

**CLAY COUNTY  
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

Shawn Long  
Certified Public Accountant  
P.O. Box 1248  
Hayesville, NC 28904  
828-389-8043  
Fax 828-389-6438

CLAY COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Stephen Sellers, Board Chairman

Dan McGlamery

Dwight Penland

COUNTY OFFICIALS

Paul Leek, County Manager

Vicki Hogsed, Director of Finance

Melissa Burch, Register of Deeds

Rehnaye Talley, Tax Administrator

Chester M. Jones, County Attorney

**Clay County, North Carolina**  
**Table of Contents**  
**June 30, 2012**

<b>Exhibit</b>		<b>Page</b>
	Financial Section	
	Independent Auditor’s Report	1 – 3
	Management’s Discussion and Analysis	4 – 13
	Basic Financial Statements:	
	Government-wide Financial Statements:	
Exhibit 1	Statement of Net Assets	15
Exhibit 2	Statement of Activities	16 - 17
	Fund Financial Statements:	
Exhibit 3	Balance Sheet – Governmental Funds	18
Exhibit 3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Exhibit 5	Reconciliation of the Statement of Revenue, Expenditures, and Changed in Fund Balance of Governmental Funds to the Statement of Activities	20
Exhibit 6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Emergency Telephone System fund	21-22
Exhibit 7	Statement of Fund Net Assets – Proprietary Fund	23
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	24
Exhibit 9	Statement of Cash Flows – Proprietary Fund	25 – 26
Exhibit 10	Statement of Fiduciary Net Assets – Fiduciary Funds	27

Notes to the Financial Statements	29 - 63
-----------------------------------	---------

Required Supplemental Financial Data:

Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	65
Law Enforcement Officers' Special Separation Allowance– Schedule of Employer Contributions	65
Law Enforcement Officers' Special Separation Allowance- Notes to the Required Schedules	66
Other Post Employment Benefits– Schedule of Funding Progress	67
Other Post Employment Benefits– Schedule of Employer Contributions	67
Other Post Employment Benefits– Notes to the Required Schedules	68

Combining and Individual Fund Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund- Budget and Actual	70-78
Statement of Revenues, Expenditures, and Changes in Fund Balances – Emergency Telephone System Fund- Budget and Actual	79
Combining Balance Sheet- Nonmajor Governmental Funds	81-82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance- Nonmajor Governmental Funds	83-84
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
CDBG Fund	85
Fire District Fund	86

Industrial Fund	87
Department of Social Service Building Capital Project	88
School Capital Project Fund	89
Water & Sewer District Fund (Non- GAAP)	90 – 91
Capital Project- Hwy 69 Waterline Project	92
Capital Project- Jack Rabbit Recreation Sewer Connection	93
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	94
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	96
Analysis of Current Tax Levy – County-Wide Levy	97
Secondary Market Disclosures	98
Ten Largest Taxpayers	99
Compliance Section:	
	101 –102
Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	
Report On Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	103 –104
Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and The State Single Audit Implementation Act	105 –106

Schedule of Findings and Questioned Costs	107 –109
Corrective Action Plan	110
Summary Schedule of Prior Year Audit Findings	111
Schedule of Expenditures of Federal & State Awards	112 - 116



# SHAWN P. LONG, CPA

PO BOX 1248  
ON THE SQUARE  
HAYESVILLE, NC 28904

Telephone (828) 389-8043

## INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners  
Clay County, North Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Clay County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clay County, North Carolina's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of Clay County ABC Board. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the financial statements, insofar as it relates to the amounts included for the Clay County ABC Board is based 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 of material misstatement. The financial statements of Clay County ABC Board were not audited in accordance with *Governmental Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the report of other auditors provide a reasonable basis for our 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Emergency Telephone System Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

In accordance with Government Auditing Standards, I have also issued a report dated November 28, 2012 on my consideration of Clay County's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 4-13 and 65-68, respectively, 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 operational, economic, or historical context. We and the other auditors 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, 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.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The combining and individual nonmajor fund statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements,



budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied by me and the other auditors 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor 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 taken as a whole.

**X** *Shawn P Long, CPA*

---

Shawn Long  
CPA

Shawn Powell Long  
Certified Public Accountant

November 28, 2012

## 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, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

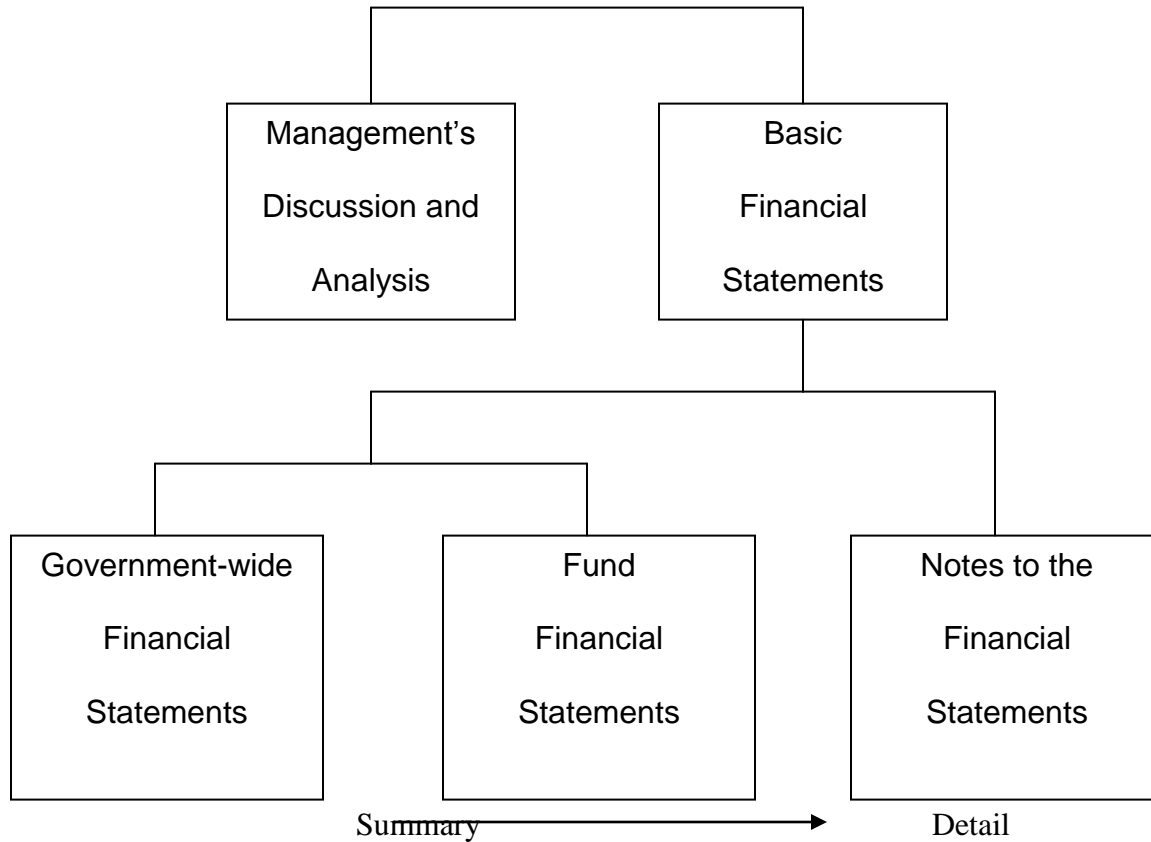
- The assets of Clay County exceeded its liabilities at the close of the fiscal year by \$ 20,806,727 (*net assets*).
- The government's total net assets increased by \$1,820,432, due to increased net assets in the Governmental Funds of \$ 1,454,746 and Water & Sewer Fund of \$ 365,686.
- As of the close of the current fiscal year, Clay County's governmental funds reported combined ending fund balances of \$ 6,549,445, after a net decrease in fund balance of \$ 1,383,202. Approximately 63.76 percent of this total amount or \$4,176,145 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,373,300 or 15.47 percent of total general fund expenditures for the fiscal year.
- Clay County's total debt decreased by \$ 1,194,868 during the current fiscal year. The key factor in this change was the repayment of long term debt.
- Clay County maintained its AAA bond rating.

