

**CLAY COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

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CLAY COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Robert Peck, Board Chairman

Douglas S. Penland

Clay Logan

Randy Nichols

Dwight Penland

COUNTY OFFICIALS

Deborah Mauney, County Manager

Betty Patton, Director of Finance

Angela Shook, Register of Deeds

Rehnaye Talley, Tax Administrator

Merinda Woody, County Attorney

Clay County, North Carolina
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Independent Auditor's Report

To the Board of County Commissioners
Clay County, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Clay County ABC Board, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to me, and in my opinion, insofar as it relates to the amounts included for the Clay County ABC Board is based solely on the report of the other auditors. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Clay County ABC Board were not audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-13, the Other Post Employment Benefit's Schedule of Changes in the Total OPEB Liability and Related Ratios on page 77, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, pages 72 and 73, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on page 74, the Law Enforcement Officer's Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, pages 75 and 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Other auditors and myself 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the

information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me and other auditors. In my opinion, based on my audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 26, 2019 on my consideration of Clay County's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

Shawn Long, CPA

Shawn Long, CPA
Hayesville, North Carolina

November 26, 2019

**MANAGEMENT'S
DISCUSSION &
ANALYSIS**

Management's Discussion and Analysis

As management of Clay County, we offer readers of Clay County's financial statements this narrative overview and analysis of the financial activities of Clay County for the fiscal year ended June 30, 2019. 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

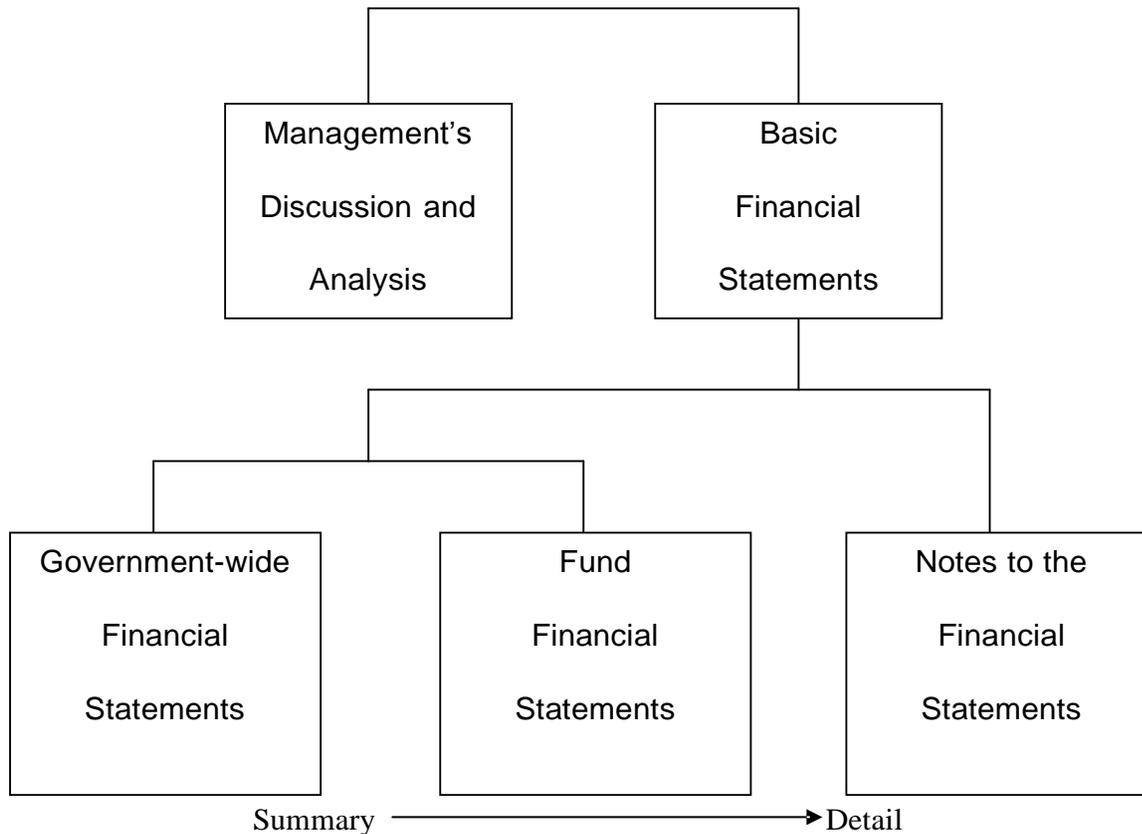
- The assets and deferred outflows of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 21,232,060 (*net position*).
- The government's total net position increased by \$985,311, primarily due to an increase in cash position and a decrease in short term liabilities at year end.
- As of the close of the current fiscal year, Clay County's governmental funds reported combined ending fund balances of \$ 8,634,582 after a net increase in fund balance of \$4,040,320. Approximately 28.45 percent of this total amount or \$2,456,865 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,923,577 or 15.65 percent of total general fund expenditures for the fiscal year.
- Clay County's total debt outstanding increased by \$2,961,603 or 23.31% during the past fiscal year, primarily due to new borrowings for the primary school and the increase in the net pension liability and the total OPEB liability.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Clay 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 Clay County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 10) 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 non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Government-wide Financial Statements

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer services offered by Clay County. The final category is the component unit. Clay County ABC Board is legally separate from the County however; the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

The government-wide financial statements are on Exhibits 1 and 2 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. Clay 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 Clay 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 resource 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Clay 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 – Clay County has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Clay County uses an enterprise fund to account for its water and sewer activity. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Clay County has five fiduciary funds, all of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start after exhibit 10 of this report.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 21,232,060 as of June 30, 2019. The County's net position increased by \$985,311 for the fiscal year ended June 30, 2019. One of the largest portions \$19,862,206 (93.5%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment). Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay 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 Clay County's net position \$2,444,382 (11.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance a deficit totaling \$1,074,528 (-4.9%) is unrestricted.

Clay County's Net Position

Figure 2

| | Governmental Activities | | Business Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 9,828,466 | \$ 5,716,856 | \$ 480,001 | \$ 357,659 | \$ 10,308,467 | \$ 6,074,515 |
| Capital assets | 20,722,973 | 21,075,699 | 5,263,381 | 5,761,987 | 25,986,354 | 26,837,686 |
| Total assets | <u>30,551,439</u> | <u>26,792,555</u> | <u>5,743,382</u> | <u>6,119,646</u> | <u>36,294,821</u> | <u>32,912,201</u> |
| Total deferred outflow of resources | 1,803,084 | 1,236,904 | 45,485 | 36,071 | 1,848,569 | 1,272,975 |
| Long-term liabilities outstanding | 15,666,649 | 12,743,196 | 147,230 | 150,589 | 15,813,879 | 12,893,785 |
| Other liabilities | 385,135 | 361,386 | 108,575 | 116,663 | 493,710 | 478,049 |
| Total liabilities | <u>16,051,784</u> | <u>13,104,582</u> | <u>255,805</u> | <u>267,252</u> | <u>16,307,589</u> | <u>13,371,834</u> |
| Total deferred inflow of resources | 596,581 | 559,253 | 7,160 | 7,225 | 603,741 | 566,478 |
| Net position: | | | | | | |
| Net invested in capital assets | 14,598,825 | 13,831,232 | 5,263,381 | 5,761,987 | 19,862,206 | 19,593,219 |
| Restricted | 2,444,382 | 1,543,764 | - | - | 2,444,382 | 1,543,764 |
| Unrestricted | <u>(1,337,049)</u> | <u>(1,009,487)</u> | 262,521 | 119,253 | <u>(1,074,528)</u> | <u>(890,234)</u> |
| Total net position | <u>\$ 15,706,158</u> | <u>\$ 14,365,509</u> | <u>\$ 5,525,902</u> | <u>\$ 5,881,240</u> | <u>\$ 21,232,060</u> | <u>\$ 20,246,749</u> |

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

- Continued diligence in the collection of property taxes by maintaining a high collection percentage of 97.55 %.
- Continued low cost of debt due to the County's high bond rating.

Clay County's Changes in Net Position
Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,897,989 | \$ 2,691,427 | \$ 653,778 | \$ 631,590 | \$ 3,551,767 | \$ 3,323,017 |
| Operating grants and contributions | 3,823,735 | 3,223,815 | - | - | 3,823,735 | 3,223,815 |
| Capital grants and contributions | 910,354 | 66,315 | - | - | 910,354 | 66,315 |
| General Revenues: | | | | | | |
| Property taxes | 9,149,105 | 8,716,917 | - | - | 9,149,105 | 8,716,917 |
| Other taxes | 2,934,242 | 2,588,813 | - | - | 2,934,242 | 2,588,813 |
| Grants and contributions not restricted to specific programs | 641,346 | 614,668 | - | - | 641,346 | 614,668 |
| Other | 670,812 | 187,447 | 1,083 | 3,918 | 671,895 | 191,365 |
| Total revenues | 21,027,583 | 18,089,402 | 654,861 | 635,508 | 21,682,444 | 18,724,910 |
| Expenses: | | | | | | |
| General government | 4,038,565 | 3,820,220 | - | - | 4,038,565 | 3,461,025 |
| Public safety | 5,584,447 | 4,975,523 | - | - | 5,584,447 | 4,708,431 |
| Transportation | 692,163 | 691,275 | - | - | 692,163 | 693,347 |
| Economic and physical development | 689,622 | 622,778 | - | - | 689,622 | 668,235 |
| Human services | 4,891,274 | 4,698,697 | - | - | 4,891,274 | 4,746,085 |
| Cultural and recreation | 686,199 | 603,747 | - | - | 686,199 | 601,866 |
| Education | 2,924,001 | 1,861,288 | - | - | 2,924,001 | 1,750,745 |
| Interest on long-term debt | 180,663 | 202,712 | - | - | 180,663 | 264,595 |
| Water and sewer | - | - | 1,010,199 | 1,059,144 | 1,010,199 | 1,059,144 |
| Total expenses | 19,686,934 | 17,476,240 | 1,010,199 | 1,059,144 | 20,697,133 | 17,905,210 |
| Increase in net position before transfers and special items | 1,340,649 | 613,162 | (355,338) | (423,636) | 985,311 | 401,422 |
| Transfers and special items | - | - | - | - | - | - |
| Increase in net position | 1,340,649 | 613,162 | (355,338) | (423,636) | 985,311 | 189,526 |
| Net position, beginning previously reported | 14,365,509 | 15,659,379 | 5,881,240 | 6,334,347 | 20,246,749 | 21,993,726 |
| Restatement | - | (1,907,032) | - | (29,471) | - | (1,936,503) |
| Net position, beginning restated | 14,365,509 | 13,752,347 | 5,881,240 | 6,304,876 | 20,246,749 | 22,057,223 |
| Net position, ending | \$ 15,706,158 | \$ 14,365,509 | \$ 5,525,902 | \$ 5,881,240 | \$ 21,232,060 | \$ 20,246,749 |

Business-type activities - Business-type activities decreased the County's net position by \$355,338 which was mainly due to depreciation of fixed assets.

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of Clay County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Clay 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 Clay County. At the end of the current fiscal year, Clay County's fund balance unassigned in the General Fund was \$2,923,577 while total fund balance reached \$5,005,695. The Governing Body of Clay County has determined that the county should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 15.65% of general fund expenditures, while total fund balance represents 26.80% of that same amount.

At June 30, 2019, the governmental funds of Clay County reported a combined fund balance of \$8,634,582, an increase of \$4,040,320 over last year.

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 all revenues by \$873,872.

Proprietary Funds - Clay County's proprietary fund provides the same type of information found in the government-wide statements but in more detail. The unrestricted net position of the Water and Sewer District amounted to \$262,521. The total decrease in net position for this fund was \$355,338. Other factors concerning the finances of these funds have already been addressed in the discussion of Clay County's business-type activities.

Capital Asset and Debt Administration

Capital assets - Clay County's capital assets for its governmental and business – type activities as of June 30, 2019, total \$ 25,982,774 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

| | |
|--|-----------|
| Two patrol cars for the Sheriff's Office | \$ 50,592 |
| Vehicle for the Transportation Department | 40,594 |
| One Dump Truck-Rec Park | 33,950 |
| Skid-Steer – Rec Park | 52,189 |
| Environmental Health Vehicle | 27,748 |
| Building Department Vehicle | 28,057 |
| Solid Waste Transfer Station Shed | 22,000 |
| Administration offices in Health Department Building | 307,095 |
| Upgrades at campground | 180,445 |
| Improvements Rec Department ballfields | 163,515 |

Clay County's Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | | Business - Type Activities | | Total | |
|---|----------------------------|----------------------|-------------------------------|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 839,820 | \$ 853,478 | \$ 120,280 | \$ 120,280 | \$ 960,100 | \$ 973,758 |
| Buildings and System | 16,045,513 | 16,509,770 | 5,136,289 | 5,631,123 | 21,181,802 | 22,140,893 |
| Improvements Other than Buildings | 1,342,684 | 1,015,544 | - | - | 1,342,684 | 1,015,544 |
| Machinery and Equipment | 1,249,971 | 1,366,903 | 2,332 | 8,244 | 1,252,303 | 1,375,147 |
| Vehicles and Motorized Equipment | 1,244,985 | 1,330,004 | 900 | 2,340 | 1,245,885 | 1,332,344 |
| Total | \$ 20,722,973 | \$ 21,075,699 | \$ 5,259,801 | \$ 5,761,987 | \$ 25,982,774 | \$ 26,837,686 |

Additional information on the County's capital assets can be found in Note III.A.5 of the Basic Financial Statements.

Long-term Debt - As of June 30, 2019, Clay County had total bonded debt outstanding of \$ 0.00.

Clay County's Outstanding Debt

Figure 5

| | Governmental Activities | | Business - Type Activities | | Total | |
|---------------------------------|----------------------------|---------------|-------------------------------|------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| General Obligation Bond | \$ - | \$ 65,000 | \$ - | \$ - | \$ - | \$ 65,000 |
| Installment purchases | 9,702,173 | 7,572,688 | - | - | 9,702,173 | 7,572,888 |
| Capitalized leases | 10,271 | 20,398 | - | - | 10,271 | 20,398 |
| Notes payable | - | - | - | 11,000 | - | 11,000 |
| Net Pension Obligation (LEOSSA) | 137,147 | 151,250 | - | - | 137,147 | 151,250 |
| Net Pension Obligation (LGERS) | 2,107,023 | 1,376,804 | 54,181 | 42,039 | 2,161,204 | 1,426,741 |
| Other Post Employment Benefits | 3,375,147 | 3,262,546 | 86,897 | 93,489 | 3,462,044 | 3,356,035 |
| Compensated Absences | 334,888 | 294,510 | 6,152 | 4,060 | 341,040 | 298,570 |
| Total | \$ 15,666,649 | \$ 12,743,196 | \$ 147,230 | \$ 150,588 | \$ 15,813,879 | \$ 12,893,784 |

Clay County's indebtedness increased by \$2,918,847 during the fiscal year ending June 30, 2019. The county increased the principal debt obligations in part due to the financing secured for the new primary school. Clay County also experienced an increase in the Net Pension Obligations as well as, an increase in the Other Post Employment Benefits liability due to the implementation of GASB 75.

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 Clay County is \$157,834,381.

Additional information regarding Clay County's long-term debt can be found in Note III.B.7 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the slowing growth of the County.

- The County has experienced a decline in the past years in the housing and land development market, which has decreased the need for services, such as permits and inspections, and also stabilized the tax base for the County.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Property taxes and revenues are expected to remain stable. The County will use the revenues to reduce debt currently in place.

Budgeted expenditures in the General Fund are expected to be unchanged.

The County has chosen not to appropriate fund balance in the original fiscal year 2019 budget.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Clay County, P.O. Box 118, Hayesville, NC 28904 at 828-389-0089.

BASIC FINANCIAL STATEMENTS

Clay County, North Carolina
Statement of Net Position
June 30, 2019

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|---------------|--------------------------|
| | Governmental Activities | Business-type Activities | Total | Clay County ABC Board |
| ASSETS | | | | |
| Cash and cash equivalents | 4,571,783 | \$ 293,649 | \$ 4,865,432 | \$ 361,900 |
| Restricted cash | 3,465,029 | 96,900 | \$ 3,561,929 | |
| Receivables (net) | 1,209,787 | 108,490 | 1,318,277 | |
| Due from other governments | 521,755 | - | 521,755 | |
| Inventories | - | - | - | 314,133 |
| Internal Balances | 20,108 | (20,108) | - | - |
| Prepaid Items | 12,483 | 1,070 | 13,553 | 8,500 |
| Net pension asset | 27,521 | - | 27,521 | - |
| Capital assets: | | | | |
| Land, improvements, and construction in progress | 839,820 | 120,280 | 960,100 | 25,000 |
| Other capital assets, net of depreciation | 19,883,153 | 5,143,101 | 25,026,254 | 250,898 |
| Total capital assets | 20,722,973 | 5,263,381 | 25,986,354 | 275,898 |
| Total assets | 30,551,439 | 5,743,382 | 36,294,821 | 960,431 |
| DEFERRED OUTFLOWS OF RESOURCES | 1,803,084 | 45,485 | 1,848,569 | 49,413 |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 385,135 | 11,675 | 396,810 | 195,491 |
| Customer Deposits | - | 96,900 | 96,900 | - |
| Long-term liabilities: | | | | |
| Due within one year | 1,729,412 | - | 1,729,412 | - |
| Due in more than one year | 13,937,237 | 147,230 | 14,084,467 | 50,021 |
| Total liabilities | 16,051,784 | 255,805 | 16,307,589 | 245,512 |
| DEFERRED INFLOWS OF RESOURCES | 596,581 | 7,160 | 603,741 | 233 |
| NET POSITION | | | | |
| Net Investment in capital assets | 14,598,825 | 5,263,381 | 19,862,206 | 275,898 |
| Restricted | | | | |
| Stabilization of State Statute | 2,132,215 | - | 2,132,215 | - |
| Register of Deeds | 44,663 | - | 44,663 | - |
| Public Safety | 179,426 | - | 179,426 | - |
| Industrial Purposes | 88,078 | - | 88,078 | - |
| Working Capital | - | - | - | 78,910 |
| Unrestricted (deficit) | (1,337,049) | 262,521 | (1,074,528) | 409,291 |
| Total net position | \$ 15,706,158 | \$ 5,525,902 | \$ 21,232,060 | \$ 764,099 |

The notes to the financial statements are an integral part of this statement.

