reporting. This causes a potential delay in receiving grant funds from the agency.

**Cause:** Failure to follow grant agreement terms and provisions due to lack of monitoring and communication between County personnel and engineering firm.

**Recommendation:** County personnel should always be in contact with the engineering firm regarding oversight of projects and grant agreements applicable to projects. All aspects of compliance requirements, laws, regulations, and contract provisions relating to grants are ultimately the responsibility of the grantee so management should put policies and procedures in place to enforce and monitor grant dollars.

**Name of Contact Person:** Richard L. French, County Manager

**Management Response:** The third-party Project Manager of the project will be responsible to outline the specific reports required by the agreement and the funding agency prior to project commencement. These reports must be submitted to the County Manager, or his designee, for approval prior to the County paying the third-party Project Manager for their services.

**ALEXANDER COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

None reported in the prior year.

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures	
		Federal	State
<b>Federal Awards:</b>			
<u>U.S. Dept. of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
<u>Supplemental Nutrition Assistance Program Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 224,041	\$ -
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Public Health:			
Administration:			
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	162,337	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	517,416	-
Passed-through Western Piedmont Council of Governments:			
Division of Aging:			
NSIP Supplement	10.570	14,241	-
Total U.S. Dept. of Agriculture		918,035	-
<u>U.S. Department of Housing and Urban Development</u>			
<u>Office of Community Planning and Development</u>			
Passed-through the N.C. Department of Commerce:			
Division of Community Assistance:			
Community Development Block Grant:			
Hoyle Keller Loop Revitalization Project	14.228	131,050	-
Vashti Road Water Project	14.228	4,650	-
Piedmont Wood Products	14.228	43,903	-
Total U.S. Department of Housing and Urban Development		179,603	-
<u>U.S. Dept. of Justice</u>			
<u>Bureau of Justice Assistance</u>			
Passed-through N.C. Dept. of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,211	-
ARRA-Edward Byrne Memorial Justice Assistance Grant Program	16.803	17,986	-
Hi Risk Intervention/Multisystemic Therapy (Gang Violence Prevention)			
Juvenile Conflict Resolution Program (Piedmont Mediation)			
Statewide Automated Victim Information Notification (SAVIN) (Non-Cash Grant)	16.740	15,000	-
Total U.S. Dept. of Justice		44,197	-

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<u>U.S. Dept. of Transportation</u>			
<u>National Highway Traffic Safety Administration</u>			
Passed-through the N.C. Department of Transportation:			
State and Community Highway Safety			
Governor's Highway Safety Program - PT-2011-03-04-10	20.600	11,979	-
Governor's Highway Safety Program - PT-2012-03-04-10	20.609	17,801	-
<u>Pipeline and Hazardous Materials Safety Administration</u>			
Passed-through N.C. Department of Public Safety:			
Hazardous Materials Emergency Preparedness-HMEP-2010-0010	20.703	11,300	-
Total U.S. Dept. of Transportation		41,080	-
<u>U.S. General Services Administration</u>			
Passed-through the N.C. Department of Administration:			
State Board of Elections			
Help America Vote Act-Election Coding	39.011	4,185	-
<u>U.S. Department of Homeland Security</u>			
Passed-through N.C. Dept. of Public Safety:			
Division of Emergency Management			
Homeland Security Grant Program			
Companion Animal Mobile Equipment Trailer (CAMET) - 2007-GE-T7-0048	97.067	15,125	-
Mass Casualty Incident (MCI) Trailer	97.067	38,951	-
Emergency Management Performance Grant			
EMPG-2011-37003	97.042	35,260	-
Homeland Security Grant Program			
SHSP - 2008-GET8-0033-1035	97.073	2,970	-
Total U.S. Department of Homeland Security		92,306	-
<u>U.S. Election Assistance Commission</u>			
Help America Vote Act - Maintenance Fees (Non-Cash Grant)	90.401	37,261	-
<u>U.S. Dept. of Health &amp; Human Services</u>			
<u>Office of Population Affairs</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Office of Population Affairs			
Family Planning Services	93.217	29,869	-
<u>Administration on Aging</u>			
<u>Division of Aging and Adult Services</u>			
Passed-through Western Piedmont Council of Governments:			
<u>Aging Cluster:</u>			
Special Programs for the Aging - Title III B			
Grants for Supportive Services and Senior Centers	93.044	71,604	-
Special Programs for the Aging - Title III C			
Adult Daycare	93.045	11,123	-
Nutrition Services	93.045	86,561	-
In Home Level 1	93.045	70,514	-
Total Aging Cluster		239,802	-
Social Service Block Grant (SSBG) - In Home Services	93.667	158,423	21,441