### 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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gage 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 resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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 Assets and the Statement of Activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 assets may serve over time as one useful indicator of a government's financial condition. The assets of Clay County exceeded liabilities by \$ 20,806,727 as of June 30, 2012. The County's net assets increased by \$ 1,820,432 for the fiscal year ended June 30, 2012. One of the largest portions \$15,210,047 (73.10%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. 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 assets \$4,072,625 (19.58%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 1,524,055 (7.32%) is unrestricted.

## Clay County's Net Assets

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 8,298,544	\$ 9,627,965	\$ 57,234	\$ 120,225	\$ 8,355,778	\$ 9,748,190
Capital assets	20,843,330	19,283,658	5,344,648	4,912,081	26,187,978	24,195,739
Total assets	<u>29,141,874</u>	<u>28,911,623</u>	<u>5,401,882</u>	<u>5,032,306</u>	<u>34,543,756</u>	<u>33,943,929</u>
Long-term liabilities						
Outstanding	12,543,737	13,733,577	99,604	104,632	12,643,341	13,838,209
Other liabilities	1,010,307	1,049,945	83,381	74,463	1,093,688	1,124,408
Total liabilities	<u>13,554,044</u>	<u>14,783,522</u>	<u>182,985</u>	<u>179,095</u>	<u>13,737,029</u>	<u>14,962,617</u>
Net assets:						
Invested in capital assets,						
Net of related debt	9,944,399	6,152,086	5,265,648	4,823,081	15,210,047	10,975,167
Restricted	4,072,625	3,651,452	-0-	-0-	4,072,625	3,651,452
Unrestricted	1,570,806	4,324,563	(46,751)	30,130	1,524,055	4,354,693
Total net assets	<u>\$ 15,587,830</u>	<u>14,128,101</u>	<u>5,218,897</u>	<u>4,853,211</u>	<u>20,806,727</u>	<u>\$ 18,981,312</u>

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

- Continued diligence in the collection of property taxes by maintaining a high collection percentage of 94.85 %.
- Continued low cost of debt due to the County's high bond rating.

## Clay County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,647,013	\$ 1,706,820	\$ 486,481	\$ 429,042	\$ 2,133,494	\$ 2,135,862
Operating grants and Contributions	5,067,938	3,923,638	-0-	-0-	5,067,938	3,923,638
Capital grants and Contributions	49,031	-0-	662,447	1,095,237	711,478	1,095,237
General revenues:						
Property taxes	8,060,032	7,258,713	-0-	-0-	8,060,032	7,258,713
Other taxes	1,704,749	1,826,853	-0-	-0-	1,704,749	1,826,853
Grants and contributions not restricted to specific programs	420,734	404,733	-0-	-0-	420,734	404,733
Other	131,072	101,222	30	1,613	131,102	102,835
<b>Total revenues</b>	<b>17,080,569</b>	<b>15,221,979</b>	<b>1,148,958</b>	<b>1,525,892</b>	<b>18,229,527</b>	<b>16,747,871</b>
Expenses:						
General government	3,138,042	3,172,570	-0-	-0-	3,138,042	3,172,570
Public safety	4,080,110	4,185,428	-0-	-0-	4,080,110	4,185,428
Transportation	627,183	599,438	-0-	-0-	627,183	599,438
Economic and physical Development	872,116	683,200	-0-	-0-	872,116	683,200
Human services	4,559,810	3,797,286	-0-	-0-	4,559,810	3,797,286
Cultural and recreation	343,442	310,585	-0-	-0-	343,442	310,585
Education	1,439,266	1,794,855	-0-	-0-	1,439,266	1,794,855
Interest on long-term Debt	460,170	423,720	-0-	-0-	460,170	423,720
Water and sewer	-0-	-0-	888,956	861,112	888,956	861,112
<b>Total expenses</b>	<b>15,520,139</b>	<b>14,967,082</b>	<b>888,956</b>	<b>861,112</b>	<b>16,409,095</b>	<b>15,828,194</b>
Increase in net assets Before transfers and Special items	1,560,430	254,897	260,002	664,780	1,820,432	919,677
Transfers	(105,684)	72,458	105,684	(72,458)	-0-	-0-
Increase in net assets	1,454,746	327,355	365,686	592,322	1,820,432	919,677
Net assets, beginning as previously reported	14,128,101	13,754,299	4,853,211	4,272,818	18,981,312	18,027,117
Prior period adjustments (Note III.D.)	4,983	46,447	-0-	(11,929)	4,983	34,518
Net assets, beginning as restated	14,133,084	13,800,746	4,853,211	4,260,889	18,986,295	18,061,635
<b>Net assets, ending</b>	<b>\$ 15,587,830</b>	<b>14,128,101</b>	<b>5,218,897</b>	<b>4,853,211</b>	<b>20,806,727</b>	<b>\$ 18,981,312</b>

**Governmental activities.** Governmental activities increased the County's net assets by \$ 1,454,746, thereby accounting for 79.91% total growth in the assets of Clay County. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 94.85%

**Business-type activities:** Business-type activities increased Clay County's net assets by \$ 365,686 accounting for 20.09% of the total growth in the government's net assets. Key element of this increase is as follows:

- Increased in capital grants

### **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 available in the General Fund was \$2,373,300 while total fund balance reached \$ 6,321,633. 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 15.47% of general fund expenditures, while total fund balance represents 41.23% of that same amount.

At June 30, 2012, the governmental funds of Clay County reported a combined fund balance of \$6,549,445, a decrease of \$ 1,383,202 over last year. The primary reason for this decrease is the completion of the DSS Building Capital Project.

**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 \$1,217,654.

**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 assets of the Water and Sewer District amounted to negative \$ 46,751. The total growth in net assets for this fund was \$ 365,686. 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, 2012, totals \$ 26,187,978 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction of Capital Project Hwy 69
- Completion of Capital Project Jack Rabbit Sewer Connection
- Completion of Capital Project DSS Building
- Purchased new equipment and vehicles for various Departments

### Clay County's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 459,714	459,714	\$ 108,280	\$ 108,280	\$ 567,994	\$ 567,994
Buildings and System	15,533,548	14,147,328	4,829,719	3,708,564	20,363,267	17,855,892
Improvements Other than Buildings	1,056,204	1,111,794	-0-	-0-	1,056,204	1,111,794
Machinery and Equipment	1,547,992	835,289	-0-	-0-	1,547,992	835,289
Vehicles and Motorized equipment	962,603	1,072,132	-0-	-0-	962,603	1,072,132
Construction in Progress	1,283,269	1,657,401	406,649	1,095,237	1,689,918	2,752,638
Total	\$ 20,843,330	19,283,658	5,344,648	4,912,081	26,187,978	\$ 24,195,739

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, 2012, Clay County had total bonded debt outstanding of \$ 12,643,341 all of which is debt backed by the full faith and credit of the County.

### Clay County's Outstanding Debt

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bond	\$ 740,000	\$ 845,000	-0-	\$ -0-	740,000	\$ 845,000
QZAB	258,917	290,140	-0-	-0-	258,917	290,140
Installment Purchases	10,898,931	11,996,432	-0-	-0-	10,898,931	11,996,432
Notes Payable	-0-	-0-	79,000	89,000	79,000	89,000
Net Pension Obligation	60,657	47,385	-0-	-0-	60,657	47,385
Other Post Employment Benefits	365,888	250,939	11,295	7,073	377,183	258,012
Compensated absences	219,344	303,681	9,309	8,559	228,653	312,240
<b>Total</b>	<b>\$ 12,543,737</b>	<b>\$ 13,733,577</b>	<b>\$ 99,604</b>	<b>\$ 104,632</b>	<b>\$ 12,643,341</b>	<b>\$ 13,838,209</b>

Clay County's total debt decreased by \$1,194,868 during the past fiscal year, primarily due to debt reduction.