Clay County, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Unit Clay County ABC Board |
|--|----------------------|-------------------------|--|--|---|-----------------------------|----------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 4,038,565 | \$ 133,135 | \$ 161,039 | \$ - | \$ (3,744,391) | \$ - | \$ (3,744,391) | \$ - |
| Public safety | 5,584,447 | 1,081,847 | 339,194 | - | (4,163,406) | - | (4,163,406) | - |
| Transportation | 692,163 | 183,893 | 454,502 | - | (53,768) | - | (53,768) | - |
| Economic and physical developmer | 689,622 | 499,315 | 37,623 | - | (152,684) | - | (152,684) | - |
| Environmental Protection | - | - | - | - | - | - | - | - |
| Human services | 4,891,274 | 760,143 | 2,647,870 | - | (1,483,261) | - | (1,483,261) | - |
| Cultural and recreation | 686,199 | 239,656 | - | - | (446,543) | - | (446,543) | - |
| Education | 2,924,001 | - | 183,507 | 910,354 | (1,830,140) | - | (1,830,140) | - |
| Interest on long-term debt | 180,663 | - | - | - | (180,663) | - | (180,663) | - |
| Total governmental activities | 19,686,934 | 2,897,989 | 3,823,735 | 910,354 | (12,054,856) | - | (12,054,856) | - |
| Business-type activities: | | | | | | | | |
| Water and Sewer | 1,010,199 | 653,778 | - | - | - | (356,421) | (356,421) | - |
| Total business-type activities | 1,010,199 | 653,778 | - | - | - | (356,421) | (356,421) | - |
| | <u>\$ 20,697,133</u> | <u>\$ 3,551,767</u> | <u>\$ 3,823,735</u> | <u>\$ 910,354</u> | <u>(12,054,856)</u> | <u>(356,421)</u> | <u>(12,411,277)</u> | <u>-</u> |
| Component unit: | | | | | | | | |
| ABC Board | 2,652,620 | 2,654,702 | - | - | - | - | - | 2,082 |
| Total component unit | 2,652,620 | 2,654,702 | - | - | - | - | - | 2,082 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 9,149,105 | - | 9,149,105 | - |
| Local option sales tax | | | | | 2,790,808 | - | 2,790,808 | - |
| Other taxes and licenses | | | | | 143,434 | - | 143,434 | - |
| Grants and contributions not restricted to specific programs | | | | | 641,346 | - | 641,346 | - |
| Investment earnings, unrestricted | | | | | 72,631 | 1,083 | 73,714 | 202 |
| Miscellaneous, unrestricted | | | | | 598,181 | - | 598,181 | - |
| Total general revenues excluding transfers and special items | | | | | 13,395,505 | 1,083 | 13,396,588 | 202 |
| Special item- gain on sale of building | | | | | - | - | - | - |
| Total general revenues, special items, and transfers | | | | | 13,395,505 | 1,083 | 13,396,588 | 2,284 |
| Change in net position | | | | | 1,340,649 | (355,338) | 985,311 | 2,284 |
| Net position, beginning, previously reported | | | | | 14,365,509 | 5,881,240 | 20,246,749 | 751,986 |
| Restatement | | | | | - | - | - | 9,829 |
| Net position, beginning, restated | | | | | 14,365,509 | 5,881,240 | 20,246,749 | - |
| Net position, ending | | | | | <u>\$ 15,706,158</u> | <u>\$ 5,525,902</u> | <u>\$ 21,232,060</u> | <u>\$ 764,099</u> |

The notes to the financial statements are an integral part of this statement.

Clay County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

| | Major | | Non-Major | |
|--|---------------------|-----------------------------|--------------------------|--------------------------|
| | General | School Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,230,937 | \$ - | \$ 340,846 | \$ 4,571,783 |
| Restricted cash | 3,943 | 3,461,086 | - | 3,465,029 |
| Receivables, net | 1,142,943 | - | 66,844 | 1,209,787 |
| Due from other governments | 521,755 | - | - | 521,755 |
| Due from other funds | 315,081 | - | 132,555 | 447,636 |
| Prepaid items | 12,483 | - | - | 12,483 |
| Total assets | <u>\$ 6,227,142</u> | <u>\$ 3,461,086</u> | <u>\$ 540,245</u> | <u>\$ 10,228,473</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 360,112 | \$ 9,019 | \$ 16,004 | \$ 385,135 |
| Due to Other Funds | 132,555 | 229,451 | 65,522 | 427,528 |
| Total liabilities | <u>492,667</u> | <u>238,470</u> | <u>81,526</u> | <u>812,663</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>728,780</u> | <u>13,669</u> | <u>38,779</u> | <u>781,228</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepays | 12,483 | | - | 12,483 |
| Restricted: | | | | |
| Stabilization by State Statute | 1,979,779 | | 152,436 | 2,132,215 |
| Register of Deeds | 44,663 | | - | 44,663 |
| Fire Protection | | | 1,295 | 1,295 |
| Other | - | - | 266,209 | 266,209 |
| Committed: | | | | |
| Tax Revaluation | 45,193 | | - | 45,193 |
| Assigned : | | | | |
| Future School Capital | - | 3,208,947 | - | 3,208,947 |
| Unassigned : | 2,923,577 | | - | 2,923,577 |
| Total fund balances | <u>5,005,695</u> | <u>3,208,947</u> | <u>419,940</u> | <u>8,634,582</u> |
| Total liabilities and fund balances | <u>\$ 6,227,142</u> | <u>\$ 3,461,086</u> | <u>\$ 540,245</u> | |

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

| | |
|--|---------------------|
| Total Fund balance, Governmental Funds | 8,634,582 |
| Charges related to advance refunding bond issue | - |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 20,722,973 |
| Net pension asset | 27,521 |
| Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position | 463,118 |
| Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position | 114,232 |
| Benefit payments and pension administration costs for LEOSSA are deferred outflow of resources on the Statement of Net Position | 18,676 |
| Pension related deferrals | 1,129,676 |
| OPEB related deferrals | (226,479) |
| Net Pension Liability | (2,107,023) |
| Net OPEB Liability | (3,375,147) |
| Total Pension Liability | (137,147) |
| Deferred inflows of resources for taxes and special assessments receivable | 488,508 |
| Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds | <u>(10,047,332)</u> |
| Net position of governmental activities | <u>15,706,158</u> |

The notes to the financial statements are an integral part of this statement.

Clay County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

| | Major General Fund | Major School Capital Project Fund | Non-Major Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|---|---|--------------------------------|
| REVENUES | | | | |
| Ad valorem taxes | \$ 8,481,235 | | \$ 626,465 | \$ 9,107,700 |
| Local option sales taxes | 2,790,808 | | - | 2,790,808 |
| Other taxes and licenses | 143,434 | | - | 143,434 |
| Unrestricted intergovernmental | 456,527 | | - | 456,527 |
| Restricted intergovernmental | 4,116,522 | \$ 910,354 | 255,670 | 5,282,546 |
| Permits and fees | 839,675 | | - | 839,675 |
| Sales and services | 1,631,434 | | - | 1,631,434 |
| Investment earnings | 72,192 | 41 | 398 | 72,631 |
| Miscellaneous | 598,258 | | - | 598,258 |
| Total revenues | 19,130,085 | 910,395 | 882,533 | 20,923,013 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,444,385 | | - | 3,444,385 |
| Public safety | 4,584,116 | | 711,533 | 5,295,649 |
| Transportation | 634,875 | | - | 634,875 |
| Economic and physical development | 700,212 | | - | 700,212 |
| Human services | 4,556,618 | | - | 4,556,618 |
| Cultural and recreational | 1,205,683 | | - | 1,205,683 |
| Intergovernmental: | | | | |
| Education | 1,818,553 | 1,105,448 | - | 2,924,001 |
| Capital outlay | - | | - | - |
| Debt service: | | | | |
| Principal | 1,554,719 | | - | 1,554,719 |
| Interest | 180,663 | | - | 180,663 |
| Total expenditures | 18,679,824 | 1,105,448 | 711,533 | 20,496,805 |
| Excess (deficiency) of revenues over expenditures | 450,261 | (195,053) | 154,247 | 409,455 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - | | - | - |
| Transfers to other funds | - | | - | - |
| Sale of capital assets | 21,789 | | - | 21,789 |
| Capitalized lease obligations issued | - | | - | - |
| Installment purchase obligations issued | 205,076 | 3,404,000 | - | 3,609,076 |
| Payment to refunded bond escrow agent | - | | - | - |
| Total other financing sources and uses | 226,865 | 3,404,000 | - | 3,630,865 |
| Net change in fund balance | 677,126 | 3,208,947 | 154,247 | 4,040,320 |
| Fund balances, beginning | 4,404,170 | - | 190,092 | 4,594,262 |
| Restatement | (75,601) | | 75,601 | - |
| Fund balance, beginning restated | 4,328,569 | - | 265,693 | 4,594,262 |
| Fund balances, ending | \$ 5,005,695 | \$ 3,208,947 | \$ 419,940 | \$ 8,634,582 |

The notes to the financial statements are an integral part of this statement.

Clay County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

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

| | | |
|--|--------------|-------------------------|
| Net changes in fund balances - total governmental funds | | \$ 4,040,320 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period</p> | | |
| | \$ | (352,726) |
| Capital outlay expenditures which were capitalized | \$ 1,123,935 | |
| Depreciation expense for governmental assets | (1,476,661) | |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 463,118 |
| Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position | | 18,676 |
| Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position | | 114,232 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds | | 82,781 - |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | (2,054,358) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | <u>(971,394)</u> |
| Total changes in net position of governmental activities | \$ | <u><u>1,340,649</u></u> |

The notes to the financial statements are an integral part of this statement.

Clay County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Positive (Negative) |
|---|--------------------|-------------------|---------------------|--|
| Revenues: | | | | |
| Ad valorem taxes | \$ 8,369,965 | \$ 8,351,178 | \$ 8,481,235 | \$ 130,057 |
| Local option sales tax | 2,630,300 | 2,705,349 | 2,790,808 | 85,459 |
| Other taxes and licenses | 121,400 | 137,325 | 143,434 | 6,109 |
| Unrestricted intergovernmental | 418,000 | 440,663 | 456,527 | 15,864 |
| Restricted intergovernmental | 3,410,142 | 4,409,343 | 4,116,522 | (292,821) |
| Permits and fees | 671,020 | 857,710 | 839,675 | (18,035) |
| Sales and services | 1,418,284 | 1,435,928 | 1,631,434 | 195,506 |
| Investment earnings | 40,000 | 69,306 | 72,192 | 2,886 |
| Miscellaneous | 158,400 | 578,331 | 598,258 | 19,927 |
| Total revenues | <u>17,237,511</u> | <u>18,985,133</u> | <u>19,130,085</u> | <u>144,952</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,337,940 | 3,579,061 | 3,407,078 | 171,983 |
| Public safety | 4,394,781 | 4,735,102 | 4,584,116 | 150,986 |
| Transportation | 754,831 | 757,875 | 634,875 | 123,000 |
| Economic and physical development | 620,007 | 748,652 | 700,212 | 48,440 |
| Human services | 4,219,452 | 4,747,782 | 4,556,618 | 191,164 |
| Cultural and recreational | 613,337 | 1,269,933 | 1,205,683 | 64,250 |
| Intergovernmental: | | | | |
| Education | 2,011,601 | 1,825,608 | 1,818,553 | 7,055 |
| Debt service: | | | | |
| Principal retirement | 1,959,312 | 1,561,961 | 1,554,719 | 7,242 |
| Interest and other charges | 200,000 | 180,663 | 180,663 | - |
| Total expenditures | <u>18,111,261</u> | <u>19,406,637</u> | <u>18,642,517</u> | <u>764,120</u> |
| Revenues over (under) expenditures | <u>(873,750)</u> | <u>(421,504)</u> | <u>487,568</u> | <u>909,072</u> |
| Other financing sources (uses): | | | | |
| Installment Obligations Issued | 4,004,000 | 147,754 | 205,076 | 57,322 |
| Transfer to other funds | (3,445,250) | (41,250) | (41,250) | - |
| Transfer from other funds | - | - | - | - |
| Capitalized lease obligations issued | - | - | - | - |
| Sale of capital assets | 315,000 | 315,000 | 21,789 | (293,211) |
| Total other financing sources (uses) | <u>873,750</u> | <u>421,504</u> | <u>185,615</u> | <u>(235,889)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>673,183</u> | <u>673,183</u> |
| Appropriated Fund Balance | - | - | - | - |
| Revenues, other sources, and appropriated fund balance over (under) expenditures | <u>\$ -</u> | <u>-</u> | <u>673,183</u> | <u>-</u> |
| Fund balance, beginning | | | 4,362,920 | |
| Prior Period Adjustment | | | (75,601) | |
| Fund balance, beginning restated | | | <u>4,287,319</u> | |
| Fund balance, ending | | | <u>\$ 4,960,502</u> | |
| A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes: | | | | |
| Transfer-in from General Fund | | | \$ 41,250 | |
| Expenditures | | | (37,307) | |
| Fund Balance, Beginning | | | <u>41,250</u> | |
| Fund Balance, Ending | | | <u>5,005,695</u> | |

The notes to the financial statements are an integral part of this statement.

Clay County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

| | <u>Water and Sewer District</u> | <u>Total</u> |
|--|-------------------------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 293,649 | \$ 293,649 |
| Receivables, net | 108,490 | 108,490 |
| Prepaid expenses | 1,070 | 1,070 |
| Total current assets | <u>403,209</u> | <u>403,209</u> |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 96,900 | 96,900 |
| Capital assets: | | |
| Land and construction in progress | 120,280 | 120,280 |
| Plant and distribution systems, net of depreciation | 5,138,589 | 5,138,589 |
| Furniture and maintenance equipment, net of depreciation | 3,612 | 3,612 |
| Vehicles, net of depreciation | 900 | 900 |
| Total capital assets | <u>5,263,381</u> | <u>5,263,381</u> |
| Total noncurrent assets | <u>5,360,281</u> | <u>5,360,281</u> |
| Total assets | <u>5,763,490</u> | <u>5,763,490</u> |
| DEFERRED OUTFLOWS OF RESOURCES | 45,485 | 45,485 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 11,675 | 11,675 |
| Due to other funds | 20,108 | 20,108 |
| Notes Payable- current | - | - |
| Customer deposits | 96,900 | 96,900 |
| Total current liabilities | <u>128,683</u> | <u>128,683</u> |
| Noncurrent liabilities: | | |
| Total OPEB Liability | 86,897 | 86,897 |
| Compensated absences | 6,152 | 6,152 |
| Net Pension Liability | 54,181 | 54,181 |
| Notes Payable- noncurrent | - | - |
| Total noncurrent liabilities | <u>147,230</u> | <u>147,230</u> |
| Total liabilities | <u>275,913</u> | <u>275,913</u> |
| DEFERRED INFLOWS OF RESOURCES | 7,160 | 7,160 |
| NET ASSETS | | |
| Net investment in capital assets | 5,263,381 | 5,263,381 |
| Unrestricted | 262,521 | 262,521 |
| Total net position | <u>5,525,902</u> | <u>5,525,902</u> |

The notes to the financial statements are an integral part of this statement.

Exhibit 8

Clay County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

| | <u>Water and Sewer District</u> | <u>Total</u> |
|---|-------------------------------------|---------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 593,241 | \$ 593,241 |
| Water and sewer taps | 13,000 | 13,000 |
| Miscellaneous | <u>47,537</u> | <u>47,537</u> |
| Total operating revenues | <u>653,778</u> | <u>653,778</u> |
| OPERATING EXPENSES | | |
| Administration | 479,344 | 479,344 |
| Depreciation | <u>530,294</u> | <u>530,294</u> |
| Total operating expenses | <u>1,009,638</u> | <u>1,009,638</u> |
| Operating income (loss) | <u>(355,860)</u> | <u>(355,860)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest and investment revenue | 1,083 | 1,083 |
| Interest expense and fees | <u>(561)</u> | <u>(561)</u> |
| Total nonoperating revenue (expenses) | <u>522</u> | <u>522</u> |
| Income (loss) before contributions and transfers | (355,338) | (355,338) |
| Capital Contributions | - | - |
| Transfers from General | <u>-</u> | <u>-</u> |
| Change in net position | (355,338) | (355,338) |
| Net position, beginning | <u>\$ 5,881,240</u> | <u>\$ 5,881,240</u> |
| Total net position, ending | <u>\$ 5,525,902</u> | <u>\$ 5,525,902</u> |

The notes to the financial statements are an integral part of this statement.