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures	
		Federal	State
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
<u>Foster Care and Adoption Cluster (Note 2)</u>			
Title IV-E Foster Care - Administration	93.658	259,633	17,717
Foster Care - Direct Benefit Payments	93.658	73,367	19,592
Adoption/Foster Care	93.658	38,171	-
Title IV-E Optional Adopt Trn 50%	93.659	423	-
Adoption Assistance - Direct Benefit Payments	93.659	199,877	53,846
Total Foster Care and Adoption (Note 2)		<u>571,471</u>	<u>91,155</u>
<u>Temporary Assistance for Needy Families Cluster</u>			
Temporary Assistance for Needy Families (TANF) /			
Work First	93.558	246,836	-
Temporary Assistance for Needy Families (TANF) /			
Domestic Violence	93.558	5,527	-
Temporary Assistance for Needy Families (TANF) /			
Job Boost	93.558	34,345	8,586
TANF / Work First - Direct Benefit Payments	93.558	<u>187,170</u>	<u>-</u>
Total TANF Cluster		473,878	8,586
N.C. Child Support Enforcement Section	93.563	191,958	-
Refugee and Entrant Assistance - Cash and			
Medical Payments	93.566	181	-
Low-Income Home Energy Assistance Block Grant:			
Energy Assistance Payments - Direct Benefit Payments	93.568	(277)	-
Crisis Intervention Program	93.568	358,938	-
Child Welfare Services - State Grants			
- Permanency Planning - Families for Kids	93.645	7,312	3,106
Social Service Block Grant	93.667	-	500
Independent Living Grant-Links	93.674	<u>5,026</u>	<u>1,256</u>
Division of Child Development:			
Subsidized Child Care (Note 2)			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Fund-Administration	93.596	80,000	-
Division of Child Development:			
Child Care and Development Fund -- Discretionary	93.575	293,238	-
Child Care and Development Fund -- Mandatory	93.596	103,236	-
Child Care and Development Fund -- Match	93.596	<u>253,767</u>	<u>130,402</u>
Total Child Care Development Fund Cluster		730,241	130,402
TANF	93.558	121,308	-
ARRA - Emergency Contingency Fund for Temporary			
Assistance for Needy Families State Programs	93.714	26,513	-
Foster Care Title IV-E	93.658	2,202	-
Smart Start		-	5,028
State Appropriations		-	143,189
TANF-MOE		<u>-</u>	<u>95,614</u>
Total Subsidized Child Care (Note 2)		880,264	374,233

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	
		<b>Federal</b>	<b>State</b>
Passed-through the N.C. Dept. of Health and Human Services: Division of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	2,602	-
Passed-through the N.C. Dept. of Health and Human Services: Division of Mental Health, Developmental Disabilities and Substance Abuse Services:			
<u>Administration for Children and Families</u>			
Promoting Safe and Stable Families-Family Preservation	93.556	1,824	-
Family Violence Prevention and Services/Grants for Battered Women's Shelters	93.671	322	-
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services: Division of Medical Assistance: Direct Benefit Payments:			
Medical Assistance Program	93.778	22,957,072	13,299,541
Medical Assistance Program	93.778	22,510	8,685
Passed-through the N.C. Dept. of Insurance: Division of SHIP:			
Early Retiree Reinsurance Program	93.779	6,801	-
Early Retiree Reinsurance Program	93.546	2,208	-
Division of Social Services: Administration:			
Medical Assistance Program	93.778	269,158	12,138
State Children's Insurance Program - N.C. Health Choice	93.767	47,457	1,518
<u>Centers for Disease Control and Prevention</u>			
Passed-through the N.C. Dept. of Health and Human Services: Division of Public Health:			
Public Health Emergency Preparedness	93.069	37,666	-
Immunization Grants	93.268	14,275	-
Prevention & Investigations and Technical Assistance	93.283	1,276	-
ARRA-Preventing Healthcare-Associated Infections	93.717	3,686	-
<u>Health Resources and Service Administration</u>			
Passed-through the N.C. Dept. of Health and Human Services: Division of Public Health:			
Maternal and Child Health Services Block Grant	93.994	46,634	187,875
Total U.S. Dept. of Health and Human Services		26,330,336	14,010,034
Total federal awards		27,647,003	14,010,034
<b>State Awards:</b>			
<u>N.C. Dept. of Administration</u>			
Veterans Service		-	1,452
<u>N.C. Dept. of Commerce</u>			
Passed through North Carolina Rural Economic Development Center, Inc.			
Piedmont Wood Products Building Renovation Project-Grant-2010-072-60501-107		-	5,860
Church Road Water Project-Grant-2010-230-40101-112		-	317,907
Vashti Road Water Project-Grant-2009-151-40101-112		-	132,632
Total N.C. Dept. of Commerce		-	456,399