As mentioned in the financial highlights section of this document, Clay County maintained for the 17<sup>th</sup> consecutive year, its Aaa bond rating from Moody's Investor Service and AAA rating from Standard and Poor's Corporation. This bond rating is a clear indication of the sound financial condition of Clay County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Clay County is \$166,858,244.

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, 2013**

**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 increase slightly at \$ 15,797,250

.

### **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 Assets**  
**June 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clay County ABC Board
<b>ASSETS</b>				
Cash and cash equivalents	5,742,589	\$ -	\$ 5,742,589	\$ 169,597
Receivables (net)	1,981,342	321,202	2,302,544	-
Due from other governments	274,071	-	274,071	-
Inventories	-	-	-	230,105
Internal Balances	274,563	(274,563)	-	-
Deferred Bond Refunding Charges	10,537	-	10,537	-
Prepaid Items	15,442	-	15,442	6,857
Restricted cash & cash equivalents	-	10,595	10,595	-
Capital assets:				
Land, and construction in progress	1,742,983	514,929	2,257,912	-
Other capital assets, net of depreciation	19,100,347	4,829,719	23,930,066	10,786
Total capital assets	20,843,330	5,344,648	26,187,978	10,786
Total assets	29,141,874	5,401,882	34,543,756	417,345
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	818,964	9,881	828,845	124,453
Unearned revenue	191,343	-	191,343	-
Payable from restricted assets	-	73,500	73,500	-
Long-term liabilities:				
Due within one year	1,247,130	10,450	1,257,580	-
Due in more than one year	11,296,607	89,154	11,385,761	2,878
Total liabilities	13,554,044	182,985	13,737,029	127,331
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,944,399	5,265,648	15,210,047	10,786
Restricted				
Stabilization of State Statute	1,801,721	-	1,801,721	50,254
Human Services Capital	2,157,770	-	2,157,770	-
Public Safety	113,134	-	113,134	-
Unrestricted (deficit)	1,570,806	(46,751)	1,524,055	228,974
Total net assets	\$ 15,587,830	\$ 5,218,897	\$ 20,806,727	\$ 290,014

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, 2012**

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 3,138,042	\$ 149,755	\$ 126,027	\$ -
Public safety	4,080,110	654,070	488,713	-
Transportation	627,183	52,595	302,156	-
Economic and physical developmen	872,116	296,190	253,329	-
Human services	4,559,810	371,145	3,897,713	-
Cultural and recreation	343,442	123,258	-	-
Education	1,439,266	-	-	49,031
Interest on long-term debt	460,170	-	-	-
Total governmental activities	15,520,139	1,647,013	5,067,938	49,031
Business-type activities:				
Water and Sewer	888,956	486,481	-	662,447
Total business-type activities	888,956	486,481	-	662,447
	\$ 16,409,095	\$ 2,133,494	\$ 5,067,938	\$ 711,478
Component unit:				
ABC Board	1,155,246	1,306,595	-	-
Total component unit	1,155,246	1,306,595	-	-
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Grants and contributions not restricted to specific programs				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Total general revenues excluding transfers and special items				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets, beginning as previously reported				
Prior period adjustment (Note III.D)				
Net assets, beginning as restated				
Net assets, ending				

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

Exhibit 2

<b>Net (Expense) Revenue and Changes in Net Assets</b>					
<b>Primary Government</b>			<b>Component Unit</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Clay County ABC Board</b>		
\$ (2,862,260)	\$ -	\$ (2,862,260)	\$ -		
(2,937,327)	-	(2,937,327)	-		
(272,432)	-	(272,432)	-		
(322,597)	-	(322,597)	-		
(290,952)	-	(290,952)	-		
(220,184)	-	(220,184)	-		
(1,390,235)	-	(1,390,235)	-		
(460,170)	-	(460,170)	-		
<b>(8,756,157)</b>	<b>-</b>	<b>(8,756,157)</b>	<b>-</b>		
-	259,972	259,972	-		
-	259,972	259,972	-		
<b>(8,756,157)</b>	<b>259,972</b>	<b>(8,496,185)</b>	<b>-</b>		
-	-	-	151,349		
-	-	-	151,349		
8,060,032	-	8,060,032	-		
1,631,452	-	1,631,452	-		
73,297	-	73,297	-		
420,734	-	420,734	-		
7,038	30	7,068	-		
124,034	-	124,034	-		
10,316,587	30	10,316,617	-		
(105,684)	105,684	-	-		
10,210,903	105,714	10,316,617	151,349		
1,454,746	365,686	1,820,432	151,349		
14,128,101	4,853,211	18,981,312	138,665		
4,983	-	4,983	-		
14,133,084	4,853,211	18,986,295	138,665		
<b>\$ 15,587,830</b>	<b>\$ 5,218,897</b>	<b>\$ 20,806,727</b>	<b>\$ 290,014</b>		

**Clay County, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	Major		Non-Major		Total Governmental Funds
	General	Emergency Telephone System Fund	Other Governmental Funds		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,252,251	\$ 385,852	\$ 104,486	\$	5,742,589
Receivables, net	1,898,978	26,600	55,764		1,981,342
Due from other governments	274,071	-	-		274,071
Due from other funds	274,563	-	-		274,563
Prepaid items	15,442	-	-		15,442
<b>Total assets</b>	<b>\$ 7,715,305</b>	<b>\$ 412,452</b>	<b>\$ 160,250</b>	<b>\$</b>	<b>8,288,007</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 529,838	\$ 272,718	\$ 16,408	\$	818,964
Due to Other Funds	-	-	-		-
Deferred revenue	672,491	-	55,764		728,255
Unearned revenue	191,343	-	-		191,343
<b>Total liabilities</b>	<b>1,393,672</b>	<b>272,718</b>	<b>72,172</b>		<b>1,738,562</b>
Fund balances:					
Nonspendable:					
Prepays	15,442	-	-		15,442
Restricted:					
Stabilization by State Statute	1,775,121	26,600	-		1,801,721
Public Safety	-	113,134	-		113,134
Assigned :					
Subsequent year's expenditures	-	-	-		-
Special revenue fund	-	-	88,078		88,078
Human Services Capital	2,157,770	-	-		2,157,770
Unassigned :	2,373,300	-	-		2,373,300
<b>Total fund balances</b>	<b>6,321,633</b>	<b>139,734</b>	<b>88,078</b>		<b>6,549,445</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,715,305</b>	<b>\$ 412,452</b>	<b>\$ 160,250</b>	<b>\$</b>	<b>8,288,007</b>

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

Deferred charges related to advance refunding bond issue	10,537
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,843,330
Liabilities for earned but deferred revenues in fund statements.	728,255
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(12,543,737)
<b>Net assets of governmental activities</b>	<b>15,587,830</b>