Exhibit 9

Clay County, North Carolina
 Statement of Cash Flows
 Enterprise Fund
 For The Fiscal Year Ended June 30, 2019

| | Water and Sewer District | Totals June 30, 2019 |
|--|--------------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 597,788 | \$ 597,788 |
| Cash paid for goods and services | (243,292) | (243,292) |
| Cash paid to employees for services | (260,922) | (260,922) |
| Change in customer deposits | 4,600 | 4,600 |
| Other operating revenue | 47,537 | 47,537 |
| Net cash provided by operating activities | <u>145,711</u> | <u>145,711</u> |
| Cash flows from noncapital financing | | |
| Transfer from other funds | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (31,688) | (31,688) |
| Principal paid on notes payables and installment purchases | (11,000) | (11,000) |
| Interest paid on note payable and installment purchases | (561) | (561) |
| Capital contributions | - | - |
| Net cash used by capital and related financing activities | <u>(43,249)</u> | <u>(43,249)</u> |
| Cash flows from investing activities: | | |
| Interest on investments | <u>1,083</u> | <u>1,083</u> |
| Net increase (decrease) in cash and cash equivalents | 103,545 | 103,545 |
| Cash and cash equivalents, beginning | 287,003 | 287,003 |
| Cash and cash equivalents, ending | <u>\$ 390,548</u> | <u>\$ 390,548</u> |

(continued)

The notes to the financial statements are an intergal part of this statement

Exhibit 9

**Clay County, North Carolina
Statement of Cash Flows
Enterprise Fund
For The Fiscal Year Ended June 30, 2019**

**Reconciliation of operating income
to net cash provided by operating
activities:**

| | | |
|---|---------------------|---------------------|
| Operating income | <u>\$ (355,860)</u> | <u>\$ (355,860)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 530,294 | 530,294 |
| Changes in assets and liabilities, and deferred outflows and inflows of resources: | | |
| (Increase) decrease in accounts receivable | (8,453) | (8,453) |
| (Increase) in prepaids | (1,070) | (1,070) |
| (Increase) decrease in sales tax receivable | 1,863 | 1,863 |
| Increase (decrease) in net pension liability | 12,142 | 12,142 |
| Increase (decrease) in accounts payable and accrued liabilities | (12,688) | (12,688) |
| (Decrease) in due to other funds | (11,135) | (11,135) |
| (Decrease) in deferred inflow-Pensions | (1,371) | (1,371) |
| Increase in accrued vacation pay | 2,091 | 2,091 |
| (Decrease) in Total OPEB liability | (6,592) | (6,592) |
| Increase in deferred inflows- OPEB | 1,304 | 1,304 |
| (Increase) decrease deferred outflows of resources- OPEB | (3,106) | (3,106) |
| (Increase) decrease in deferred outflows of resources for pensions | (6,308) | (6,308) |
| Increase (decrease) in customer deposits | 4,600 | 4,600 |
| Total adjustments | <u>501,571</u> | <u>501,571</u> |
| Net cash provided by operating activities | <u>\$ 145,711</u> | <u>\$ 145,711</u> |

The notes to the financial statements are an integral part of this statement.

**Clay County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019**

| | <u>Agency Fund</u> |
|--|------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 15,525</u> |
| Liabilities and Net Assets | |
| Liabilities: | |
| Accounts payable and accrued liabilities | \$ - |
| Miscellaneous liabilities | 15,525 |
| Intergovernmental payable | <u> </u> |
| Total liabilities | <u>15,525</u> |
| Net position: | |
| Assets held in trust | <u>\$ -</u> |

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Clay County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

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 unit, legally separate entities for which the County is financially accountable. Clay County's Water District (the *District*) exist to provide and maintain water systems for the County residents within the district. The District is reported as an enterprise fund in the County's financial statements. The Clay County ABC Board (the *Board*), which has a June 30 year end, is presented as if it is a separate proprietary fund of the County (discrete presentation). The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

| | | | |
|----------------------------|----------|--|---|
| Clay County Water District | Blended | Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District. | None issued. |
| Clay County ABC Board | Discrete | Members of ABC Board governing board are appointed by the County The ABC Board is required by State Statue to distribute its surplus to the General Fund of the County | Clay County ABC Board P.O. Box 182 Hayesville, NC 28904 |

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. 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 of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

School Capital Projects Fund: This fund accounts for capital projects that are for the benefit of Clay County Public Schools. It is funded by Public School Building Capital Fund lottery and needs based lottery funds.

The County reports the following major enterprise funds:

Water and Sewer District Fund. This fund is used to account for the operations of the water and sewer district within the County.

The County reports the following fund types:

Trust Funds. Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Other Postemployment Benefits Fund accounts for the County's contributions for healthcare coverage provided to qualified retirees.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the

following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Clay County Board of Education; the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County; and the Deed of Trust Fee Fund which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and is remitted to the State Treasurer on a monthly basis.

Nonmajor Funds. The County maintains three legally budgeted non-major governmental funds. The Emergency Telephone System Fund, the Industrial Fund, the Fire District Fund.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. 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 intended to recover the cost of connecting new customers to the water and sewer 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 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as beer and wine 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. All taxes, including those dedicated for specific purposes are reported as general revenue rather than program revenues. 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 is both restricted and unrestricted net position 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.

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 Emergency Telephone, Fire District, and Tax Revaluation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Special Revenue Fund, the Capital Projects Fund, and the Enterprise Capital Projects Funds. The Enterprise Capital Projects Funds are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the County and Clay County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the

County and the ABC Board may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and the ABC Board 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 majority of the County and the ABC Board's investments are carried at fair value. Non-participating interest earning investment contracts are accounted for at cost.

- The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c) (8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S & P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

2. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered cash and cash equivalents. The ABC Board considers demand deposits and investments with a maturity date of 90 days or less at time of purchase to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. The Waters and Sewer's restricted cash for customer deposits was \$96,900. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. The restricted cash in the General Fund for the Tax Revaluation was \$3,943. Money in the School Capital Projects Fund is classified as restricted assets because its use is restricted per North Carolina General Statutes 159-18 through 22. The School Capital Projects Fund's restricted cash was \$194,776 which was unexpended Public School Building Funds. The remainder of \$3,266,310 in restricted cash in the School Capital Project Fund relates to unspent debt proceeds related to assets for which the County holds title. Therefore, total Governmental Activities reported restricted cash of \$3,465,030 while the Business-type activities reported restricted cash of \$96,900.

4. 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, 2018. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Inventories and Prepaid Items

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

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

Prepaid items for the County's governmental funds are treated using the consumption method.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$2,000; and vehicles and motorized equipment, \$10,000 and computer software \$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 Clay County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Clay County Board of Education.

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

| | <u>Years</u> |
|----------------|--------------|
| Buildings | 30 |
| Improvements | 15 |
| Furniture | 7-10 |
| Equipment | 5-7 |
| Vehicles | 5 |
| Computers | 3 |
| Infrastructure | 20 |

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion- a charge on refunding, pension, and contributions made to the OPEB or pension plans in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for the category - prepaid taxes, unearned revenues and other OPEB or pension related deferrals.

9. 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 on the statements of net position.

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

10. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policy of the County provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

11. Net Position/Fund Balances

Net Position

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

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:

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

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

Restricted Fund Balance- This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization of State Statute- North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is know as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included with RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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 Deed's office.

Restricted for Fire Protection- portion of fund balance that is restricted by revenue source for fire protection expenditures.

Restricted for Public Safety- portion of fund balance that is restricted by revenue source to pay for E911 expenditures.

Restricted for Industrial expenditures- portion of fund balance that is restricted by revenue source for industrial purposes.

Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance- Portion of fund balance that can only be used for specific purpose imposed by majority vote of Clay County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation – portion of fund balance that can only be used for Tax Revaluation.

Committed for LEO pension obligations – portion of fund balance that will be used for the Law Enforcement Officers’ Special Separation Allowance obligations.

Assigned Fund Balance - portion of fund balance that the Clay County governing board has budgeted.

Subsequent year’s expenditures- portion of fund balance that is appropriated in the next year’s budget that is not already classified as restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Assigned for Future School Capital- portion of fund balance that has been budgeted by the board for future school capital construction.

Unassigned Fund Balance-Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Clay 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: bond proceeds, federal funds, State funds, local non-city 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’s in the best interest of the County.

Clay County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the General Fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

12. Defined Benefit Pension and OPEB Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees’ Retirement System (LGERS) and the Register of Deeds’ Supplemental Pension Fund (RODSPF), and the Law Enforcement Officers’ Special Separation Allowance (LEOSSA) (collectively, the “state-administered defined benefit pension plans”), and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For the purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County’s employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB’s fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognized

benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$7,071,576 consists of the following:

| <u>Description</u> | <u>Amount</u> |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 40,501,124 |
| Less accumulated depreciation | <u>(19,778,151)</u> |
| Net capital assets | \$ 20,722,973 |
| Benefit payments and pension administrative costs for LEOSSA | 18,676 |
| Contributions to OPEB plan in the current fiscal year | 114,232 |
| Contributions to the pension plan in the current fiscal year | 463,118 |
| Deferred inflows of resources for taxes and special assessments receivable | 488,508 |
| Net Pension asset | 27,521 |
| Pension related deferrals | 1,129,676 |
| OPEB related deferrals | <u>(226,479)</u> |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements: | |
| Bonds, leases, and installment financing | (9,712,444) |
| Compensated absences | (334,888) |
| Total Pension liability | (137,147) |
| OPEB liability | (3,375,147) |
| Net Pension liability | <u>(2,107,023)</u> |
| Total adjustment | <u>\$ 7,071,576</u> |

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$2,699,671) as follows:

| <u>Description</u> | <u>Amount</u> |
|--|----------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 1,123,935 |
| Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements | (1,476,661) |
| New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government wide statement of net position | (3,609,076) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements | 1,554,718 |
| Contributions to the pension plan in the current fiscal year not included on the Statement of Activities | 463,118 |
| Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position | 114,232 |
| Benefit payments and administrative costs for LEOSSA are deferred outflows of resources on the Statement of Net Position | 18,676 |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements | |
| Compensated absences | (40,378) |
| OPEB expense | (314,211) |
| Pension expense | (616,805) |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements | |
| Increase in deferred inflows of resources- taxes receivable- at end of year | <u>82,781</u> |
| Total Adjustment | <u>(\$2,699,671)</u> |

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the County's Fire Tax Fund exceeded the authorized appropriations made by the governing board for public safety expenditures by \$2,113. These over-expenditures occurred because the county submitted payment to a local fire district for taxes collected prior to amending the budget.

Clay County Soil and Water District failed to timely file the LGC-203. The December report was not filed timely.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the ABC Board'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 or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the County's deposits had a carrying amount of \$5,412,392 and a bank balance of \$5,622,081. Of the bank balance, \$638,168, was covered by federal depository insurance and \$914,080 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2019, Clay County had \$ 664 cash on hand.

At June 30, 2019, the Clay County ABC Board's deposits had a carrying amount of \$360,200 and a bank balance of \$332,649. A portion of the bank balance, \$82,649, was not covered by federal depository insurance, but was covered by collateral held by authorized agents in the name of the State Treasurer.

Clay County ABC had \$1,700 cash on hand at June 30, 2019.

2. Investments

As of June 30, 2019, the County had the following investments and maturities.

| Investment Type | Fair Value | Less Than | |
|---|--------------|-----------|-------------|
| | | 6 Months | 6-12 Months |
| NC Capital Management Trust – Govt Portfolio | \$ 3,029,830 | N/A | N/A |
| Total | \$ 3,029,830 | \$ -0- | \$ -0- |

*As of June 30, 2019, the NCCMT Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted averaging maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County’s investment policy limits at least half of the County’s investment portfolio to maturities of less than 12 months. Also, the County’s investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor’s as of June 30, 2019.

3. Property Tax - Use-Value Assessment on Certain Lands

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

| Year Levied | Tax | Interest | Total |
|----------------|-------------|-----------|-------------|
| 2016 | \$442,867 | \$108,502 | \$551,369 |
| 2017 | \$446,427 | \$69,196 | \$515,623 |
| 2018 | \$451,451 | \$29,344 | \$480,795 |
| 2019 | \$411,487 | | \$411,487 |
| Total | \$1,752,232 | \$207,043 | \$1,959,275 |

4. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

| | <u>Accounts</u> | <u>Taxes and Related Accrued Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|---|---------------------|
| Governmental Activities: | | | |
| General | \$ 693,213 | \$ 566,176 | \$ 1,259,389 |
| Other governmental | 28,065 | 38,779 | 66,844 |
| Total Receivables | | | |
| Allowance for doubtful accounts | - | (116,446) | (116,446) |
| Total-governmental activities | <u>\$ 721,278</u> | <u>\$ 488,509</u> | <u>\$ 1,209,787</u> |
| Business Activities: | | | |
| Water and Sewer | \$ 108,490 | - | \$ 108,490 |
| Total Receivables | <u>108,490</u> | <u>-</u> | <u>108,490</u> |
| | - | | - |
| Total business-type Activities | <u>\$ 108,490</u> | <u>-</u> | <u>\$ 108,490</u> |

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

| | |
|--------------------------|-------------------|
| Local option sales tax | \$ 511,669 |
| Franchise fee | 4,710 |
| White goods disposal tax | 1,206 |
| Scrap tire tax | 4,170 |
| Total | <u>\$ 521,755</u> |

The due to/from other funds is expected to be repaid within the next year and is as follows:

| | | |
|----------------|-------------------|--|
| Due to General | \$ 65,522 | Due from Emergency Telephone System Fund |
| Due to General | \$ 20,108 | Due from Water & Sewer |
| Due to General | \$ 229,451 | Due from School Capital Project Fund |
| | <u>\$ 315,081</u> | |

| | | |
|------------------|-------------------|--|
| Due from General | \$ 8,184 | Due to Fire Tax Fund |
| Due from General | \$ 124,371 | Due to Emergency Telephone System Fund |
| | <u>\$ 132,555</u> | |

Due to General from Emergency Telephone System Fund, Water & Sewer Fund and School Capital Project Fund is for reimbursement of expenses paid from General.

Due from General to Fire Tax Fund is collection of fire taxes.

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------------|---------------------|------------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 839,820 | \$ - | \$ - | \$ 839,820 |
| Construction in progress | 13,658 | - | 13,658 | - |
| Total capital assets not being depreciated | <u>\$ 853,478</u> | <u>-</u> | <u>\$ 13,658</u> | <u>\$ 839,820</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 26,282,266 | 372,687 | - | 26,654,953 |
| Other improvements | 2,393,528 | 343,960 | - | 2,737,488 |
| Equipment | 5,397,618 | 212,762 | - | 5,610,380 |
| Vehicles and motor equipment | 4,474,347 | 208,184 | 24,048 | 4,658,483 |
| Total capital assets being depreciated | <u>\$ 38,547,759</u> | <u>\$ 1,137,593</u> | <u>\$ 24,048</u> | <u>\$ 39,661,304</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 9,772,496 | 836,944 | - | 10,609,440 |
| Other improvements | 1,377,984 | 16,820 | - | 1,394,804 |
| Equipment | 4,030,715 | 329,694 | - | 4,360,409 |
| Vehicles | 3,144,343 | 293,203 | 24,048 | 3,413,498 |
| Total accumulated depreciation | <u>18,325,538</u> | <u>1,476,661</u> | <u>24,048</u> | <u>19,778,151</u> |
| Total capital assets being depreciated, net | <u>\$ 20,222,221</u> | | | <u>\$ 19,883,153</u> |
| Governmental activity capital assets, net | <u>\$ 21,075,699</u> | | | <u>\$ 20,722,973</u> |

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

| | |
|-----------------------------------|---------------------|
| General government | \$ 664,022 |
| Public safety | 326,932 |
| Transportation | 73,877 |
| Economic and Physical development | 11,874 |
| Human services | 319,491 |
| Cultural and recreational | 80,465 |
| Total Depreciation expense | <u>\$ 1,476,661</u> |

**Business-type activities:
Water and Sewer District**

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---------------------------|-----------|-----------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 120,280 | - | - | \$ 120,280 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | 120,280 | - | - | 120,280 |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 11,737,484 | - | - | 11,737,484 |
| Building Improvements | - | 31,688 | - | 31,688 |
| Furniture and maintenance equipment | 157,966 | - | - | 157,966 |
| Vehicles | 14,200 | - | - | 14,200 |
| Total capital assets being depreciated | 11,909,650 | 31,688 | - | 11,941,338 |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 6,106,361 | 525,466 | - | 6,631,827 |
| Building Improvements | - | 1,056 | - | 1,056 |
| Furniture and maintenance equipment | 149,722 | 2,332 | - | 152,054 |
| Vehicles | 11,860 | 1,440 | - | 13,300 |
| Total accumulated depreciation | 6,267,943 | 530,294 | - | 6,798,237 |
| Water and Sewer District capital assets, net | <u>\$5,761,987</u> | | | <u>\$5,263,381</u> |