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	
		<b>Federal</b>	<b>State</b>
<u>N.C. Dept. of Cultural Resources</u>			
Division of State Library			
State Aid to Public Libraries		-	85,404
<u>N.C. Department of Environment and Natural Resources</u>			
Division of Parks & Recreation			
N.C. Parks and Recreation Trust Fund-Project # 2010-611			
Rocky Face Park-Contract #3177		-	460,686
Division of Environmental Health			
Environmental Health		-	600
Food and Lodging		-	750
Total Division of Environmental Health		-	1,350
Total N.C. Dept of Environment and Natural Resources		-	462,036
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services			
Passed through Western Piedmont Council of Governments			
Senior Center General Purpose Funds		-	4,069
Division of Social Services			
DCD Smart Start		-	16,000
TANF Incent/Prog Integrity		-	219
CWS Adopt Subsidy and Vendor		-	36,883
SC/SA Domiciliary Care Payments		-	277,470
SFHF Maximization		-	3,844
State Foster Home		-	25,156
Total Division of Social Services		-	359,572
Division of Public Health			
General Aid to Counties		-	85,246
General Communicable Disease Control		-	10,112
Environmental Health		-	3,400
Food and Lodging		-	2,784
General Aid-to-County		-	1,518
Public Health Nursing		-	400
Risk Reduction/Health Promotion		-	5,570
Tuberculosis		-	2,411
TB Medical Service		-	139
WHSF		-	7,484
Total Division of Public Health		-	119,064
Division of Mental Health, Developmental Disabilities and Substance Abuse Services			
Passed through Smoky Mountain Center			
Project Lazarus-Combat Prescription Drug Misuse, Abuse and Overdose		-	8,022
Total N. C. Department of Health and Human Services		-	490,727
<u>N.C. Dept. of Insurance</u>			
Office of State Fire Marshal			
North Carolina Governor's Highway Safety Program			
2012 Vehicle Seat Simulator Grant		-	1,980

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	
		<b>Federal</b>	<b>State</b>
<u>N.C. Dept. of Public Instruction</u>			
Public School Building Capital Fund-NC Education Lottery (Note 3)		-	348,756
<u>N.C. Dept. of Transportation</u>			
Passed through Western Piedmont Regional Transit Authority			
Rural Operating Assistance Program (ROAP)			
- ROAP Work First Transitional - Employment			
Transportation Assistance Program		-	14,831
<u>N.C. Dept. of Public Safety</u>			
Criminal Justice Partnership Program		-	70,056
Juvenile Crime Prevention Programs		-	83,554
Total N.C. Dept. of Public Safety		-	153,610
Total State awards		-	2,015,195
Total federal and State awards		<u>\$ 27,647,003</u>	<u>\$ 16,025,229</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

- Basis of Presentation  
The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of Alexander County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.
- The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care, and Foster Care and Adoption.
- Subrecipients  
Of the federal and State expenditures presented in the schedule, Alexander County provided federal and State awards to subrecipients as follows:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>	<b>State Expenditures</b>
Public School Building Capital Fund-NC Education Lottery		<u>\$ -</u>	<u>\$ 348,756</u>