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, 2012**

	Major		Non-Major	Total
	General Fund	Emergency Telephone System Fund	Other Governmental Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 7,492,761	\$ -	\$ 471,797	\$ 7,964,558
Local option sales taxes	1,631,452	-	-	1,631,452
Other taxes and licenses	73,297	-	-	73,297
Unrestricted intergovernmental	420,734	-	-	420,734
Restricted intergovernmental	4,537,465	313,144	266,360	5,116,969
Permits and fees	542,300	-	-	542,300
Sales and services	1,104,713	-	-	1,104,713
Investment earnings	5,679	586	773	7,038
Miscellaneous	124,034	-	-	124,034
Total revenues	<u>15,932,435</u>	<u>313,730</u>	<u>738,930</u>	<u>16,985,095</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,449,441	-	-	2,449,441
Public safety	3,408,320	137,781	471,797	4,017,898
Transportation	603,522	-	-	603,522
Economic and physical development	640,849	-	217,329	858,178
Human services	4,703,891	-	-	4,703,891
Cultural and recreational	390,107	-	-	390,107
Intergovernmental:				
Education	1,390,235	-	-	1,390,235
Capital outlay	-	386,795	1,773,635	2,160,430
Debt service:				
Principal	1,287,623	-	-	1,287,623
Interest	460,170	-	-	460,170
Total expenditures	<u>15,334,158</u>	<u>524,576</u>	<u>2,462,761</u>	<u>18,321,495</u>
Excess (deficiency) of revenues over expenditures	598,277	(210,846)	(1,723,831)	(1,336,400)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	(97,247)	-	97,247	-
Transfers to other funds	(105,684)	-	-	(105,684)
Discount on debt issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Installment purchase obligations issued	53,899	-	-	53,899
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources and uses	<u>(149,032)</u>	<u>-</u>	<u>97,247</u>	<u>(51,785)</u>
Net change in fund balance	449,245	(210,846)	(1,626,584)	(1,388,185)
Fund balances, beginning as previously reported	5,872,388	345,597	1,714,662	7,932,647
Prior period adjustment (Note III.D)	-	4,983	-	4,983.00
Fund balances, beginning as restated	<u>5,872,388</u>	<u>350,580</u>	<u>1,714,662</u>	<u>7,937,630</u>
Fund balances, ending	<u>\$ 6,321,633</u>	<u>\$ 139,734</u>	<u>\$ 88,078</u>	<u>\$ 6,549,445</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, 2012**

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

Net changes in fund balances - total governmental funds	\$ (1,388,185)
---	----------------

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

Capital outlay expenditures which were capitalized	\$ 2,623,379	
Depreciation expense for governmental assets	(1,063,707)	
		1,559,672

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	95,474
---	--------

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	1,233,724
--	-----------

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.

Compensated absences & Pension Obligation	71,065
Increase in Other Post Employee Benefits	(114,949)
Amortization of Bond Proceeds	(2,055)
	(145,939)

Total changes in net assets of governmental activities	\$ 1,454,746
--	--------------

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

**Clay County, North Carolina**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<b>General Fund</b>			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 7,150,500	\$ 7,260,245	\$ 7,492,761	\$ 232,516
Local option sales tax	1,650,000	2,150,000	1,631,452	(518,548)
Other taxes and licenses	108,000	108,000	73,297	(34,703)
Unrestricted intergovernmental	384,000	384,000	420,734	36,734
Restricted intergovernmental	4,300,000	4,708,723	4,537,465	(171,258)
Permits and fees	580,000	589,513	542,300	(47,213)
Sales and services	1,200,000	1,277,992	1,104,713	(173,279)
Investment earnings	20,000	50,000	5,679	(44,321)
Miscellaneous	66,500	148,181	124,034	(24,147)
Total revenues	<u>15,459,000</u>	<u>16,676,654</u>	<u>15,932,435</u>	<u>(744,219)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,699,000	2,627,076	2,449,441	177,635
Public safety	3,545,600	3,516,229	3,408,320	107,909
Transportation	780,100	775,199	603,522	171,677
Economic and physical development	650,582	688,267	640,849	47,418
Human services	4,781,000	5,480,611	4,703,891	776,720
Cultural and recreational	390,320	400,588	390,107	10,481
<b>Intergovernmental:</b>				
Education	1,390,235	1,414,980	1,390,235	24,745
<b>Debt service:</b>				
Principal retirement	1,287,320	1,287,623	1,287,623	-
Interest and other charges	460,480	466,660	460,170	6,490
Total expenditures	<u>15,984,637</u>	<u>16,657,233</u>	<u>15,334,158</u>	<u>1,323,075</u>
Revenues over (under) expenditures	<u>(525,637)</u>	<u>19,421</u>	<u>598,277</u>	<u>578,856</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(205,000)	(205,000)	(202,931)	2,069
Installment obligations issued	55,000	55,000	53,899	(1,101)
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(149,032)</u>	<u>968</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (675,637)</u>	<u>\$ (130,579)</u>	<u>449,245</u>	<u>579,824</u>
Appropriated Fund Balance	675,637	130,579	-	(130,579)
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>449,245</u>	<u>449,245</u>
Fund balances, beginning as previously reported			5,872,388	
Prior period adjustment (Note III.D)			-	
Fund balances, beginning as restated			<u>5,872,388</u>	
Fund balances, ending			<u>\$ 6,321,633</u>	

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

Exhibit 6

Emergency Telepone System Fund			
Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
765,599	765,599	313,144	(452,455)
-	-	-	-
-	-	586	586
-	-	-	-
<u>765,599</u>	<u>765,599</u>	<u>313,730</u>	<u>(451,869)</u>
-	-	-	-
765,599	765,599	524,576	241,023
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>765,599</u>	<u>765,599</u>	<u>524,576</u>	<u>241,023</u>
-	-	(210,846)	(210,846)
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>(210,846)</u>	<u>(210,846)</u>
-	-	-	-
<u>\$ -</u>	<u>-</u>	<u>(210,846)</u>	<u>(210,846)</u>
		345,597	
		4,983	
		<u>350,580</u>	
		<u>\$ 139,734</u>	

**Clay County, North Carolina  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012**

	<b>Water and Sewer District</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ -
Receivables, net	321,202	321,202
Restricted cash and cash equivalents	10,595	10,595
Total current assets	331,797	331,797
Noncurrent assets:		
Capital assets:		
Land, improvements, and construction in progress	514,929	514,929
Other capital assets, net of depreciation	4,829,719	4,829,719
Total capital assets	5,344,648	5,344,648
Total noncurrent assets	5,344,648	5,344,648
Total assets	5,676,445	5,676,445
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	9,881	9,881
Due to other funds	274,563	274,563
Notes Payable- current	10,450	10,450
Liabilities payable from restricted assets:		
Customer deposits	73,500	73,500
Total current liabilities	368,394	368,394
Noncurrent liabilities:		
Other postemployment benefits	11,295	11,295
Compensated absences	9,309	9,309
Notes Payable- noncurrent	68,550	68,550
Total noncurrent liabilities	89,154	89,154
Total liabilities	457,548	457,548
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,265,648	5,265,648
Unrestricted	(46,751)	(46,751)
Total net assets	5,218,897	5,218,897

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

**Clay County, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<b>Water and Sewer District</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 423,721	\$ 423,721
Water and sewer taps	1,000	1,000
Miscellaneous	61,760	61,760
Total operating revenues	486,481	486,481
<b>OPERATING EXPENSES</b>		
Administration	571,566	571,566
Depreciation	312,940	312,940
Total operating expenses	884,506	884,506
Operating income (loss)	(398,025)	(398,025)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	30	30
Interest expense and fees	(4,450)	(4,450)
Total nonoperating revenue (expenses)	(4,420)	(4,420)
<b>Income (loss) before contributions and transfers</b>	<b>(402,445)</b>	<b>(402,445)</b>
Capital Contributions	662,447	662,447
Transfers from General	105,684	105,684
<b>Change in net assets</b>	<b>365,686</b>	<b>365,686</b>
Total net assets, beginning	\$ 4,853,211	\$ 4,853,211
Total net assets, ending	\$ 5,218,897	\$ 5,218,897