Construction commitments

The government has one active construction project as of June 30, 2019. The project is the construction of a new primary school. At June 30, 2019, the government's commitments with contractors are as follows:

| Project | Spent-to-date | Remaining Commitment |
|---|-------------------|----------------------|
| Clay County Primary School- Construction | \$ - | \$ 10,975,000 |
| Clay County Primary School- Architect | \$ 115,900 | \$ 102,600 |
| Total | <u>\$ 115,900</u> | <u>\$ 11,077,600</u> |

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

| | Beginning balances | additions | deletions | Ending balances |
|--|--------------------------|--------------------|-----------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 25,000 | - | - | \$ 25,000 |
| Total capital assets not being depreciated | <u>\$ 25,000</u> | <u>-</u> | <u>-</u> | <u>\$ 25,000</u> |
| Capital assets being depreciated: | | | | |
| Building | \$ 253,106 | 5,300 | - | \$ 258,406 |
| Leasehold Improvements | 3,441 | - | - | 3,441 |
| Store equipment | 129,253 | 926 | - | 130,179 |
| Total capital assets being depreciated | <u>\$ 385,800</u> | <u>\$ 6,226</u> | <u>-</u> | <u>\$ 392,026</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 30,546 | \$ 9,811 | - | \$ 40,357 |
| Leasehold Improvements | 3,441 | - | - | 3,441 |
| Store equipment | 84,460 | 12,870 | - | 97,330 |
| Total accumulated depreciation | <u>\$ 118,447</u> | <u>\$ 22,681</u> | <u>-</u> | <u>\$ 141,128</u> |
| Total capital assets being depreciated, net | <u>\$ 267,353</u> | <u>\$ (16,455)</u> | <u>-</u> | <u>\$ 250,898</u> |
| ABC capital assets, net | <u><u>\$ 292,353</u></u> | | | <u><u>\$ 275,898</u></u> |

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

| | <u>Vendors</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------|-------------------|--------------|-------------------|
| Governmental activities: | | | |
| General | \$ 360,112 | | \$ 360,112 |
| Other governmental | 25,023 | | 25,023 |
| Total governmental activities | <u>\$ 385,135</u> | | <u>\$ 385,135</u> |
| Business-type activities: | | | |
| Water and Sewer District | \$ 11,675 | | \$ 11,675 |
| Total business-type activities | <u>\$ 11,675</u> | | <u>\$ 11,675</u> |

2. Pension Plan and other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$473,585 for the year ended June 30, 2019. Contributions to the pension plan from the ABC Board were \$10,300 for the same period.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the County reported a liability of \$2,161,204 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the County's proportion was .0911% (measured as of June 30, 2018), which was a decrease of .0029% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the County recognized pension expense of \$614,632. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflows of Resources |
|---|--|--|
| Differences between expected and actual experience | \$333,422 | \$11,188 |
| Net difference between projected and actual earnings on pension plan investments | 296,669 | |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 13,246 | 32,516 |
| County contributions subsequent to the measurement date | 473,585 | |
| Change of assumptions | 573,500 | |
| Total | <u>\$1,690,422</u> | <u>\$43,704</u> |
| | | |

\$473,585 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|---------------------|
| 2020 | \$ 575,602 |
| 2021 | 367,484 |
| 2022 | 57,744 |
| 2023 | 172,303 |
| 2024 | |
| Thereafter | - |
| | <u>\$ 1,173,133</u> |

At June 30, 2019, the Clay County ABC Board reported a liability of \$45,074 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Board's proportion was 0.00190% which was an increase of 0.00190% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Clay County ABC Board recognized pension expense of \$16,023. At June 30, 2019 the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflow of Resources | Deferred Inflows of Resources |
|--|--|--|
| Differences between expected and actual experience | \$ 6,954 | \$233 |
| Net difference between projected and actual earnings on pension plan investments | 6,187 | |
| Changes in proportion and differences between ABC Board contributions and proportionate share of contributions | 14,011 | |
| ABC Board's contributions subsequent to the measurement date | 10,300 | |
| Change of assumptions | 11,961 | |
| Total | <u>\$49,413</u> | <u>\$,233</u> |
| | | |

\$10,300 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------------|
| 2020 | \$ 15,516 |
| 2021 | 11,337 |
| 2022 | 4,933 |
| 2023 | 7,094 |
| 2024 | |
| Thereafter | - |
| | <u>\$ 38,880</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 percent |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | 100% | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates,

actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s proportionate share of the net pension liability to changes in the discount rate. The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease <u>(6.00%)</u> | Discount Rate (7.00%) | 1% Increase <u>(8.00%)</u> |
|--|----------------------------------|--------------------------|-------------------------------|
| County’s proportionate share of the net pension liability (asset) | \$5,191,398 | \$2,161,204 | (\$370,874) |
| ABC Board’s proportionate share of the net pension liability (asset) | \$108,273 | \$45,074 | (\$7,735) |

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Clay 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

| | |
|---|-----------|
| Retirees receiving benefits | 3 |
| Terminated plan members entitle to but not yet receiving benefits | 0 |
| Active plan members | <u>15</u> |
| Total | <u>18</u> |

A separate report was not issued for the plan.

2. 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. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|--|
| Inflation | 2.5 percent |
| Salary increases | 3.5 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.64% |

Discount Rate

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality Rate

Deaths After Retirement (Healthy): Mortality rates are based on the RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths After Retirement (Disabled): Mortality rates are based the RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Deaths Before Retirement: Mortality rates are based on RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): Mortality rates are based on RP-2104 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Mortality Projection: All mortality rates are projected from 2014 using generational improvement with Scale MP-2015.

4. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The County paid \$24,031 as benefits came due for the reporting period.

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the County reported a total pension liability of \$137,147. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$12,515.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | | \$ 15,890 |
| Change of assumptions | \$ 5,199 | \$ 6,025 |
| County benefits payments and plan administrative expenses subsequent to the measurement date | <u>\$ 18,463</u> | |
| Total | <u>\$ 23,662</u> | <u>\$ 21,915</u> |

The County paid \$18,463 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------|
| 2020 | \$ (4,613) |
| 2021 | (4,613) |
| 2022 | (4,574) |
| 2023 | (2,327) |
| 2024 | (589) |
| Thereafter | 0 |

Sensitivity of the County’s total pension liability to changes in the discount rate. The following presents the County’s total pension liability calculated using the discount rate of 3.64 percent, as well as what the County’s

total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

| | 1% Decrease 2.64% | Discount Rate (3.64%) | 1% Increase 4.64% |
|-------------------------|----------------------|--------------------------|----------------------|
| Total pension liability | \$ 148,802 | \$ 137,147 | \$ 126,700 |

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

| | 2019 |
|--|-------------------|
| Beginning balance | \$ 151,250 |
| Service Cost | 12,172 |
| Interest on the total pension liability | 4,400 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (1,206) |
| Changes of assumptions or other inputs | (5,438) |
| Benefit payments | (24,031) |
| Other changes | - |
| Ending balance of the total pension liability | <u>\$ 137,147</u> |

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.16% at June 30, 2017 to 3.64% at June 30, 2018.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

c. 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.

The County contributed \$33,192 for the reporting year. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Clay County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the county were \$1,406 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 the County reported an asset of \$27,521 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of

contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2018 the County's proportion was .16616% which was a decrease of .01568% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$4,876. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$243 | \$1,256 |
| Net difference between projected and actual earnings on pension plan investments | \$4,387 | |
| Changes in proportion and differences between County contributions and proportionate share of contributions | \$264 | \$2,263 |
| County contributions subsequent to the measurement date | \$1,406 | |
| Change of assumptions | \$1,294 | |
| Total | <u>\$ 7,594</u> | <u>\$3,519</u> |
| | | |

\$1,406 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------------------|
| 2020 | \$1,496 |
| 2021 | (801) |
| 2022 | 1,293 |
| 2023 | 681 |
| 2024 | - |
| Thereafter | - |
| | <u><u>\$2,669</u></u> |

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.0 percent |
| Salary increases | 3.5 to 7.75 percent, including inflation and productivity factor |
| Investment rate of return | 3.75 percent, net of pension plan investment expenses, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through the review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2019 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current rate:

| | 1% Decrease <u>(2.75%)</u> | Discount Rate (3.75%) | 1% Increase <u>(4.75%)</u> |
|---|-------------------------------|--------------------------|-------------------------------|
| County's proportionate share of the net pension liability (asset) | \$21,699 | \$27,521 | \$32,431 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

e. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for LGERS and ROD was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2018, with an actuarial valuation date of December 31, 2017. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>LGERS</u> | <u>ROD</u> | <u>LEOSSA</u> | <u>TOTAL</u> |
|--|--------------|-------------|---------------|--------------|
| Proportionate Share of Net Pension Liability (Asset) | \$ 2,161,204 | \$ (27,521) | \$ - | \$2,133,683 |
| Proportion of the Net Pension Liability (Asset) | 9.11000% | 16.61600% | n/a | |
| Total Pension Liability | - | - | \$ 137,147 | \$ 137,147 |
| Pension Expense | \$ 614,314 | \$ 4,876 | \$ 12,515 | \$ 631,705 |

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | <u>LGERS</u> | <u>ROD</u> | <u>LEOSSA</u> | <u>TOTAL</u> |
|--|--------------|------------|---------------|--------------|
| <i><u>Deferred Outflows of Resources:</u></i> | | | | |
| Differences between expected and actual experience | \$ 333,422 | \$ 243 | \$ - | \$ 333,665 |
| Change of assumptions | \$ 573,500 | \$ 1,294 | \$ 5,199 | \$ 579,993 |
| Net difference between projected and actual earnings on pension plan investments | \$ 296,669 | \$ 4,387 | \$ - | \$ 301,056 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | \$ 13,246 | \$ 264 | \$ - | \$ 13,510 |
| County contributions (LGERS, ROD)/ benefit payments and administrative costs (LEOSSA) subsequent to the measurement date | \$ 473,585 | \$ 1,406 | \$ 18,463 | \$ 493,454 |
| <i><u>Deferred Inflows of Resources</u></i> | | | | |
| Differences between expected and actual experience | \$ 11,188 | \$ 1,256 | \$ 15,890 | \$ 28,334 |
| Changes of assumptions | \$ - | \$ - | \$ 6,025 | \$ 6,025 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | \$ 32,516 | \$ 2,263 | | \$ 34,779 |

f. Other Post Employment Benefits - Clay County

Healthcare Benefits

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the County as long as they were hired prior to February 1, 2018 and provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. The Board of Commissioner made this amendment to the benefit provisions whereas in the past all new hires were eligible. A separate report was not issued for the plan.

Sworn Officers who meet any of the retirement conditions set forth under the provisions of the NCLGERS and have (1) obtained age 55 and have completed 10 years of service with the County or (2) have completed 20 years of service with the County are eligible to remain on the County's retiree health care plan.

General employees who meet any of the retirement conditions set forth under the provisions of the NCLGERS and have (1) obtained age 60 and have completed 10 years of service with the County or (2) have completed 15 years of service with the County are eligible to remain on the County's retiree health care plan.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation

Membership Data as of June 30, 2017:

| | |
|--|------------|
| Inactive Members or Beneficiaries Currently Receiving Benefits | 13 |
| Inactive Members Entitled to But Not Yet Receiving Benefits | 0 |
| Active Members | <u>174</u> |
| Total Membership | 187 |

Benefits Provided. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees that choose Plan 1 Retiree only coverage, \$605.01 per month under a County resolution that can be amended by Board of Commissioners. The retiree is responsible for premiums in excess of this amount. Employees who leave employment without meeting the requirements described above cannot remain on the health plan. Health care and prescription drugs are provided in the County's fully-insured health care plan until the retiree reaches Medicare eligibility. Dental coverage is available, and must be paid in full by the retiree. Dependent coverage cost must be paid in full by the retiree and ends at the earlier of the retiree's death, the retiree reaching age 65, or when the dependent reaches age 65. The County has chosen to fund the healthcare benefits on a pay as you go basis.

| | PLAN 1 | PLAN 2 | PLAN 3 | | |
|------------------------|------------|------------|------------|--|--|
| Retiree Only | \$ 605.01 | \$ 640.45 | \$ 701.50 | | |
| Retiree and Spouse | \$1,210.04 | \$1,280.89 | \$1,402.98 | | |
| Retiree and Child(ren) | \$1,058.78 | \$1,120.77 | \$1,227.61 | | |
| Family | \$1,361.30 | \$1,441.01 | \$1,578.36 | | |

Total OPEB Liability

The County's total OPEB liability of \$3,462,044 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|--|--------------|
| Inflation | 2.5 percent |
| Salary increases, including wage inflation | |
| General employees | 3.5% - 7.75% |
| Law Enforcement Officers | 3.5% - 7.35% |
| Real wage growth | 1.00% |
| Wage inflation | 3.5% |
| Municipal Bond Index Rate | |
| Prior Measurement Date | 3.56% |
| Measurement Date | 3.89% |

Health Care Cost Trends
Pre-Medicare

7.5% for 2017 decreasing to an ultimate rate of 5% by 2023

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability- At June 30, 2019, the components of the net OPEB liability of the County, measured as of June 30, 2017, were as follows:

Total OPEB Liability

| | |
|---|---------------------|
| Balance at June 30, 2017 | \$ 3,356,035 |
| Changes for the year: | |
| Service Cost at the end of year | 235,315 |
| Interest on TOL and Cash Flows | 116,867 |
| Change in benefit terms | - |
| Difference between expected and actual experience | 11,123 |
| Changes of assumptions or other inputs | (109,479) |
| Benefit payments and implicit subsidy credit | (147,817) |
| Net Changes | \$ 106,009 |
| Balance at June 30, 2017 | \$ 3,462,044 |

*There has been a change in benefit terms since the Prior Measurement Date. The plan has been closed to active employees hired after February 1, 2018. This change is expected to have a de minimus effect on the TOL as of June 30, 2018.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RO-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ended December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.89 percent) or 1-percentage point higher (4.89 percent) than the current discount rate:

| | 1% Decrease 2.89% | Current Discount Rate 3.89% | 1% Increase 4.89% |
|----------------------|----------------------|--------------------------------|----------------------|
| Total OPEB Liability | \$ 3,806,183 | \$ 3,462,044 | \$ 3,153,676 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Rate | 1% Increase |
|----------------------|--------------|--------------|--------------|
| Total OPEB liability | \$ 3,034,905 | \$ 3,462,044 | \$ 3,975,239 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the County recognized OPEB expense of \$322,291. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 9,722 | \$ 12,040 |
| Changes of assumptions | - | 229,844 |
| Benefit payments and administrative costs made subsequent to the measurement date | <u>117,169</u> | <u>-</u> |
| Total | \$ 126,891 | \$ 241,884 |

\$117,169 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|---------------------|----|----------|
| Year ended June 30: | | |
| 2019 | \$ | (36,999) |
| 2020 | \$ | (36,999) |
| 2021 | \$ | (36,999) |
| 2022 | \$ | (36,999) |
| 2023 | \$ | (36,999) |
| Thereafter | \$ | (47,167) |

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The County considers these contributions to be immaterial.

3. Closure and Postclosure Care Costs – Clay County Landfill

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Because the landfill stopped accepting waste before April 9, 1994, the County is eligible for exemption from certain cap system requirements pertaining to the 30 year monitoring.

4. Deferred Outflows and Inflows of Resources

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| (Pensions, OPEB)- difference between expected and actual experience | \$ 343,387 | \$ 40,374 |
| (Pensions, OPEB)-Net difference between projected and actual investment earnings | 301,056 | |
| Pensions- change in proportion and difference between employer contributions and proportionate share of contributions | 13,510 | 34,779 |
| (Pensions, OPEB)- change in assumptions | 579,993 | 235,869 |
| Contributions to pension plan subsequent to measurement date (LGERS, ROD) | 474,991 | |
| Benefit payments for the OPEB plan paid subsequent to measurement date | 117,169 | |
| Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA) | 18,463 | |
| Prepaid taxes not yet earned (General) | | 48,885 |
| Taxes receivable, net, less penalties (General) | | 449,729 |
| Taxes receivable, net, less penalties (Special Revenue) | | 38,779 |
| Grants not yet earned, General Fund | | 230,165 |
| Grants not yet earned, School Capital Projects Fund | | 13,699 |
| Total | <u>\$ 1,848,569</u> | <u>\$ 1,092,279</u> |

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the North Carolina statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000. The County provides employee health benefits provided Blue Cross & Blue Shield.

In accordance with GS 159-29, the County 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 Director of Finance,

Commissioners and Register of Deeds are each individually bonded for \$50,000 each. The Tax Collector is bonded for \$250,000.

The County does not carry flood insurance as this has not been an area of concern in the past.

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.

6. Contingent Liabilities

At June 30, 2019, 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.

7. Long-Term Obligations

a. Capital Leases

The County entered into a lease agreement to lease a 2016 Ford police interceptor sedan. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on January 6, 2017 for the lease of public safety vehicles and requires an annual payment of \$10,886.97. Under the terms of the agreement, title passes to the County at the end of the lease term.

At June 30, 2019, the County leased vehicles valued at:

| <u>Classes of Property</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|----------------------------------|-------------|---------------------------------|-----------------------|
| Vehicles and motorized equipment | \$29,948 | \$14,974 | \$14,974 |

For Clay County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

| <u>Year Ending June 30</u> | |
|---|-----------------|
| 2020 | <u>\$10,887</u> |
| Total minimum lease payments | \$10,887 |
| Less: amount representing interest | <u>616</u> |
| Present value of the minimum lease payments | <u>\$10,271</u> |

b. Installment Purchase

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed several capital assets by installment purchases, as follows:

The County financed the Courthouse Capital Project on July 29, 2005 for \$8,000,000. This installment purchase requires semi annual payments of \$266,666.67, plus interest at 3.87% until January 2013 then decreased interest to 1.69% until July 29, 2020.

The County financed the Jail Capital Project on May 10, 2007 for \$4,400,000. This installment purchase requires semi annual payments of \$146,666.67, plus interest at 3.99% until May 10, 2013, then decreased interest to 1.73% until May 10, 2021.

The County financed the Sheriff Complex Capital Project on April 16, 2009 for \$1,500,000. This installment purchase requires semi-annual principal payments of \$37,500, plus semi-annual interest payments of 3.73% until April 16, 2013, then decreased interest to 2.59% until April 16, 2028.

The County financed the Hwy 69 Water and Sewer project by an ARRA Capitalization Grants for State Revolving Funds during fiscal year June 30, 2010. This loan requires annual payments of \$26,832.20. This loan has no interest and is paid over 20 years until May 2031.

The County financed the Department of Social Service Building Capital Project on March 17, 2011 for \$2,000,000. This installment purchase requires semi-annual principal payments of \$66,667, plus semi-annual interest payments of 3.71% until March 17, 2013, then decreased interest to 2.36% until March 17, 2026.

The County financed the Health Department Building on November 7, 2013 for \$2,700,000. This transaction requires semi-annual payments by the County of \$90,000, plus semi-annual interest payments of 3.36% until November 7, 2028.

The County financed a town sewer line project on June 13, 2014. The total approved loan proceeds were \$1,104,060 and was financed by United Community Bank. This transaction will require semi-annual payments of \$45,304.87 including interest at a rate of 2.79% until June 15, 2029.

The County financed an ambulance on February 29, 2016 for \$174,363. This transaction requires semi-annual payments by the County of \$18,682.04 which includes interest at 2.512%. Ten payments are required with the first payment being due on August 31, 2016. The loan will be paid in full on February 28, 2021 and was financed by Nantahala Bank & Trust Company.

The County financed an ambulance remount in the amount of \$59,775 with United Community Bank. This loan requires three annual payments of \$20,850.84 including interest. The first payment is due on January 25, 2017 and was paid in full on January 25, 2019. The interest rate on the loan is 2.29%.

The County financed a 2016 Dodge Charger in the amount of \$25,030 with Ally. This loan requires monthly payments of \$744.70 including interest. The first payment is due on November 27, 2016 and will be paid in full on October 27, 2019. The interest rate on the loan is 4.39%.

The County financed 3 vehicles for the sheriff's department in the amount of \$86,679 with United Community Bank. This loan requires annual payments of \$18,652.01 including interest. The first payment is due on August 18, 2018 and will be paid in full on August 18, 2022. The interest rate on the loan is 2.49%.

The County financed an ambulance in the amount of \$224,939 with United Community Bank. This loan requires annual payments of \$79,049.31 including interest. The first payment is due on December 15, 2018 and will be paid in full on December 5, 2020. The interest rate on the loan is 2.69%.

The County financed a 2018 Dodge Sedan for the Sheriff's department with United Community Bank. This loan requires monthly payments of \$689.75 including interest. The first monthly payment commences on April 1, 2019 and is due and payable on the first day of each successive month thereafter until March 1, 2023. The interest rate on the loan is 3.75%.

The County financed a 2015 Dodge Ram truck for the campground with Nantahala Bank & Trust Company. This loan requires monthly payments of \$777.63 including interest. The first monthly payment commences on January 17, 2019 and the final payment will be due on December 17, 2022. The interest rate on the loan is 4.25%.

The County financed equipment for the campground with Nantahala Bank & Trust Company. This loan requires monthly payments of \$1,185.68 including interest. The first monthly payment commences on January 17, 2019 and will be paid in full on December 17, 2022. The interest rate on the loan is 4.25%.

The County financed a 2017 Ford truck for the Building department with Nantahala Bank & Trust Company. This loan requires monthly payments of \$637.38 including interest. The first monthly payment commences on February 17, 2019 and will be paid in full on January 17, 2023. The interest rate on the loan is 4.25%.

The County financed a 2017 Ford truck for the Environmental Health department with Nantahala Bank & Trust. This loan requires monthly payments of \$630.36 including interest. The first monthly payment commences on February 17, 2019 and will be paid in full on January 17, 2023. The interest rate on the loan is 4.25%.

The County financed a vehicle for the Sheriff's department with United Community Bank. This loan requires monthly payments of \$945.73 including interest. The first monthly payment commences on August 1, 2019 and will be paid in full on July 1, 2022.

As authorized by State law (G.S.160A-20 and 153A-158.1), the County is providing financing for matching funds required to construct a new primary school for use by Clay County School system during the fiscal year ended June 30, 2019. The installment financing was issued pursuant to a deed of trust that requires that legal title to the property financed remain with the County as long as the debt is outstanding because the property on which the new primary school as well as the building is pledged as collateral for the debt. The County has entered into a lease with Clay County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. Due to the economic substance of the transaction, the capital assets associated with the installment purchase are recorded by the Board of Education.

The County borrowed \$3,404,000 from BB & T for the matching grant funds for the construction of the new primary school for Clay County Schools. This loan requires semi-annual principal payments of \$113,466.67, plus interest at 3.18%. Payments commence on November 17, 2019 and will end on May 17, 2034.

For Clay County, the future minimum payments as of June 30, 2019, including \$ 2,320,130 of interest, are:

| Year Ending June 30 | Governmental Activities | |
|-------------------------|-------------------------|--------------------|
| | Principal | Interest |
| 2020 | 1,719,141 | 378,734 |
| 2021 | 1,457,907 | 314,018 |
| 2022 | 788,954 | 276,732 |
| 2023 | 762,888 | 246,636 |
| 2024 | 719,331 | 218,164 |
| 2025 and after | 4,253,952 | 885,846 |
| Principal payments | <u>\$ 9,702,173</u> | |
| Total interest payments | | <u>\$2,320,130</u> |

c. General Obligation Indebtedness

The County records long-term debt of the governmental funds at face value in the general long-term debt account group. All general obligation bonds serviced by the County’s general fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due. The County's general obligation bonds were paid in full as of June 30, 2019.

d. Long-Term Debt – Town of Hayesville/Farmers Home Administration

In July 1995, in conjunction with the transfer of the Town’s water and sewer systems to the District, the District agreed to make the payments on the Town’s obligation pertaining to the water and sewer systems owed by the Town of Hayesville to the Farmers Home Administration. This obligation requires annual varying payments of \$11,550 to \$13,150 including interest at 5%. This debt was paid in full as of June 30, 2019.

Debt Related to Capital Activities- Of the total Governmental Activities debt listed only \$ 9,390,458 relates to assets the County holds title. Unspent restricted cash related to debt that relates to assets for which the County holds title amounts to \$3,266,310.

e. Long-Term Obligation Activity

The following is a summary of changes in the County’s long-term obligations for the fiscal year ended June 30, 2019:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|-----------------------------------|----------------------|--------------|--------------|-------------------|-------------------------------|
| Governmental activities: | | | | | |
| General Obligation debt | \$ 65,000 | - | \$ 65,000 | \$ - | \$ - |
| Installment purchase | 7,572,688 | 3,609,076 | 1,479,591 | 9,702,173 | 1,719,141 |
| Capitalized leases | 20,398 | - | 10,127 | 10,271 | 10,271 |
| Net Pension liability (LGERS) | 1,376,804 | 730,219 | - | 2,107,023 | - |
| Total Pension obligation (LEOSSA) | 151,250 | - | 14,103 | 137,147 | - |
| Total OPEB Liability | 3,224,396 | 150,751 | - | 3,375,147 | - |
| Compensated absences | 294,510 | 247,768 | 207,390 | 334,888 | - |
| Total Governmental activities | \$ 12,705,046 | \$ 4,737,814 | \$ 1,776,211 | \$ 15,666,649 | \$ 1,729,412 |
| Business-type activities: | | | | | |
| Notes payable | \$ 11,000 | - | \$ 11,000 | \$ - | \$ - |
| Total OPEB Liability | 89,187 | - | 2,290 | 86,897 | - |
| Net Pension liability (LGERS) | 42,039 | 12,142 | - | 54,181 | - |
| Compensated absences | 4,060 | 5,636 | 3,544 | 6,152 | - |
| Total Business-type activities | \$ 146,286 | \$ 17,778 | \$ 16,834 | \$ 147,230 | \$ - |

Net pension liability, total pension liability, and net other postemployment liability for governmental activities are all typically liquidated in the general fund. Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

C. Interfund Balance and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

| | |
|---|----------|
| Due to General Fund from Emergency Telephone- for reimbursed expenditures | \$65,522 |
| Due to General Fund from Water & Sewer- for reimbursement for wages and benefits paid | 20,108 |
| Due to General Fund from School Capital Project fund- for reimbursed expenditures | 229,452 |
| Due from General to Fire Tax Fund- for taxes collected | 8,184 |
| Due from General to Emergency Telephone- for unallowable expenditures that have to be reimbursed from general fund for current and prior year | 124,371 |

The interfund balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfer to/from other funds at June 30, 2019, consist of the following:

From General to Tax Revaluation Fund to provide resources for the next property revaluation \$41,250

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

D. Net Investment in Capital Assets

| | Governmental | | Business-type |
|---|--------------|--|---------------|
| Capital assets | \$20,722,973 | | \$5,263,381 |
| Less: long-term debt | 9,390,458 | | |
| Less: current portion of long-term debt | | | |
| Add: unexpended debt proceeds | \$3,266,310 | | |
| Net investment in capital assets | \$14,598,825 | | \$5,263,381 |

E. Fund Balance

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

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 | \$ 5,005,695 |
| Less: | |
| Nonspendables-Prepaid | 12,483 |
| Stabilization by State Statute | 1,979,779 |
| Appropriated Fund Balance in 2020 budget | |
| Register of Deeds | 44,663 |
| Tax Revaluation | 45,193 |
| Working Capital/Fund Balance Policy | <u>1,552,531</u> |
| Remaining Fund Balance | \$ 1,371,046 |

Clay County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

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

| <i>Encumbrances</i> | <i>General Fund</i> | <i>Non-Major Funds</i> |
|---------------------|---------------------|------------------------|
| -0- | -0- | \$0 |

IV. Related Organization

Clay County Rural Development Authority

The County’s Governing board is responsible for appointing the members of the board of the Clay County Rural Development Authority, but the County’s accountability does not extend beyond making these appointments. The Authority was created for the purpose of the economic development and to provide recreational activities for the county residents of Clay County. The Authority has developed three projects: Chatuge Shores Recreation Area, Mooreview Homesites, and Hayesville Homesites. The Mooreview and the Hayesville Homesites projects have been completed and closed out. The Chatuge Shores Recreation Area project is ongoing and provides the funds for the Authority. The County is not responsible for the debt issued by the Authority and the Authority’s debt is not included in determining the County’s legal debt limit.

V. Joint Ventures

Nantahala Regional Library

The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library’s continued existence depends on the participating governments’ continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$123,926 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library’s offices at 101 Blumenthal Street, Murphy, NC 28906.

Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services

The County participates in a joint venture to operate the Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services with six other local governments. The County appoints one member to the board of the center. The County has an ongoing financial responsibility for the joint venture because the Center’s continued existence depends on the participating governments’ continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2019. Complete financial statements for the Center can be obtained from the Center’s offices at 44 Bonnie Lane, Sylva, NC 28779.

VI. Jointly Governed Organization

Clay-Towns Joint Industrial Park

Clay County, in conjunction with Towns County, purchased property for a joint industrial park. The participating governments will work together to coordinate the planning process for the industrial park, including the process of planning and development for roads to and within the park, and for providing water and sewer services within the park. Each participating County will have three members to serve on the Industrial Park Board.

VII. Commitments

Tri-County Community College

The County has a commitment to help fund Tri-County Community College with two other local governments. The County does not appoint any members to the board of the College. The County has an ongoing financial responsibility for the joint venture because the College's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the College, so no equity interest has been reflected in the financial statements at June 30, 2019. The County has an ongoing financial responsibility for the college because of statutory responsibilities to provide funding for the College's facilities. The County contributed \$ 2,500 during the fiscal year June 30, 2019. Complete financial statements for the College may be obtained from the College's administrative offices at 2300 Highway 64 E., Murphy, NC 28906.

VIII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

IV. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 26, 2019, the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

X. Prior Period Adjustment

During the fiscal year ended June 30, 2019, the County determined that some unallowable expenses were included for reimbursement in the Emergency 911 Fund. These unallowable expenditures will have to be repaid from the general fund to the 911 fund. This resulted in a restatement of prior year fund balance for the unallowable expenses from the June 30, 2018 fiscal year which amounted to \$75,601.

| | | |
|---|-------------------|--------------------|
| Emergency Telephone System Fund balance, beginning as previously reported | | \$ 101,372 |
| Ineligible expenditures made in the prior fiscal year | <u>\$75,601</u> | |
| Net prior period adjustment | | <u>75,601</u> |
| Emergency Telephone System Fund balance, beginning as restated | | <u>\$ 176,973</u> |
| | | |
| General Fund balance, beginning as previously reported | | \$4,362,920 |
| Adjustment for Emergency Telephone System Fund | <u>\$(75,601)</u> | |
| Net prior period adjustment | | <u>\$(75,601)</u> |
| General Fund balance, beginning as restated | | <u>\$4,287,319</u> |

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Asset for Register of Deeds Supplemental Pension Fund
- Schedule of Contributions to Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
- Schedule of Changes in Total OPEB Liability

Schedule of Clay County's Proportionate Share of the Net Pension Liability (Asset)
Local Government Employees' Retirement System
*Last Six Fiscal Years**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| County's proportion of the net pension liability (asset) % | 0.10267% | 0.09893% | 0.09798% | 0.0961% |
| County's proportionate share of the net pension liability (asset) \$ | \$ 2,179,001 | \$ 443,992 | \$ (577,833) | \$ 1,158,374 |
| County's covered payroll | \$ 6,151,143 | \$ 6,187,548 | \$ 5,971,989 | \$ 5,988,458 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 35.42% | 7.180% | -9.676% | 19.343% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.47% | 98.09% | 102.64% | 94.35% |
| | <u>2018</u> | <u>2019</u> | | |
| County's proportion of the net pension liability (asset) % | 0.09339% | 0.09110% | | |
| County's proportionate share of the net pension liability (asset) \$ | \$ 1,426,741 | \$ 2,164,204 | | |
| County's covered payroll | \$ 6,201,819 | \$ 5,376,365 | | |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 23.01% | 40.25% | | |
| Plan fiduciary net position as a percentage of the total pension liability | 94.18% | 92.00% | | |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Schedule of County Contributions
Local Government Employees' Retirement System
Last 6 Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 473,585 | \$ 467,874 | \$ 461,051 | \$ 421,332 | \$ 439,329 | \$ 423,384 |
| Contributions in relation to the contractually required contribution | \$ 473,585 | \$ 467,874 | \$ 461,051 | \$ 421,332 | \$ 439,329 | \$ 423,384 |
| Contribution deficiency (excess) | | | | | | |
| County's covered payroll | \$ 6,045,970 | \$ 6,238,320 | \$ 6,201,819 | \$ 6,151,143 | \$ 6,187,548 | \$ 5,971,989 |
| Contributions as a percentage of covered payroll | 8% | 7.50% | 7.43% | 6.85% | 7.10% | 7.09% |

Schedule Of Clay County's Proportionate Share Of The Net Pension Liability (Asset)
Register of Deeds' Supplemental Pension Fund
*Last Six Fiscal Years **

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| County's proportion of the net pension liability (asset) % | 0.16616% | 0.15048% | 0.15135% | 0.1588% | 0.17416% | 0.168% |
| County's proportionate share of the net pension liability (asset) \$ | \$(27,521) | \$ (25,685) | \$ (28,296) | \$ (36,800) | \$(39,464) | \$ (35,900) |
| Plan fiduciary net position as a percentage of the total pension liability | 153.31% | 153.77% | 160.17% | 197.29% | 193.88% | 190.50% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Schedule of Clay County's Contributions

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 1,406 | \$ 1,422 | \$ 1,308 | \$ 1,236 | \$ 1,801 | \$ 1,422 |
| Contributions in relation to the contractually required contribution | <u>1,406</u> | <u>1,422</u> | <u>1,308</u> | <u>1,236</u> | <u>1,801</u> | <u>1,422</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Clay County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2019

| | 2019 | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|
| Beginning balance | \$ 151,250 | \$ 176,612 | \$ 187,997 |
| Service cost | \$ 12,172 | \$ 9,142 | \$ 10,951 |
| Interest on the total pension liability | \$ 4,400 | \$ 6,327 | \$ 6,258 |
| Changes of benefit terms | \$ - | \$ - | \$ - |
| Differences between expected and actual experience in the measurement of the total pension liability | \$ (1,206) | \$ (23,696) | \$ - |
| Changes of assumptions or other inputs | \$ (5,438) | \$ 8,265 | \$ (3,195) |
| Benefit payments | \$ (24,031) | \$ (25,400) | \$ (25,399) |
| Other changes | \$ - | \$ - | \$ - |
| Ending balance of the total pension liability | <u>\$ 137,147</u> | <u>\$ 151,250</u> | <u>\$ 176,612</u> |

The amounts presented for each fiscal year were determined as of the prior December 31.