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

**Clay County, North Carolina  
Statement of Cash Flows  
Enterprise Fund  
For The Fiscal Year Ended June 30, 2012**

	<b>Water and Sewer District</b>	<b>Totals June 30, 2012</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 411,459	\$ 411,459
Cash paid for goods and services	(276,652)	(276,652)
Cash paid to employees for services	(281,524)	(281,524)
Customer deposits received	10,900	10,900
Customer deposits returned	(10,400)	(10,400)
Other operating revenue	61,760	61,760
Net cash provided by operating activities	(84,457)	(84,457)
<b>Cash flows from noncapital financing activities</b>		
Transfer from other funds	105,684	105,684
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(745,507)	(745,507)
Principal paid on notes payables and installment purchases	(10,000)	(10,000)
Due to other funds repayment	(139,598)	(139,598)
Interest paid on note payable and installment purchases	(4,450)	(4,450)
Capital contributions	850,164	850,164
Net cash used by capital and related financing activities	(49,391)	(49,391)
<b>Cash flows from investing activities:</b>		
Interest on investments	30	30
Net increase (decrease) in cash and cash equivalents	(28,134)	(28,134)
Cash and cash equivalents, beginning	38,729	38,729
Cash and cash equivalents, ending	\$ 10,595	\$ 10,595

(continued)

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

**Clay County, North Carolina  
Statement of Cash Flows  
Enterprise Fund  
For The Fiscal Year Ended June 30, 2012**

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

Operating income	<u>\$ (398,025)</u>	<u>\$ (398,025)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	312,940	312,940
Provision for uncollectible accounts		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(13,262)	(13,262)
Increase (decrease) in accounts payable	8,418	
Increase (decrease) in accrued vacation	750	
Increase (decrease) in OPEB	4,222	
Increase (decrease) in customer deposits	<u>500</u>	<u>500</u>
Total adjustments	<u>313,568</u>	<u>313,568</u>
Net cash provided by operating activities	<u><u>\$ (84,457)</u></u>	<u><u>\$ (84,457)</u></u>

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



**Clay County, North Carolina  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2012**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 12,670</u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Miscellaneous liabilities	12,670
Intergovernmental payable	<u>-</u>
Total liabilities	<u>12,670</u>
Net assets:	
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, 2012**

**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 three-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 entity for which the County is financially accountable. Clay County Water District (the *District*) exists to provide and maintain a water system 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 Statute to distribute its surplus to the General Fund of the County.	Clay County ABC Board 48 Creekside Circle 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 assets and the statement of activities display information about the primary government (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 fund 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. Nonoperating 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 fund:

*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.

*The Emergency Telephone System.* These funds are used to account for the restricted funds that are received from the Emergency Telephone System.

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:

*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 and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Town of Hayesville Ad Valorem Tax Fund, which accounts for the ad valorem taxes that are billed and collected by the County for the Town of Hayesville; and the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within 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 remitted to the State Treasurer on a monthly basis.

*Nonmajor Funds.* The County maintains five legally budgeted non-major governmental funds. The Industrial Fund, the Fire District Fund, and the CDBG Fund are reported as nonmajor special revenue funds. The Department of Social Services Building Capital Project Fund and the School Capital Project Fund are reported as capital projects funds.

*Nonmajor Water and Sewer Capital Project Funds.* These funds are used to account for Hwy 69 Water Project and Jack Rabbit Sewer Connection Project.

### **Measurement Focus, Basis of Accounting**

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Clay County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

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

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

### **C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and 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, which 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, 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 County and the ABC Board's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

## **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 essentially demand deposits and are considered cash and cash equivalents. The ABC Board consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, 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.

## **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, 2011. 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.

## **7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer Software	5
Computer equipment	3

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Furniture and equipment	3-7
Leasehold improvements	10 – 20

**8. Long-term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

## **9. Compensated Absences**

The vacation policy of the County provide 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.

## **10. Net Assets/Fund Balances**

### **Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either 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-portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

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.

Assigned Human Services Capital - portion of the fund balance that has been budgeted by the board for the construction of a new Health Department.

Assigned Special Revenue Fund –portion of the fund balance that Clay County intends to use for the Industrial Fund.

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 manor 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.

**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 assets.**

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$ 9,038,385 consists of several elements as follows:

<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)	\$ 31,265,556
Less accumulated depreciation	<u>(10,422,226)</u>
Net capital assets	\$ 20,843,330
Deferred charges related to advance refunding bond issued – included on government-wide statement of net assets but are not current financial resources	10,537
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	728,255
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	( 11,897,848)
Compensated absences	( 219,344)
Other Post Employment Benefits	( 365,888)
Pension obligation	<u>( 60,657)</u>
Total adjustment	<u>\$ 9,038,385</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 assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$ 2,842,931 as follows:

<b>Description</b>	<b>Amount</b>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,623,379
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	(1,063,707)
New debt issued during the year is recorded as a source of funds on the fund statements; it has not effect on the statement of activities – it affects only the government wide statement of net assets	(53,899)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	1,287,623
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	
Amortization of refunding costs not recorded on fund statements	( 2,055)
Compensated absences, other post employment benefits and pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	( 43,884)

continued on next page

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements

Reversal of deferred tax revenue recorded at 7/01/11	( 632,781)
Recording of tax receipts deferred in the fund statements	
As of 6/30/12	<u>728,255</u>
Total Adjustment	<u>\$ 2,842,931</u>

### **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, 2012, the County's deposits had a carrying amount \$ 1,491,780 and a bank balance of \$ 1,659,535. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,409,535 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2012, Clay County had \$ 564 cash on hand.

Clay County's Enterprise Fund – Water and Sewer, had calculated restricted cash of \$73,500 for customer deposits at June 30, 2012. However, the amount of total cash in the Water and Sewer fund at June 30, 2012 was \$10,595, all of which was shown as restricted cash. The net difference of \$62,905 was used in the service for which the deposits were collected.

At June 30, 2012, the carrying amount of deposits for Clay County ABC Board was \$167,893 and the bank balance was \$146,834. All of the bank balance was covered by federal depository insurance.

## 2. Investments

As of June 30, 2012, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than		
		6 Months	6-12 Months	1-3 Years
NC Capital Management Trust – Cash Portfolio	\$ 4,262,915	N/A	N/A	N/A
Total	\$ 4,262,915	\$ -0-	\$ -0-	\$ -0-

*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 Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2012.

## 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
2009	299,649	35,958	335,607
2010	305,447	27,490	332,937
2011	369,396	25,858	395,254
2012	416,301	-0-	416,301
Total	\$ 1,390,793	\$ 89,306	\$ 1,480,099



#### 4. Receivables

Receivables at the government-wide level at June 30, 2012, were as follows:

	<b>Accounts</b>	<b>Taxes and Related Accrued Interest</b>	<b>Total</b>
Government			
Activities:			
General	\$ 1,226,487	\$ 831,618	\$ 2,058,105
Other			
Governmental	26,600	55,764	82,364
Total receivables	<u>1,253,087</u>	<u>887,382</u>	<u>2,140,469</u>
Allowance for			
Doubtful accounts	<u>-0-</u>	<u>( 159,127)</u>	<u>(159,127)</u>
Total governmental			
Activities	<u>\$ 1,253,087</u>	<u>\$ 728,255</u>	<u>\$ 1,981,342</u>
Amounts not			
Scheduled for			
Collection during			
The subsequent			
Year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Business-type			
Activities			
Water & Sewer	321,202	-0-	321,202
Total Receivables	321,202		321,202
Allowance for			
Doubtful accounts	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total business-type			
Activities	<u>\$ 321,202</u>	<u>\$ -0-</u>	<u>\$ 321,202</u>

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

Local option sales tax	\$ 272,240
White goods disposal tax	842
Scrap tire tax	<u>989</u>
 Total	 <u>\$ 274,071</u>