Clay County, North Carolina
 Schedule of Total Pension Liability as a Percentage of Covered Payroll
 Law Enforcement Officers' Special Separation Allowance
 For the Year Ended June 30, 2019

| | 2019 | 2018 | 2017 |
|--|------------|------------|------------|
| Total pension liability | \$ 137,147 | \$ 151,250 | \$ 176,612 |
| Covered payroll | 669,606 | 616,060 | 515,583 |
| Total pension liability as a percentage of covered payroll | 20.48% | 24.55% | 34.25% |

Notes to the schedules:

Clay County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Clay County
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

| | 2019 | 2018 |
|--|------------------|------------------|
| Total OPEB Liability | | |
| Service Cost | \$ 235,315 | \$ 251,274 |
| Interest | 116,867 | 98,074 |
| Changes in benefit terms | - | - |
| Differences between expected and actual experience | 11,123 | (16,094) |
| Changes of assumptions | (109,479) | (179,323) |
| Benefit payments | (147,817) | (111,479) |
| Net change in total OPEB liability | 106,009 | 42,452 |
| Total OPEB liability- beginning | 3,356,035 | 3,313,583 |
| Total OPEB liability- ending | \$ 3,462,044 | \$ 3,356,035 |
| Covered payroll | \$ 6,332,202 | \$ 6,332,202 |
| Total OPEB liability as a percentage of covered payroll | 54.67% | 53.00% |

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

| <u>Fiscal year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2018 | 3.56% |
| 2019 | 3.89% |

**INDIVIDUAL FUND
STATEMENTS AND
SCHEDULES**

**Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|---|-----------------|--------------|---------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | | \$ 8,431,899 | |
| Interest | | 49,336 | |
| Total | \$ 8,351,178 | 8,481,235 | \$ 130,057 |
| Local option sales taxes: | | | |
| Article 39 and 44 | | 1,288,302 | |
| Article 40 one - half of one percent | | 838,762 | |
| Article 42 one - half of one percent | | 514,907 | |
| Article 46 one - quarter of one percent | | 148,837 | |
| Total | 2,705,349 | 2,790,808 | 85,459 |
| Other taxes and licenses: | | | |
| Deed stamp excise tax | | 89,313 | |
| Scrap tire disposal tax | | 26,302 | |
| White goods disposal tax | | 4,717 | |
| Franchise fees | | 20,977 | |
| Privilege licenses | | 2,125 | |
| Total | 137,325 | 143,434 | 6,109 |
| Unrestricted intergovernmental: | | | |
| Payments in lieu of taxes-outside sources | | 408,514 | |
| Beer and wine tax | | 48,013 | |
| Total | 440,663 | 456,527 | 15,864 |
| Restricted intergovernmental: | | | |
| State grants | | 551,043 | |
| Federal grants | | 1,920,623 | |
| Court facility fees | | 13,841 | |
| Enforcement fund | | 2,792 | |
| Other Revenue | | 1,589,019 | |
| ABC profits for law enforcement | | 14,000 | |
| ABC bottle taxes | | 25,204 | |
| Total | 4,409,343 | 4,116,522 | (292,821) |
| Permits and fees: | | | |
| Building and well permits | | 135,264 | |
| Inspection fees | | 110,248 | |
| Landfill permits and user fees | | 499,315 | |
| Recreation fees | | 18,075 | |
| Gun Permits and other | | 9,980 | |
| Register of deeds | | 66,793 | |
| Total | 857,710 | 839,675 | (18,035) |

**Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) (cont.) |
|-------------------------------------|--------------------------|--------------------------|--|
| Sales and services: | | | |
| Rents, concessions, and fees | | 53,811 | |
| Jail fees | | 200,336 | |
| Ambulance and rescue squad fees | | 511,079 | |
| Police fees | | 103,399 | |
| Recreation fees | | 221,581 | |
| Health Department fees | | 347,105 | |
| Senior Center Meal fees | | 10,231 | |
| Transportation fees | | 183,892 | |
| Total | <u>1,435,928</u> | <u>1,631,434</u> | <u>195,506</u> |
| Investment earnings | <u>69,306</u> | <u>72,192</u> | <u>2,886</u> |
| Miscellaneous: | | | |
| Donations | | 18,891 | |
| Recovery PY Primary School Expenses | | 496,774 | |
| Other | | 82,593 | |
| Total | <u>578,331</u> | <u>598,258</u> | <u>19,927</u> |
| Total revenues | <u>18,985,133</u> | <u>19,130,085</u> | <u>144,952</u> |
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | | 191,669 | |
| Other operating expenditures | | 135,602 | |
| Insurance other property | | 236,522 | |
| Capital Outlay | | - | |
| Total | <u>596,551</u> | <u>563,793</u> | <u>32,758</u> |
| County Appropriations | | <u>172,522</u> | |
| Total | <u>184,642</u> | <u>172,522</u> | <u>12,120</u> |
| Human Resources: | | | |
| Salaries and employee benefits | | 46,018 | |
| Other operating expenditures | | 2,705 | |
| Total | <u>48,752</u> | <u>48,723</u> | <u>29</u> |
| Elections: | | | |
| Salaries and employee benefits | | 125,053 | |
| Other operating expenditures | | 47,277 | |
| Capital outlay | | 2,334 | |
| Total | <u>176,844</u> | <u>174,664</u> | <u>2,180</u> |

Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-------------------------|-------------------------|---------------------------------|
| Finance: | | | (cont.) |
| Salaries and employee benefits | | 161,296 | |
| Other operating expenditures | | 52,315 | |
| Capital outlay | | - | |
| Total | <u>239,773</u> | <u>213,611</u> | <u>26,162</u> |
| Taxes supervisor: | | | |
| Salaries and employee benefits | | 181,286 | |
| Other operating expenditures | | 32,199 | |
| Total | <u>217,210</u> | <u>213,485</u> | <u>3,725</u> |
| Taxes collector: | | | |
| Salaries and employee benefits | | 174,156 | |
| Other operating expenditures | | 62,786 | |
| Capital outlay | | - | |
| Total | <u>240,935</u> | <u>236,942</u> | <u>3,993</u> |
| Legal: | | | |
| Contracted services | <u>175,000</u> | <u>126,368</u> | <u>48,632</u> |
| Register of deeds: | | | |
| Salaries and employee benefits | | 171,170 | |
| Other operating expenditures | | 53,778 | |
| Total | <u>266,455</u> | <u>224,948</u> | <u>41,507</u> |
| Public buildings: | | | |
| Salaries and employee benefits | | 254,167 | |
| Other operating expenditures | | 614,297 | |
| Capital Outlay | | 337,029 | |
| Total | <u>1,200,458</u> | <u>1,205,493</u> | <u>(5,035)</u> |
| Senior Center | | | |
| Salaries and employee benefits | | 111,971 | |
| Other operating expenditures | | 114,558 | |
| Capital Outlay | | - | |
| Total | <u>232,441</u> | <u>226,529</u> | <u>5,912</u> |
| Total general government | <u>3,579,061</u> | <u>3,407,078</u> | <u>171,983</u> |
| Public safety: | | | |
| Sheriff and communications: | | | |
| Salaries and employee benefits | | 1,522,569 | |
| Other operating expenditures | | 321,289 | |
| Capital outlay | | 59,113 | |
| Total | <u>1,973,874</u> | <u>1,902,971</u> | <u>70,903</u> |

**Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------------|------------------|---------------------------------|
| Jail: | | | (cont.) |
| Salaries and employee benefits | | 831,357 | |
| Other operating expenditures | | 237,138 | |
| Capital Outlay | | 16,979 | |
| Total | <u>1,096,257</u> | <u>1,085,474</u> | <u>10,783</u> |
| School Resource Officer: | | | |
| Salaries and employee benefits | | 103,429 | |
| Other operating expenditures | | 191 | |
| Total | <u>107,325</u> | <u>103,620</u> | <u>3,705</u> |
| Emergency management: | | | |
| Salaries and employee benefits | | 88,984 | |
| Other operating expenditures | | 16,293 | |
| Capital outlay | | 8,147 | |
| Total | <u>202,364</u> | <u>113,424</u> | <u>88,940</u> |
| Fire: | | | |
| Other operating expenditures | | 39,663 | |
| Total | <u>45,500</u> | <u>39,663</u> | <u>5,837</u> |
| Inspections: | | | |
| Salaries and employee benefits | | 100,767 | |
| Other operating expenditures | | 16,377 | |
| Total | <u>119,521</u> | <u>117,144</u> | <u>2,377</u> |
| Emergency medical services | | | |
| Salaries and employee benefits | | 950,989 | |
| Other operating expenditures | | 101,470 | |
| Capital outlay | | 33,596 | |
| Total | <u>1,097,426</u> | <u>1,086,055</u> | <u>11,371</u> |
| Telecommunications | | | |
| Salaries and employee benefits | | 59,096 | |
| Other operating expenditures | | 55,435 | |
| Capital outlay | | - | |
| Total | <u>70,236</u> | <u>114,531</u> | <u>(44,295)</u> |
| Animal Control Officer | | | |
| Salaries and employee benefits | | 8,009 | |
| Other operating expenditures | | 808 | |
| Total | <u>8,818</u> | <u>8,817</u> | <u>1</u> |
| Courthouse Security | | | |

Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------|------------------|---------------------------------|
| Salaries and employee benefits | | 9,632 | (cont.) |
| Other operating expenditures | | - | |
| Total | 10,831 | 9,632 | 1,199 |
| Clerk of Court | | | |
| Other operating expenditures | | 2,785 | |
| Total | 2,950 | 2,785 | 165 |
| Total public safety | 4,735,102 | 4,584,116 | 150,986 |
| Transportation: | | | |
| Transportation -Operating | | | |
| Salaries and employee benefits | | 331,083 | |
| Other operating expenditures | | 87,660 | |
| Capital outlay | | - | |
| Total transportation operations | 532,874 | 418,743 | 114,131 |
| Transportation -Admin & Capital | | | |
| Salaries and employee benefits | | 151,457 | |
| Other operating expenditures | | 52,735 | |
| Capital Outlay | | 11,940 | |
| Total transportation senior center | 225,001 | 216,132 | 8,869 |
| Total transportation | 757,875 | 634,875 | 123,000 |
| Economic and physical development: | | | |
| Planning and zoning: | | | |
| Salaries and employee benefits | | 45,453 | |
| Other operating expenditures | | 3,110 | |
| Total | 50,873 | 48,563 | 2,310 |
| Sanitary Landfill | | | |
| Salaries and employee benefits | | 128,145 | |
| Other operating expenditures | | 294,654 | |
| Capital outlay | | 22,000 | |
| Total | 454,070 | 444,799 | 9,271 |
| Soil and Water Conservation | | | |
| Salaries and employee benefits | | 83,747 | |
| Other operating expenditures | | - | |
| Capital outlay | | - | |
| Total | 84,811 | 83,747 | 1,064 |
| Agricultural extension: | | | |
| Salaries and employee benefits | | 103,720 | |
| Other operating expenditures | | 10,891 | |
| Total | 150,406 | 114,611 | 35,795 |

**Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|---------------------------------|
| Special Appropriations | 8,492 | 8,492 | (cont.) - |
| Total economic and physical development | 748,652 | 700,212 | 48,440 |
| Human services: | | | |
| Health: | | | |
| Administration & health programs: | | | |
| Salaries and employee benefits | | 1,229,841 | |
| Other operating expenditures | | 339,166 | |
| Capital Outlay | | - | |
| Total | 1,599,597 | 1,569,007 | 30,590 |
| Animal Control Health: | | | |
| Salaries and employee benefits | | 18,258 | |
| Other operating expenditures | | 5,482 | |
| Total | 25,991 | 23,740 | |
| Far West dental | | | |
| Salaries and employee benefits | | 426,981 | |
| Other operating expenditures | | 90,164 | |
| Capital Outlay | | - | |
| Total | 536,858 | 517,145 | 19,713 |
| Women, infants, and children: | | | |
| Salaries and employee benefits | | 77,202 | |
| Other operating expenditures | | 4,289 | |
| Total | 84,769 | 81,491 | 3,278 |
| Care Coordination for children | | | |
| Salaries and employee benefits | | 24,384 | |
| Other operating expenditures | | 33 | |
| Total | 24,794 | 24,417 | 377 |
| Pregnancy Care Management | | | |
| Salaries and employee benefits | | 25,435 | |
| Other operating expenditures | | 24 | |
| Total | 25,611 | 25,459 | 152 |
| Smart Start: | | | |
| Salaries and employee benefits | | 24,384 | |
| Other operating expenditures | | 7,290 | |
| Total | 31,674 | 31,674 | - |
| Total health | 2,329,294 | 2,272,933 | - |

Social services:

**Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|------------------|------------------|---------------------------------|
| Administration: | | | (cont.) |
| Salaries and employee benefits | | 1,414,040 | |
| Other operating expenditures | | 223,346 | |
| Capital outlay | | 1,999 | |
| Janitorial: | | | |
| Salaries and employee benefits | | 35,060 | |
| Total | 1,676,804 | 1,674,445 | 2,359 |
| Community Partners Grant: | | | |
| Salaries and employee benefits | | 33,239 | |
| Other operating expenditures | | 7,705 | |
| Total | 69,994 | 40,944 | 29,050 |
| AFDC: | | | |
| Assistance payments | 147,166 | 152,463 | (5,297) |
| | | | (cont.) |
| Medical assistance program: | | | |
| Assistance payments | 2,800 | 2,065 | 735 |
| Bioterrorism | | | |
| Salaries and employee benefits | | 34,841 | |
| Other operating expenditures | | 799 | |
| | 36,088 | 35,640 | 448 |
| Other assistance: | | | |
| Assistance payments | 481,160 | 373,768 | 107,392 |
| Total social services | 2,414,012 | 2,279,325 | 134,687 |
| Veterans service officer: | | | |
| Salaries and employee benefits | | 3,876 | |
| Other operating expenditures | | 484 | |
| Total veterans service officer | 4,476 | 4,360 | 116 |
| Total human services | 4,747,782 | 4,556,618 | 134,803 |
| Cultural and recreational: | | | |
| Recreation: | | | |
| Salaries and employee benefits | | 260,610 | |
| Other operating expenditures | | 46,186 | |
| Capital outlay | | 168,465 | |
| Total | 483,459 | 475,261 | 8,198 |
| Recreation sports | | | |
| Salaries and employee benefits | | 42,625 | |
| Other operating expenditures | | 31,902 | |
| Total | 83,900 | 74,527 | 9,373 |

**Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|---------------------------------|
| | | | (cont.) |
| Ball fields High School | 85,000 | 38,317 | 46,683 |
| Campground | | | |
| Salaries and employee benefits | | 26,395 | |
| Operating expenditures | | 43,751 | |
| Capital Outlay | | 423,506 | |
| | 493,648 | 493,652 | (4) |
| Libraries: | | | |
| Contribution to regional library | 123,926 | 123,926 | - |
| Total cultural and recreational | 1,269,933 | 1,205,683 | 64,250 |
| Education: | | | |
| Public schools - current | | 1,333,736 | |
| Public schools - capital outlay | | 88,000 | |
| Public schools - other | | 183,507 | |
| Public schools-school nurse funds | | 50,000 | |
| For Clay County Schools pd by County | | 35,810 | |
| Community colleges - current | | 127,500 | |
| Total education | 1,825,608 | 1,818,553 | 7,055 |
| | | | (cont.) |
| Debt service: | | | |
| Principal retirement | | 1,554,719 | - |
| Interest and other charges | | 180,663 | - |
| Total debt service | 1,742,624 | 1,735,382 | 7,242 |
| Total expenditures | 19,406,637 | 18,642,517 | 707,759 |
| Revenues over (under) expenditures | (421,504) | 487,568 | 852,711 |
| Other financing sources (uses): | | | |
| Capitalized lease obligations issued: | | - | |
| Installment obligation issued: | | 205,076 | |
| Transfers (to) from other funds: | | - | |
| Tax Revaluation Fund | | (41,250) | |
| Sale of capital assets | | 21,789 | |
| Total other financing sources (uses) | 421,504 | 185,615 | 235,889 |
| Revenues and other financing sources over expenditures and other financing uses | - | 673,183 | 616,822 |
| Appropriated fund balance | | - | - |

**Clay County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) (cont.) |
|---|-----------------|---------------------|--|
| Revenues, other sources, and appropriated fund balance over (under) expenditures | \$ - | 673,183 | \$ 616,822 |
| Fund balance, beginning | | 4,362,920 | |
| Prior period adjustment | | (75,601) | |
| Fund balance, beginning restated | | 4,287,319 | |
| Fund balance, ending | | \$ 4,960,502 | |

Clay County, North Carolina
Tax Revaluation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
For the Year Ended June 30, 2019

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|-------------|------------------------------------|
| Revenues: | | | |
| Investment Earnings | | \$ - | |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| Tax listing | \$ 41,250 | \$ 37,307 | \$ 3,943 |
| Revenues over (under) expenditures | \$ 41,250 | \$ (37,307) | \$ 3,943 |
| Other financing sources: | | | |
| Transfer in: | | | |
| General Fund | \$ (41,250) | \$ 41,250 | \$ - |
| Revenues and other sources over (under) expenditures | \$ - | \$ 3,943 | \$ 3,943 |
| Appropriated fund balance | \$ - | \$ - | |
| Revenues, other sources, and appropriated fund balance over (under) expenditures | \$ - | \$ 3,943 | \$ - |
| Fund balance, beginning | | 41,250 | |
| Fund balance, ending | | \$ 45,193 | |

Clay County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
'June 30, 2019

+

| | Special Revenue Funds | | | | | Capital Projects Funds | | |
|---|-----------------------|--|--------------------------|--------------------|--|--------------------------------|--|---|
| | CDBG Fund | Emergency Telephone System Fund | Fire District Fund | Industrial Fund | Total Nonmajor Special Revenue Funds | School Capital Project Fund | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 243,705 | \$ 9,063 | \$ 88,078 | \$ 340,846 | \$ - | \$ - | \$ 340,846 |
| Restricted cash | - | - | - | - | - | - | - | - |
| Accounts receivable, net | - | 28,065 | - | - | 28,065 | - | - | 28,065 |
| Taxes receivable, net | - | - | 38,779 | - | 38,779 | - | - | 38,779 |
| Due from other funds | - | 124,371 | 8,184 | - | 132,555 | - | - | 132,555 |
| Due from other governments | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 396,141</u> | <u>\$ 56,026</u> | <u>\$ 88,078</u> | <u>\$ 540,245</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 540,245</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued liabilities | - | 52 | 15,952 | - | 16,004 | - | - | 16,004 |
| Due to other funds | - | 65,522 | - | - | 65,522 | - | - | 65,522 |
| Total liabilities | <u>\$ -</u> | <u>\$ 65,574</u> | <u>\$ 15,952</u> | <u>\$ -</u> | <u>\$ 81,526</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 81,526</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 38,779</u> | <u>\$ -</u> | <u>\$ 38,779</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 38,779</u> |
| Fund balances: | | | | | | | | |
| Restricted: | | | | | | | | |
| Other | - | 178,131 | - | 88,078 | 266,209 | - | - | 266,209 |
| Stabilization by State Statute | - | 152,436 | - | - | 152,436 | - | - | 152,436 |
| Fire Protection | - | - | 1,295 | - | 1,295 | - | - | 1,295 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | <u>-</u> | <u>330,567</u> | <u>1,295</u> | <u>88,078</u> | <u>419,940</u> | <u>-</u> | <u>-</u> | <u>419,940</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ -</u> | <u>\$ 396,141</u> | <u>\$ 56,026</u> | <u>\$ 88,078</u> | <u>\$ 540,245</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 540,245</u> |

Clay County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

| | Special Revenue Funds | | | | Capital Projects Funds | | | |
|---|-----------------------|--|--------------------------|--------------------|--|--------------------------------|--|--|
| | CDBG Fund | Emergency Telephone System Fund | Fire District Fund | Industrial Fund | Total Nonmajor Special Revenue Funds | School Capital Project Fund | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
| REVENUES | | | | | | | | |
| Ad valorem taxes | \$ - | \$ - | \$ 626,465 | \$ - | \$ 626,465 | \$ - | \$ - | \$ 626,465 |
| Other taxes and licenses | - | - | - | - | - | - | - | - |
| Restricted intergovernmental | - | 255,670 | - | - | 255,670 | 325,170 | 325,170 | 580,840 |
| Investment earnings | - | 398 | - | - | 398 | - | - | 398 |
| Miscellaneous | - | - | - | - | - | - | - | - |
| Total revenues | - | 256,068 | 626,465 | - | 882,533 | 325,170 | 325,170 | 1,207,703 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Economic and physical development | - | - | - | - | - | - | - | - |
| Public safety | - | 102,474 | 625,812 | - | 728,286 | - | - | 728,286 |
| Education | - | - | - | - | - | 325,170 | 325,170 | 325,170 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Total expenditures | - | 102,474 | 625,812 | - | 728,286 | 325,170 | 325,170 | 1,053,456 |
| Excess (deficiency) of revenues over expenditures | - | 153,594 | 653 | - | 154,247 | - | - | 154,247 |
| OTHER FINANCING SOURCES | | | | | | | | |
| Transfer in from general | - | - | - | - | - | - | - | - |
| Total Other Financing sources and uses | - | - | - | - | - | - | - | - |
| Net change in fund balances | - | 153,594 | 653 | - | 154,247 | - | - | 154,247 |
| Fund balances, beginning | - | 101,372 | 642 | 88,078 | 190,092 | - | - | 190,092 |
| Restatement | - | 75,601 | - | - | 75,601 | - | - | 75,601 |
| Fund balance, beginning restated | - | 176,973 | 642 | 88,078 | 265,693 | - | - | 265,693 |
| Fund balances, ending | \$ - | \$ 330,567 | \$ 1,295 | \$ 88,078 | \$ 419,940 | \$ - | \$ - | \$ 419,940 |

Clay County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|-------------------|------------------------------------|
| Revenues | | | |
| E911 Funding | \$ - | \$ 255,670 | \$ - |
| Interest earned | | 398 | |
| Total revenue | <u>145,716</u> | <u>256,068</u> | <u>110,352</u> |
| Expenditures | | | |
| Implementation functions | | - | |
| Phone and furniture | | 30,988 | |
| Software maintenance | | 57,105 | |
| Hardware maintenance | | 7,465 | |
| Training | | 6,916 | - |
| Total expenditures | <u>145,716</u> | <u>102,474</u> | <u>43,242</u> |
| Revenues under expenditures | - | 153,594 | 153,594 |
| Other financing sources: | | | |
| Operating transfer in: | | | |
| General Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Appropriated fund balance | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues, other sources, and appropriated fund balance over (under) expenditures | <u>\$ -</u> | 153,594 | <u>\$ 153,594</u> |
| Fund balance, beginning | | 101,372 | |
| Restatement | | <u>75,601</u> | |
| Fund balance, beginning restated | | 176,973 | |
| Fund balance, ending | | <u>\$ 330,567</u> | |

Clay County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------|-----------------|------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year | | \$ 617,613 | |
| Prior year | | 8,852 | |
| Total | \$ 623,671 | 626,465 | \$ 2,794 |
| Expenditures: | | | |
| Current: | | | |
| Public safety: | | | |
| Fire District No. 1 | | 97,144 | - |
| Fire District No. 2 | | 55,209 | - |
| Fire District No. 3 | | 58,022 | |
| Fire District No. 4 | | 415,437 | |
| Total expenditures | 623,671 | 625,812 | (2,141) |
| Revenues over expenditures | \$ - | 653 | \$ 653 |
| Fund balance, beginning | | 642 | |
| Fund balance, ending | | \$ 1,295 | |

Clay County, North Carolina
Industrial Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|------------------|------------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ - | \$ - |
| Revenues over (under) expenditures | - | - | \$ - |
| Other financing sources(uses): | | | |
| Operating transfer out: | | | |
| Revaluation Fund | - | - | \$ - |
| Revenues and other sources over (under) expenditures | - | - | \$ - |
| Appropriated fund balance | - | - | \$ - |
| Revenues, other sources, and appropriated fund balance over (under) expenditures | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balance, beginning | | <u>88,078</u> | |
| Fund balance, ending | | <u>\$ 88,078</u> | |

Clay County, North Carolina
School Capital Projects Fund- Capital Building Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

| | Project Author- ization | Current Year | Variance Positive (Negative) |
|---|-------------------------------|-----------------|------------------------------------|
| Revenues | | | |
| Restricted intergovernmental: | | | |
| Public School Building Capital Fund- Lottery | \$ 325,170 | \$ 325,170 | \$ - |
| | - | - | - |
| Total Revenues | 325,170 | 325,170 | - |
| Expenditures | | | |
| Lottery Funds | | | |
| HES, HHS, HMS Roofing/windows | 305,986 | 305,986 | - |
| HES Fire alarm | 10,165 | 10,165 | - |
| HMS & HHS Bleacher repair | 9,019 | 9,019 | - |
| Cafeteria HVAC system | 13,670 | - | 13,670 |
| Total expenditures | 338,840 | 325,170 | 13,670 |
| Revenues under expenditures | (13,670) | - | (13,670) |
| Other financing sources (uses): | | | |
| Transfers in: | | | |
| General Fund | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Revenues and other financing sources over uses | <u>\$ (13,670)</u> | <u>\$ -</u> | <u>\$ (13,670)</u> |
| Fund balance, beginning | | <u>\$ -</u> | |
| Fund balance, ending | | <u>\$ -</u> | |

Clay County, North Carolina
School Capital Projects Fund-Capital Building Fund Needs Based
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

| | Project Author- ization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|---------------|---------------------------|---------------------|------------------------------------|
| Revenues | | | | | |
| Restricted intergovernmental: | | | | | |
| Needs-Based Public School | | | | | |
| Building Capital Fund | \$ 10,212,000 | \$ - | \$ 585,184 | \$ 585,184 | \$ 9,626,816 |
| Investment earnings | - | - | 41 | 41 | (41) |
| Total Revenues | \$ 10,212,000 | \$ - | \$ 585,225 | \$ 585,225 | \$ 9,626,775 |
| Expenditures | | | | | |
| Clay County Primary School: | | | | | |
| Planning/Design Needs Based | 723,724 | - | 585,184 | 585,184 | 138,540 |
| Planning/Design County match | | | 195,094 | | |
| Construction | 12,892,276 | - | - | - | 12,892,276 |
| Total expenditures | 13,616,000 | - | 780,278 | 585,184 | 13,030,816 |
| Revenues under expenditures | (3,404,000) | - | (195,053) | 41 | (3,404,041) |
| Other financing sources (uses): | | | | | |
| Installment obligations issued | | | 3,404,000 | 3,404,000 | |
| Transfers in: | | | | | |
| General Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | 3,404,000 | 3,404,000 | - |
| Revenues and other financing sources over uses | <u>\$ (3,404,000)</u> | <u>\$ -</u> | <u>\$ 3,208,947</u> | <u>\$ 3,404,041</u> | <u>\$ (3,404,041)</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$ 3,208,947</u> | | |

**Clay County, North Carolina
Water and Sewer District Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|------------|------------------------------------|
| Revenues: | | | |
| Charges for services: | | | |
| Water sales: | | | |
| Residential/commercial | | \$ 345,211 | |
| Total | \$ 279,500 | 345,211 | \$ 65,711 |
| Sewer charges: | | | |
| Residential/commercial | | 248,030 | |
| Total | 279,500 | 248,030 | (31,470) |
| Water and sewer taps | - | 13,000 | 13,000 |
| Other operating revenues | 28,000 | 47,537 | 19,537 |
| Total operating revenues | 587,000 | 653,778 | 66,778 |
| Nonoperating revenues: | | | |
| Interest earnings | 500 | 1,083 | 583 |
| Total revenues | 587,500 | 654,861 | 67,361 |
| Other financing sources: | | | |
| Transfers from other funds: | | | |
| General Fund | - | - | - |
| Total revenues and other financing sources | 587,500 | 654,861 | 67,361 |
| | | | (continued) |
| Expenditures: | | | |
| Administration: | | | |
| Salaries and employee benefits | | 249,787 | |
| Travel | | 4,035 | |
| Insurance | | 4,809 | |
| Repairs | | 50,704 | |
| Other operating expenditures | | 171,849 | |
| Total | 482,500 | 481,184 | 1,316 |
| Debt service: | | | |
| Interest and other charges | | 561 | |
| Debt principal | | 11,000 | |
| Total | 14,000 | 11,561 | 2,439 |

**Clay County, North Carolina
Water and Sewer District Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|---|-----------------|----------------|------------------------------------|
| Capital outlay: | | | |
| Vehicles | | - | |
| Machinery and equipment | | - | |
| Water & Sewer Line Expansion | | 31,688 | |
| Total | <u>77,000</u> | <u>31,688</u> | <u>45,312</u> |
| Total expenditures | <u>573,500</u> | <u>524,433</u> | <u>49,067</u> |
| Revenues and other financing sources over expenditures | <u>14,000</u> | 130,428 | <u>116,428</u> |

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

| | |
|--|---------------------|
| Revenue and other financing sources over expenditures | <u>\$ 130,428</u> |
| Reconciling items: | |
| Debt principal | 11,000 |
| Capital outlay | 31,688 |
| Increase in deferred outflows of resources-pensions | 6,308 |
| Increase in net pension liability | (12,142) |
| Decrease in deferred inflows of resources- pensions | 1,371 |
| Increase in accrued vacation pay | (2,091) |
| Decrease in OPEB liability | 6,592 |
| Increase in deferred outflow of resources- OPEB | 3,106 |
| Increase in deferred inflows of resources- OPEB | (1,304) |
| Depreciation | <u>(530,294)</u> |
| Total reconciling items | <u>(485,766)</u> |
| Change in net position | <u>\$ (355,338)</u> |

Clay County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2019

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|------------|------------|-------------------|
| Social Services | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 11,200 | \$ 103,030 | \$ 98,705 | \$ 15,525 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 11,200 | \$ 103,030 | \$ 98,705 | \$ 15,525 |
| Fines and Forfeitures | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 38,794 | \$ 38,794 | \$ - |
| Liabilities: | | | | |
| Intergovernmental payable | \$ - | \$ 38,794 | \$ 38,794 | \$ - |
| Municipal Tax | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 96,654 | \$ 96,654 | \$ - |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ - | \$ 96,654 | \$ 96,654 | \$ - |
| Deed of Trust Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$85,815 | \$85,815 | \$ - |
| Liabilities: | | | | |
| Intergovernmental payable-NC | \$ - | \$85,815 | \$85,815 | \$ - |
| Totals - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 11,200 | \$ 324,293 | \$ 319,968 | \$ 15,525 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 11,200 | \$ 199,684 | \$ 195,359 | \$ 15,525 |
| Intergovernmental payable- Clay County Board of Education | - | 38,794 | 38,794 | - |
| Intergovernmental payable- State of North Carolina | - | 85,815 | 85,815 | - |
| Total liabilities | \$ 11,200 | \$ 324,293 | \$ 319,968 | \$ 15,525 |

Clay County, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2019

| <u>Fiscal Year</u> | <u>Uncollected Beginning Balance</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Ending Balance</u> |
|--------------------|--|------------------|------------------------------------|---|
| 2018-2019 | \$ - | \$ 8,499,047 | 8,290,533 | \$ 208,514 |
| 2017-2018 | 195,806 | - | 102,866 | 92,940 |
| 2016-2017 | 73,650 | - | 24,142 | 49,508 |
| 2015-2016 | 39,247 | - | 5,724 | 33,523 |
| 2014-2015 | 27,944 | - | 2,530 | 25,414 |
| 2013-2014 | 28,308 | - | 2,058 | 26,250 |
| 2012-2013 | 32,540 | - | 930 | 31,610 |
| 2011-2012 | 29,685 | - | 862 | 28,823 |
| 2010-2011 | 24,179 | - | 717 | 23,462 |
| 2009-2010 | 24,475 | - | 584 | 23,891 |
| 2008-2009 | 22,444 | - | 204 | 22,240 |
| 2007-2008 | 18,820 | - | 18,820 | 0 |
| | <u>517,098</u> | <u>8,499,047</u> | <u>8,449,970</u> | <u>566,175</u> |

Less: allowance for uncollectible accounts:
 General Fund (116,446)

Ad valorem taxes receivable - net:
 General Fund \$ 449,729

Reconciliation with revenues:

| | |
|---|---------------------|
| Ad valorem taxes - General Fund | \$ 8,481,235 |
| Penalties collected on ad valorem taxes- Agency Funds | - |
| Reconciling items: | |
| Interest collected | (49,336) |
| Discounts allowed | - |
| Taxes written off | 18,071 |
| Total reconciling items | <u>(31,265)</u> |
| Total collections and credits | <u>\$ 8,449,970</u> |

**Clay County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2019**

| | County - wide | | Total Levy | | |
|---------------------------------------|----------------------|--------|------------------|--|---------------------------|
| | Property Valuation | Rate | Amount of Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current year's rate | 1,940,164,884 | 0.430% | \$ 8,342,709 | \$ 7,854,188 | \$ 488,521 |
| Penalties | | | 6,643 | 6,643 | - |
| Total | 1,940,164,884 | | 8,349,352 | 7,860,831 | 488,521 |
| Discoveries: | | | | | |
| Current year taxes | 42,893,721 | 0.430% | 184,443 | 184,443 | - |
| Prior year taxes | | | 8,421 | 8,421 | |
| Penalties | | | 385 | 385 | |
| Total | 42,893,721 | | 193,249 | 193,249 | 0 |
| Releases | (10,128,837) | 0.430% | (43,554) | (43,554) | - |
| Total property valuation | 1,972,929,767 | | | | |
| Net levy | | | 8,499,047 | 8,010,526 | 488,521 |
| Uncollected taxes at June 30, 2019 | | | 208,514 | 208,514 | - |
| Current year's taxes collected | | | 8,290,533 | 7,802,012 | 488,521 |
| Current levy collection percentage | | | 97.55% | 97.40% | 100.00% |

**Clay County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2019**

| Taxpayer | Type of Business | Assessed Valuation | Percentage of Total Assessed Valuation |
|--------------------------------|-------------------------|-------------------------------|---|
| Blue Ridge Mtn EMC | Utility | 28,952,308 | 1.467% |
| Ingles | Commercial Real Estate | 9,481,788 | 0.481% |
| Coleman Cable | Utility | 5,506,018 | 0.279% |
| Elderberry of Hayesville LLC | Commercial Real Estate | 3,377,394 | 0.171% |
| Hendrikse Nelson J Trustee | Commercial Real Estate | 5,101,848 | 0.259% |
| Advanced Digital Cable | Utility | 4,794,310 | 0.243% |
| Duke Energy Group | Utility | 4,253,482 | 0.216% |
| JWJ of Clay County LLC | Commercial Real Estate | 3,927,500 | 0.199% |
| Nantahala Bank | Commercial Real Estate | 3,550,570 | 0.180% |
| Ridges at Mountain Harbour LLC | Commercial Real Estate | 3,440,635 | 0.174% |
| Total | | <u>72,385,853</u> | <u>3.669%</u> |

COMPLIANCE SECTION

significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shawn Long, CPA

Shawn Powell Long, CPA
Hayesville, North Carolina

November 26, 2019



SHAWN P. LONG, CPA

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Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor’s Report

To Management and the
Members of the Board of Commissioners
Clay County, North Carolina

Report on Compliance for Each Major Federal Program

I have audited the Clay County, North Carolina, compliance with the types of compliance requirements described in the *OMB 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 Clay County’s major federal programs for the year ended June 30, 2019. Clay County’s major Federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of Clay County’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards* (Uniform Guidance) and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay County’s

compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Clay County's compliance with those requirements.