## 5. Capital Assets

### Primary Government

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 459,714	\$ -0-	\$ -0-	\$ 459,714
Construction in progress	1,657,401	1,724,604	(2,098,736)	1,283,269
Total capital assets not being depreciated	<u>2,117,115</u>	<u>1,724,604</u>	<u>(2,098,736)</u>	<u>1,742,983</u>
<b>Capital assets being depreciated:</b>				
Buildings	18,389,423	2,098,736	-0-	20,488,159
Other improvements	2,393,528	-0-	-0-	2,393,528
Computer Software	-	-	-	-
Equipment	2,722,882	806,232	-0-	3,529,114
Vehicles and motor equipment	3,019,229	92,543	-0-	3,111,772
Total capital assets being depreciated	<u>26,525,062</u>	<u>2,997,511</u>	<u>-0-</u>	<u>29,522,573</u>
Less accumulated depreciation for:				
Buildings	4,242,095	712,516	-0-	4,954,611
Other improvements	1,281,734	55,590	-0-	1,337,324
Equipment	1,887,593	93,529	-0-	1,981,122
Computer Software	-	-	-	-
Vehicles and motor equipment	1,947,097	202,072	-0-	2,149,169
Total accumulated depreciation	<u>9,358,519</u>	<u>1,063,707</u>	<u>-0-</u>	<u>10,422,226</u>
Total capital assets being Depreciated, net	<u>17,166,543</u>			<u>19,100,347</u>
<b>Governmental activity capital assets, net</b>	<b><u>\$19,283,658</u></b>			<b><u>\$20,843,330</u></b>

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

General government	\$ 683,684
Public safety	105,247
Transportation	60,458
Economic and physical Development	14,582
Human services	189,082
Cultural and recreational	<u>10,655</u>
Total depreciation Expense	<u>\$ 1,063,707</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer District</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 108,280	-0-	-0-	108,280
Construction in progress	1,095,237	496,742	(1,185,330)	406,649
Total capital assets not being depreciated	<u>1,203,517</u>	<u>496,742</u>	<u>(1,185,330)</u>	<u>514,929</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	6,624,082	1,434,095	-0-	8,058,177
Furniture and maintenance equipment	129,380	-0-	-0-	129,380
Vehicles	7,000	-0-	-0-	7,000
Total capital assets being depreciated	<u>6,760,462</u>	<u>1,434,095</u>	<u>-0-</u>	<u>8,194,557</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,915,518	312,940	-0-	3,228,458
Furniture and maintenance equipment	129,380	-0-	-0-	129,380
Vehicles	7,000	-0-	-0-	7,000
Total accumulated depreciation	<u>3,051,898</u>	<u>312,940</u>	<u>-0-</u>	<u>3,364,838</u>
<b>Water and Sewer District capital assets, net</b>	<b><u>\$ 4,912,081</u></b>			<b><u>\$ 5,344,648</u></b>

#### Construction commitments

The government had one active construction project as of June 30, 2012, the Hwy 69 Waterline Project. At June 30, 2012 the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Hwy 69 Water	\$ 1,689,918	\$ 366,982

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Leasehold Improvements	3,441	-0-	-0-	3,441
Furniture and maintenance equipment	58,776	-0-	-0-	58,776
Total capital assets being depreciated	62,217	-0-	-0-	62,217
Less accumulated depreciation for:				
Leasehold Improvements	1,179	688	-0-	1,867
Furniture and maintenance equipment	29,972	19,592	-0-	49,564
Total accumulated depreciation	31,151	20,280	-0-	51,431
<b>ABC capital assets, net</b>	<b>\$ 31,066</b>			<b>\$ 10,786</b>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2012, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental					
Activities:					
General	\$ 529,838	\$ -0-	\$ -0-	\$ -0-	\$ 529,838
Other govern- mental	289,126	-0-	-0-	-0-	289,126
Total governmental activities	\$ 818,964	\$ -0-	\$ -0-	\$ -0-	\$ 818,964
Business-type					
Activities:					
Water and Sewer District	9,881	-0-	-0-	-0-	9,881
Total business- Type activities	\$ 9,881	\$ -0-	\$ -0-	\$ -0-	\$ 9,881

**2. Pension Plan and other Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.01% and 7.05 %, respectively, of annual covered payroll. The contribution requirements of members and of Clay County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012, 2011 and 2010 were \$687,390, \$600,610, and \$516,197, respectively. The contributions made by the County equaled the required contributions for each year.

**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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	0
Terminated plan members entitle to but not yet receiving benefits	0
Active plan members	<u>15</u>
Total	<u>15</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.

*Method Used to Value Investments.* No funds are asset aside to pay benefits or administrative costs. These expenditures are paid as they come due.

**3. 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 on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 % investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85 % per year. Both (a) and (b) included an inflation component of 3.0 %. The assumptions did not include postretirement benefit increases.

*Annual Pension Cost and Net Pension Obligation.* The County’s annual pension costs and net pension obligation to the Separation Allowance for the current year were as follow:

Annual required contribution	\$ 13,730
Interest on net pension obligation	2,369
Adjustment to annual required contribution	<u>(2,827)</u>
Annual pension cost	\$ 13,272
Contributions made	<u>-0-</u>
Increase (decrease) in net pension obligation	\$ 13,272
Net pension obligation beginning of year	<u>47,385</u>
Net pension obligation end of year	\$ 60,657

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 9,722	00.00%	\$ 36,241
2011	11,144	00.00%	47,385
2012	13,272	00.00%	60,657

#### **4. *Funded Status and Funding Progress.***

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$103,631. The covered payroll (annual payroll of active employees covered by the plan) was \$486,967 and the ratio of the UAAL to the covered payroll was 21.28 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **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. Contributions for the year ended June 30, 2012 were \$ 26,006, which consisted of \$ 24,861 from the County and \$1,145 from the law enforcement officers.

#### **d. Registers of Deeds' Supplemental Pension Fund**

*Plan Description.* Clay County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds 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. 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.

*Funding Policy.* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$ 1,385.

**e. 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, 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 may amend the benefit provisions. A separate report was not issued for the plan.

*Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial*

	<i>General Employees</i>	<i>Law Enforcement Officers</i>
<i>Retirees and dependents receiving benefits</i>	8	-0-
<i>Terminated plan members entitled to but not yet receiving benefits</i>	-0-	-0-
<i>Active plan Members</i>	<u>152</u>	<u>15</u>
<i>Total</i>	<u>160</u>	<u>15</u>

*Funding Policy.* The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by Board of Commissioners. The County's members pay \$661 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

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



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

Annual required contribution	\$ 289,356
Interest on net OPEB obligation	10,320
Adjustment to annual required contribution	(9,859)
Annual OPEB cost (expense)	<u>289,817</u>
Contributions made	<u>(170,646)</u>
Increase (decrease) in net OPEB obligation	119,171
Net OPEB obligation, beginning of year	<u>258,012</u>
Net OPEB obligation, end of year	<u><u>\$ 377,183</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 were as follows:

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 181,393	29.6%	\$ 128,667
2011	\$ 182,435	29.1%	\$ 258,012
2012	\$ 289,817	58.90%	\$ 377,183

*Funded Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus the unfunded actuarial accrued liability (UAAL) was \$2,396,657. The covered payroll (annual payroll of active employees covered by the plan) was \$5,124,165, and the ratio of the UAAL to the covered payroll was 46.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expense), which is the expected long term investment returns on the employer's own investment calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.5 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 is 30 years.

### **c. 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. All death benefit payments are made from the Death Benefit Plan. 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. 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 / Unearned Revenues**

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$	\$ 47,375
Taxes receivable, net (General)	672,491	
Taxes receivable, net (Special Revenue)	55,764	
Unearned revenue (General)		143,968
Total	<u>\$ 728,255</u>	<u>\$ 191,343</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's group medical coverage is self insured and administered by an outside provider. The County also provides self-insured dental to its employees. There is no limit in-network services and a lifetime limit for out of network services of \$1,000,000 per employee. The cost of providing medical coverage to participating employees is charged to benefitting funds as premiums. These premiums are an estimate of expected average claims per individual.

The claims liability of \$ 308,040 at June 30, 2012 for self insured group medical is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 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 statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the County is self insured up to \$25,000 per person, in excess of the \$25,000 the County is insured by a stop loss carrier up to a maximum aggregate of \$1,000,000. The plan is handled by a 3<sup>rd</sup> party administrator.

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

## **7. Long-Term Obligations**

### **a. Capital Leases**

At June 30, 2012, the County had no outstanding leases.

### **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 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, 2021.

The County financed capital additions for Clay County Schools on March 26, 2007. The transaction requires annual payments by the County of \$74,172 including interest payments at a rate of 4.5%, financed by United Community Bank. This loan was paid off during the current fiscal year.

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, 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 has no interest and is paid over 20 years until May 2031.

The County financed \$140,495 for an ambulance for the Emergency Medical Services Department. The transaction requires annual payments by the County of \$31,029 including interest payments at a rate of 3.4%, for until 2016.

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, 2026.

The County financed \$53,899 for three 2011 Ford Crown Victorians for the Sheriff Department during fiscal year. The transaction requires annual payments by the County of \$19,023 including interest payments at a rate of 6.0%, for until 2014.

For Clay County, the future minimum payments as of June 30, 2012, including \$ 2,174,225 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	1,105,907	390,744
2014	1,107,847	348,717
2015	1,090,854	306,598
2016	1,091,841	265,523
2017	1,061,831	224,415
2018 and after	5,440,651	638,228
Principal payments	<u>\$ 10,898,931</u>	
Total interest payments		<u>\$ 2,174,225</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 payable at June 30, 2012 are comprised of the following individual issues:

**Serviced by the County's General Fund:**

\$ 1,630,000 2004 General Obligation Refunding Bonds  
due on June 1 through June 1, 2019, interest at 3.2 %           \$       740,000

Annual debt service requirements to maturity for the County's general obligation bond, including interest of \$ 96,567 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	110,000	24,434
2014	110,000	21,134
2015	115,000	17,696
2016	115,000	14,103
2017	115,000	10,365
2018-2019	175,000	8,835
Total	<u>\$ 740,000</u>	<u>\$ 96,567</u>

**d. Advance Refunding**

The County issued \$ 1,630,000 of general obligation refunding bonds to incur a lower interest rate. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$145,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the interest rate and will result in an economic gain of \$453,785.

**e. Qualified Zone Academy Bonds**

The County financed construction-in-progress on a building for use by Clay County Board of Education during the fiscal year ended June 30, 2003 by obtaining a QZAB. The bond was issued pursuant to a deed of trust, which requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Clay County Board of Education transferring the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the QZAB obligation. Due to the economic substance of the transaction, the fixed assets associated with the QZAB obligation will be recorded by the Board of Education.

The QZAB was executed on May 20, 2002 for property improvements for use by Clay County Board of Education. The transaction requires the County to repay the advancement in eighteen annual installments of \$31,223, beginning May 2003, and one final payment of \$9,136, at an interest rate of 0.0%.

Revenue bond debt service requirements to maturity are as follows :

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	31,223	-0-
2014	31,223	-0-
2015	31,223	-0-
2016	31,223	-0-
2017	31,223	-0-
2018-2024	102,802	-0-
Total	<u>\$ 258,917</u>	<u>\$ -0-</u>

**f. Enterprise Fund Debt**

**a. 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 \$14,450 including interest at 5%. Future minimum payments including interest are as follows:

June 30, 2013	14,450
2014	14,450
2015	14,450
2016	14,450
2017	14,450
2018-after	<u>48,950</u>
Total Minimum Note	
Payments	<u>121,200</u>
Less: Amount Representing	
Interest	<u>42,200</u>
Present Value of the Note	
Payment	<u>\$ 79,000</u>

**Debt Related to Capital Activities-** Of the total Governmental Activities debt listed \$ 10,898,931 relates to assets the County holds title.

**g. 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, 2012:

	Balance			Balance	Current
	July 1, 2011	Increases	Decreases	June 30, 2012	Portion of
					Balance
<b>Governmental</b>					
<b>Activities:</b>					
General obligation					
Debt	\$ 845,000	\$ -0-	\$ 105,000	740,000	110,000
QZAB	290,140	-0-	31,223	258,917	31,223
Installment purchase	11,996,432	53,899	1,151,400	10,898,931	1,105,907
Net Pension obligation	47,385	13,272	-0-	60,657	-
Other Post Employment					
Benefits	250,939	178,405	63,456	365,888	-
Compensated absences	303,681	221,558	305,895	219,344	-
Total governmental					
Activities	<u>\$ 13,733,577</u>	<u>\$ 467,134</u>	<u>\$ 1,656,974</u>	<u>\$ 12,543,737</u>	<u>\$ 1,247,130</u>



**Business-type****Activities:**

Note payable	\$ 89,000	\$ -0-	\$ 10,000	\$ 79,000	\$ 10,450
Other Post Employment Benefits	7,073	4,222	-0-	11,295	-
Compensated absences	8,559	6,750	6,000	9,309	-
Total business-Type activities	<u>\$ 104,632</u>	<u>\$ 10,972</u>	<u>\$ 16,000</u>	<u>\$ 99,604</u>	<u>\$ 10,450</u>

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**

Balance due to / from other funds at June 30, 2012, consist of the following:

Due to the General Fund from the Water and Sewer Capital Projects- Hwy 69 and Jack Rabbit- for unreimbursed expenditures	\$274,563
---	-----------

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.

The County had the following transfers to/from other funds during fiscal year ending June 30, 2012:

From the General Fund to the Water and Sewer Fund for operations and equipment purchase	\$105,684
From the General Fund to DSS Building Capital Project for expenditures to complete the project	97,247

Transfers are made to move unrestricted revenues to finance various programs that the government must account for in other funds accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

**D. Prior Period Adjustment**

During the current fiscal year a prior period entry was made to Special Revenue Funds- 911 Emergency Telephone System Fund due to disallowed expenditures posted in the prior year to this fund of \$4,983.

**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:

	<b>\$6,321,633</b>
<b>Total fund balance-General Fund</b>	
<b>Less:</b>	
<b>Nonspendables -Prepaid</b>	15,442
<b>Stabilization by State Statute</b>	1,775,121
<b>Appropriated Fund Balance in 2012 budget</b>	-0-
<b>Assigned for Human Services Capital Working Capital /Fund Balance Policy</b>	2,157,770 1,332,579
<b>Remaining Fund Balance</b>	<b>1,040,721</b>

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

#### **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 Homesites project has been completed and closed out. The Hayesville Homesites project has been completed, but remains open primarily due to various notes receivable. 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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$103,320 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, 2012. Complete financial statements for the Center can be obtained for the Center's offices at Off-Highway 10-129, NC 28725.

## **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, 2012. 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 \$ 99,000 during the fiscal year June 30, 2012. Complete financial statements for the College may be obtained from the College's administrative offices at 2300 Highway 64 E., Murphy, NC 28906.