Opinion on Each Major Federal Program

In my opinion, Clay County complied, in all material respects, with the types of compliance 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, 2019.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My 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 significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Shawn Long, CPA

Shawn Powell Long, CPA
Hayesville, North Carolina
November 26, 2019



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Report On Compliance With Requirements Applicable To Each Major State Program and Internal Control Over Compliance; In accordance with OMB Circular the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To Management and the
Members of the Board of Commissioners
Clay County, North Carolina

Report on Compliance for Each Major State Program

I have audited Clay County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Clay County's major state programs for the year ended June 30, 2019. Clay County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Clay County's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes

examining, on a test basis, evidence about Clay County's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of Clay County's compliance.

Opinion on Each Major State Program

In my opinion, Clay County complied, in all material respects, with the types of compliance 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, 2019.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My 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 significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing on internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Shawn Long, CPA

Shawn Powell Long, CPA
Hayesville, North Carolina

November 26, 2019

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section 1- Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? ___ Yes X No

* Significant Deficiency(s) ___ Yes X None reported

Noncompliance material to financial statements noted ___ Yes X No

Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified? ___ Yes X No

* Significant Deficiency(s) identified ___ Yes X None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major federal programs:

| | |
|--------|--|
| 93.778 | Medical Assistance Program (Title XIX- Medicaid) |
| 10.561 | Supplemental Nutrition Assistance Program |
| 93.568 | Low-Income Energy Assistance Block Grant |
| 93.667 | Social Service Block Grant |

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 750,000

Auditee qualify as low-risk auditee? Yes No

State Awards

Medical Assistance Program
Public School Building Capital Fund- Lottery and Needs Based Lottery

Section II. Financial Statement Findings

None reported

III. Federal Award Findings and Questioned Costs

None reported

IV. State Award Findings and Questioned Costs

None reported

CLAY COUNTY

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Corrective Action Plan

For the Fiscal Year Ended June 30, 2019

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

COMMISSIONERS

CHAIRMAN: DR. ROB PECK

CLAY LOGAN • DWIGHT PENLAND • DOUGLAS SCOTT PENLAND • RANDY NICHOLS

CLAY COUNTY

P.O. Box 118 • HAYESVILLE, NORTH CAROLINA 28904 • (828) 389-0089

CLAY COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

Finding: 2018-001
Status: Corrected

Finding: 2018-002
Status: Corrected

Finding: 2017-001
Status: Corrected

Finding: 2017-002
Status: Corrected

Finding: 2017-003
Status: Corrected

Finding: 2016-1
Status: Corrected

Finding: 2015-1
Status: Corrected

Finding: 2014-001
Status: Corrected

COMMISSIONERS

CHAIRMAN: DR. ROB PECK

CLAY LOGAN • DWIGHT PENLAND • DOUGLAS SCOTT PENLAND • RANDY NICHOLS

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Fed. (Direct & Pass-through) Expenditures</u> | <u>State Expenditures</u> | <u>Passed through to Sub- Recipients</u> | <u>Local Expenditures</u> |
|--|------------------------------------|---|--|-------------------------------|--|-------------------------------|
| Federal Awards: | | | | | | |
| <u>U.S. Dept. of Agriculture</u> | | | | | | |
| Passed-through the N.C. Dept. of Health and Human Services: | | | | | | |
| Division of Social Services: | | | | | | |
| Administration: | | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assist. Program | 10.561 | XXXX | 94,149 | - | | 94,149 |
| Total Food Stamp Cluster | | | 94,149 | - | | 94,149 |
| 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 | XXXX | 64,738 | - | | - |
| Total Women, Infants & Children | | | 64,738 | - | | - |
| Total U.S. Department of Agriculture | | | 158,887 | - | | 94,149 |
| <u>U.S. Dept. of Transportation</u> | | | | | | |
| Passed-through the N.C. Department of Transportation: | | | | | | |
| Nonurbanized Area Formula Program | 20.509 | XXXX | 170,536 | - | | - |
| Enhanced Mobility of Seniors and Individuals with Dis | 20.513 | XXXX | 26,136 | - | | - |
| Total U.S. Department of Transportation | | | 196,672 | - | | - |
| <u>U. S. Department of Homeland Security</u> | | | | | | |
| Passed-through N.C. Dept. of Crime Control and Public Safety: | | | | | | |
| Division of Emergency Management | | | | | | |
| Homeland Security Grant Program | 97.067 | XXXX | 30,000 | | | |
| Emergency Management Performance Grants | 97.042 | XXXX | 38,524 | - | | - |
| Total U. S. Department of Homeland Security | | | 68,524 | - | | - |
| <u>U.S. Dept. of Health & Human Services</u> | | | | | | |
| <u> Administration on Aging</u> | | | | | | |
| <u> Division of Aging and Adult Services</u> | | | | | | |
| Passed-through Southwestern NC Planning & Economic Dev Comm: | | | | | | |
| Special Programs for the Aging - Title IIIB | | | | | | |
| Grants for Supportive Services and Senior Centers | 93.044 | XXXX | 84,511 | 4,448 | | - |
| Special Programs for the Aging- Title III-C | 93.045 | XXXX | 64,896 | 3,416 | | - |
| Senior Center Funds | | XXXX | | 7,500 | | - |
| Nutrition Services | | | | | | |
| Total Aging Cluster | | | 149,407 | 15,364 | | - |

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Fed. (Direct & Pass-through) Expenditures</u> | <u>State Expenditures</u> | <u>Passed through to Sub- Recipients</u> | <u>Local Expenditures</u> |
|--|------------------------------------|---|--|-------------------------------|--|-------------------------------|
| <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</u> | | | | | | |
| Title IV-E Foster Care - Administration | 93.658 | XXXX | 116,670 | 7,888 | | 96,003 |
| IV-E Foster Care & Extend Max/Reg | 93.658 | XXXX | 111,835 | 29,553 | | 24,966 |
| Adoption Assistance- Training | 93.659 | XXXX | 151 | - | | 13,423 |
| Total Foster Care and Adoption Cluster | | | 228,656 | 37,441 | | 134,392 |
| Divison of Social Services | | | | | | |
| Work First Adinistration and Service | 93.558 | XXXX | 65,297 | - | | 163,702 |
| Division of Public Health | | | | | | |
| Temporary Assistance for Needy Families | 93.558 | XXXX | 534 | | | |
| Total TANF Cluster | | | 65,831 | - | - | 163,702 |
| Division of Social Services | | | | | | |
| Foster Care | N/A | XXXX | 6,170 | | | 36,330 |
| Child Support Enforcement | 93.563 | XXXX | 114,871 | - | | 59,176 |
| Refugee and Entrant Assistance- State/ Replacement Designee Administered Programs | 93.566 | XXXX | 7 | | | |
| Low-Income Home Energy Assistance Block Grant: | | | | | | |
| Administration | 93.568 | XXXX | 7,753 | - | | - |
| Energy Assistance Payments | 93.568 | XXXX | 66,578 | - | | - |
| Crisis Intervention Program | 93.568 | XXXX | 45,294 | - | | - |
| Total Low-Income Home Energy Assistance | | | 119,625 | | | |
| Family Preservation | | | | | | |
| Child Welfare Services - State Grants | 93.556 | XXXX | 12,287 | - | | - |
| - Permanency Planning - Families for Kids | 93.645 | XXXX | 1,520 | - | | 14 |
| LINKS Independent Living Grant | 93.674 | XXXX | 3,214 | 803 | | - |
| Chafee Foster Care Independence Program | 93.674 | XXXX | 45 | | | |
| Division of Aging and Adult Services: | | | | | | |
| Division of Social Services: | | | | | | |
| Social Service Block Grant | 93.667 | XXXX | 91,596 | - | | 1,330 |
| SSBG - Other Services and Training | 93.667 | XXXX | 48,615 | - | | 16,205 |
| Total Social Service Block Grant | | | 140,211 | | | 17,535 |
| Division of Child Development and Early Education: | | | | | | |
| Subsidized Child Care | | | | | | |
| <u>Child Care Development Fund Cluster</u> | | | | | | |
| Divison of Social Services | | | | | | |
| Child Care Development Fund- Administration | 93.596 | XXXX | 80,000 | | 80,000 | - |
| Total Subsidized Child Care Cluster | | | 80,000 | - | 80,000 | - |

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Fed. (Direct & Pass-through) Expenditures</u> | <u>State Expenditures</u> | <u>Passed through to Sub- Recipients</u> | <u>Local Expenditures</u> |
|--|------------------------------------|---|--|-------------------------------|--|-------------------------------|
| Passed-through the N.C. Dept. of Health and Human Services: | | | | | | |
| Division of Medical Assistance: | | | | | | |
| Division of Social Services: | | | | | | |
| Administration: | | | | | | |
| Medical Assistance Program | 93.778 | XXXX | 417,836 | 1,222 | | 169,816 |
| State Children's Insurance Program - N.C. Health Choi | 93.767 | XXXX | 11,666 | - | | - |
| Passed through NC Dept. of Health and Human Services | | | | | | |
| Division of Public Health | | | | | | |
| Family Planning Services | 93.217 | XXXX | 18,768 | - | | - |
| Care Prevention and Control Programs for State, Preparedness (PHEP) Aligned Coop. Agreements | 93.898 | XXXX | 2,295 | - | | - |
| Health Funds | 93.074 | XXXX | 25,171 | - | | - |
| Immunization Infrastructure and Performance financed in part by Prevention & Public Health | 93.539 | XXXX | 4,656 | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | XXXX | 50 | - | | - |
| Preventive Health Serv-Sexually Transmitted Dis | 93.977 | XXXX | 100 | | | |
| Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health funds (PPHF) | 93.758 | XXXX | 39,946 | | | |
| Maternal and Child Health Services Block Grant | 93.994 | XXXX | 54,208 | 3,662 | | - |
| Total U.S. Department of Health & Human Services | | | 1,496,540 | 58,492 | 80,000 | 580,965 |
| Total federal awards | | | \$ 1,920,623 | \$ 58,492 | \$ 80,000 | \$ 675,114 |
| State Awards: | | | | | | |
| <u>N.C. Dept. of Health and Human Services</u> | | | | | | |
| Division of Social Services: | | | | | | |
| St SHLD Welfare/CPS/CS | | XXXX | - | 17,231 | | - |
| SFSH Maximization | | XXXX | - | 1,503 | | 1,503 |
| County Funded Programs | | XXXX | - | - | | 262,382 |
| Non Allocating County Cost | | XXXX | - | (1,575) | | 99,835 |
| Wrk Frt Non Reimbursable | | XXXX | - | - | | 83,147 |
| State Foster Home | | XXXX | - | 1,758 | | 1,758 |
| Total Division of Social Service | | | - | 18,917 | | 448,625 |
| Division of Public Health | | | | | | |
| Other Receipts/State Supported Expenditures | | | | | | |
| CHA/CHIP Peer Review | | XXXX | - | 76,226 | | - |
| Food and Lodging Fees | | XXXX | - | 4,108 | | - |
| Public Health Nursing | | XXXX | - | 400 | | - |
| Child Health | | XXXX | - | 1,090 | | - |
| STD Drugs | | XXXX | - | 102 | | - |
| Family Planning State | | XXXX | - | 9,998 | | - |

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Fed. (Direct & Pass-through) Expenditures</u> | <u>State Expenditures</u> | <u>Passed through to Sub- Recipients</u> | <u>Local Expenditures</u> |
|---|------------------------------------|---|--|-------------------------------|--|-------------------------------|
| Maternal Health | | XXXX | - | 1,205 | | |
| Women's Health Service Fund | | XXXX | - | 4,742 | | - |
| Breast and Cervical Cancer Program | | XXXX | - | 7,395 | | |
| General Communicable Disease Control | | XXXX | - | 11,294 | | - |
| HIV/STD State | | XXXX | - | 500 | | |
| School Nurse Funding Initiative | | XXXX | - | 50,000 | 50,000 | |
| TB Control | | XXXX | - | 1,210 | | - |
| Total Division of Public Health | | | - | 168,270 | 50,000 | - |
| Total N. C. Department of Health and Human Services | | | - | 187,187 | 50,000 | 448,625 |
| <u>Department of Public Safety</u> | | | | | | |
| Juvenile Crime Prevention Programs | | XXXX | - | 57,041 | 57,041 | - |
| <u>Department of Environmental Quality</u> | | | | | | |
| Community Waste Reduction and Recycling Grant | | XXXX | | 2,100 | | |
| <u>Department of Transportation</u> | | | | | | |
| Rural Capital Program | | 36233.27.20.3 | | 4,069 | | |
| Rural Capital Program | | 36233.27.20.4 | | 190 | | |
| Highway Construction Program | | 36233.27.19.1 | | 2,003 | | |
| Highway Construction Program | | 36233.27.20.1 | | 6,525 | | |
| Highway Construction Program | | 36223.134.1.2 | | 13,298 | | |
| Highway Construction Program | | 36223.134.2.2 | | 44,108 | | |
| Rural Operating Assistance Program (ROAP Cluster) | | | | | | |
| ROAP EDTAP | | 36220.10.8.1 | - | 50,159 | | |
| ROAP Employment | | 36236.11.7.1 | - | 4,638 | | |
| ROAP RGP | | 36228.22.8.1 | - | 46,967 | | |
| Total Rural Operating Asst. Program (ROAP Cluster) | | | | 101,764 | | |
| Total Department of Transportation | | | | 171,957 | | |
| <u>Department of Public Instruction</u> | | | | | | |
| "Students in Crisis"- School Safety Grant | | XXXX | | 69,994 | - | |
| Public School Building Capital Fund-Lottery Proceeds | | XXXX | | 325,170 | 325,170 | |
| Public School Building Capital Fund- Needs Based | | XXXX | | 585,184 | 585,184 | 195,094 |
| Total Department of Public Instruction | | | | 980,348 | 910,354 | |
| <u>N.C. Department of Insurance</u> | | | | | | |
| Shiip Grant | | XXXX | - | 4,272 | | |
| Total State awards | | | - | 1,402,905 | 1,017,395 | 448,625 |
| Total federal and State awards | | | \$ 1,920,623 | \$ 1,461,397 | \$ 1,097,395 | \$ 1,123,739 |

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Fed. (Direct & Pass-through) Expenditures | State Expenditures | Passed through to Sub- Recipients | Local Expenditures |
|---|------------------------------------|---|--|-------------------------------|--|-------------------------------|
|---|------------------------------------|---|--|-------------------------------|--|-------------------------------|

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

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Clay County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of Clay County, it is not intended to and does not present the financial position, changes in net position or cash flows of Clay County.

2. **Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Cluster of Programs**

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.

4. **Indirect Cost Rate**

Clay County has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

5. **Benefit Payments Issued by the State**

The amounts listed below were paid directly to individual recipients by the State from federal and state moneys. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to

| <u>Program Title</u> | <u>CFDA No.</u> | <u>Federal</u> | <u>State</u> |
|---|-----------------|----------------|--------------|
| Special Supplemental Nutrition Program for Women Infants and children | 10.557 | 119,150 | - |
| Supplemental Nutrition Assistance Program | 10.551 | 2,008,293 | |
| Temporary Assistance for Needy Families | 93.558 | 19,257 | |
| Adoption Assistance | 93.659 | 58,924 | 14,357 |
| Foster Care- Title IV-E | 93.658 | 111,835 | 29,552 |
| Medical Assistance Program | 93.778 | 11,474,237 | 6,094,782 |
| Children's Health Insurance Program | 93.767 | 204,446 | |
| Independent Living Transitional | 93.674 | 45 | |
| Child Welfare Services Adoption | | | 38,988 |
| State/County Special Assistance program | | | 84,891 |