## **VIII. 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 County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary assistance to needy Families	\$ 33,076	\$
Adoption Assistance	49,642	13,349
Medicaid	7,679,751	4,529,227
Food stamp program	2,966,303	
Energy assistance	21,800	
WIC	171,732	
Title IV-E, foster care	54,799	14,414
Total	<u>\$10,977,103</u>	<u>\$ 4,556,990</u>

## **IX. 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.

### **Required Supplemental Financial Data**

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits

Clay County, North Carolina  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Pyrl ((b-a/c)
12/31/2006	-	67,126	67,126	0.0%	464,096	14.46%
12/31/2007	-	56,386	56,386	0.0%	405,916	13.89%
12/31/2008	-	56,601	56,601	0.0%	548,303	10.32%
12/31/2009	-	70,759	70,759	0.0%	470,423	15.04%
12/31/2010	-	89,273	89,273	0.0%	535,330	16.68%
12/31/2011	-	103,631	103,631	0.0%	486,967	21.28%

Clay County, North Carolina  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2010	9,722	0.00%
2011	11,144	0.00%
2012	13,272	0.00%

Notes to the Required Schedules:

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

Valuation date	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% – 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A



Clay County, North Carolina  
 Other Postemployment Benefits  
 Required Supplementary Information  
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
6/30/2010	-	1,443,319	1,443,319	0.0%	6,015,226	24.0%
6/30/2011	-	1,519,288	1,519,288	0.0%	7,267,823	21.0%
6/30/2012	-	2,396,657	2,396,657	0.0%	5,124,165	46.80%

Clay County, North Carolina  
 Other Postemployment Benefits  
 Required Supplementary Information  
 Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2010	181,393	29.6%
2011	182,435	29.1%
2012	289,817	58.9%

Notes to the Required Schedules:

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

Valuation date	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	9.50 – 5.0%
*Includes inflation at	3.0%

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes		\$ 7,392,638	
Penalties and interest		100,123	
Total	\$ 7,260,245	7,492,761	\$ 232,516
<b>Local option sales taxes:</b>			
Article 39 and 44		874,978	
Article 40 one - half of one percent		378,237	
Article 42 one - half of one percent		378,237	
Total	2,150,000	1,631,452	(518,548)
<b>Other taxes and licenses:</b>			
Deed stamp excise tax		46,208	
Scrap tire disposal tax		21,495	
White goods disposal tax		3,319	
Privilege licenses		2,275	
Total	108,000	73,297	(34,703)
<b>Unrestricted intergovernmental:</b>			
Payments in lieu of taxes-outside sources		369,064	
ABC profit distribution		7,000	
Beer and wine tax		44,670	
Total	384,000	420,734	36,734
<b>Restricted intergovernmental:</b>			
State Grants		671,659	
Federal Grants		3,841,948	
Court facility fees		15,722	
Enforcement fund		4,573	
ABC bottle taxes		3,563	
Total	4,708,723	4,537,465	(171,258)
<b>Permits and fees:</b>			
Building and well permits		85,680	
Inspection fees		44,644	
Landfill permits and user fees		296,190	
Franchise fees		39,050	
Gun Permits		7,148	
Register of deeds		69,588	
Total	589,513	542,300	(47,213)

(cont.)

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
<b>Sales and services:</b>			
Rents, concessions, and fees		30,079	
Jail fees		39,432	
Ambulance and rescue squad fees		504,947	
Police fees		57,899	
Recreation fees		123,258	
Health Department fees		285,465	
Tax office sales		3,438	
Water Sample fees		6,750	
Senior Center Meal fees		850	
Transportation fees		52,595	
Total	<u>1,277,992</u>	<u>1,104,713</u>	<u>(173,279)</u>
<b>Investment earnings</b>	<u>50,000</u>	<u>5,679</u>	<u>(44,321)</u>
<b>Miscellaneous:</b>			
Donations		10,629	
Other		113,405	
Total	<u>148,181</u>	<u>124,034</u>	<u>(24,147)</u>
<b>Total revenues</b>	<b><u>16,676,654</u></b>	<b><u>15,932,435</u></b>	<b><u>(744,219)</u></b>
<b>Expenditures:</b>			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits		167,770	
Other operating expenditures		258,975	
Insurance other than property		77,236	
Total	<u>581,781</u>	<u>503,981</u>	<u>77,800</u>
County Appropriations		142,375	
Total	<u>154,672</u>	<u>142,375</u>	<u>12,297</u>
Elections:			
Salaries and employee benefits		123,297	
Other operating expenditures		39,461	
Capital outlay		-	
Total	<u>190,332</u>	<u>162,758</u>	<u>27,574</u>
Finance:			
Salaries and employee benefits		184,412	
Other operating expenditures		22,017	
Capital outlay		-	
Total	<u>241,837</u>	<u>206,429</u>	<u>35,408</u>
			(cont.)

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Taxes supervisor:			
Salaries and employee benefits		127,626	
Other operating expenditures		29,041	
Capital Outlay		-	
Total	<u>164,199</u>	<u>156,667</u>	<u>7,532</u>
Taxes collector:			
Salaries and employee benefits		163,175	
Other operating expenditures		23,010	
Capital Outlay		-	
Total	<u>195,751</u>	<u>186,185</u>	<u>9,566</u>
Legal:			
Contracted services	<u>23,000</u>	<u>20,968</u>	<u>2,032</u>
Register of deeds:			
Salaries and employee benefits		155,962	
Other operating expenditures		31,955	
Capital outlay		-	
Total	<u>196,664</u>	<u>187,917</u>	<u>8,747</u>
Public buildings:			
Salaries and employee benefits		182,417	
Other operating expenditures		488,230	
Capital Outlay		-	
Total	<u>660,092</u>	<u>670,647</u>	<u>(10,555)</u>
Senior Center			
Salaries and employee benefits		92,664	
Other operating expenditures		116,843	
Capital Outlay		2,007	
Total	<u>218,748</u>	<u>211,514</u>	<u>7,234</u>
<b>Total general government</b>	<u><b>2,627,076</b></u>	<u><b>2,449,441</b></u>	<u><b>177,635</b></u> (cont.)

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
<b>Public safety:</b>			
Sheriff and communications:			
Salaries and employee benefits		1,113,590	
Other operating expenditures		189,295	
Capital outlay		53,899	
Total	<u>1,411,454</u>	<u>1,356,784</u>	<u>54,670</u>
Jail:			
Salaries and employee benefits		639,803	
Other operating expenditures		130,036	
Total	<u>791,234</u>	<u>769,839</u>	<u>21,395</u>
School Resource Officer:			
Salaries and employee benefits		36,640	
Other operating expenditures		104	
Total	<u>39,467</u>	<u>36,744</u>	<u>2,723</u>
Emergency management:			
Salaries and employee benefits		17,684	
Other operating expenditures		27,395	
Capital Outlay		13,795	
Total	<u>64,852</u>	<u>58,874</u>	<u>5,978</u>
Fire:			
Other operating expenditures		33,171	
Total	<u>36,000</u>	<u>33,171</u>	<u>2,829</u>
Inspections:			
Salaries and employee benefits		107,110	
Other operating expenditures		6,439	
Capital outlay		-	
Total	<u>123,268</u>	<u>113,549</u>	<u>9,719</u>
Emergency medical services			
Salaries and employee benefits		802,656	
Other operating expenditures		134,969	
Capital outlay		-	
Total	<u>941,740</u>	<u>937,625</u>	<u>4,115</u> (cont.)

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Telecommunications			
Salaries and employee benefits		55,595	
Other operating expenditures		8,870	
Capital outlay		-	
Total	<u>65,011</u>	<u>64,465</u>	<u>546</u>
Animal Control Officer			
Salaries and employee benefits		16,630	
Other operating expenditures		6,726	
Capital outlay		-	
Total	<u>22,845</u>	<u>23,356</u>	<u>(511)</u>
Courthouse Security			
Salaries and employee benefits		10,714	
Other operating expenditures		337	
Capital outlay		-	
Total	<u>15,458</u>	<u>11,051</u>	<u>4,407</u>
Clerk of Court			
Other operating expenditures		2,862	
Total	<u>4,900</u>	<u>2,862</u>	<u>2,038</u>
<b>Total public safety</b>	<b><u>3,516,229</u></b>	<b><u>3,408,320</u></b>	<b><u>107,909</u></b>
<b>Transportation:</b>			
Transportation -Operations			
Salaries and employee benefits		326,552	
Other operating expenditures		74,736	
Capital Outlay		-	
Total transportation operations	<u>438,899</u>	<u>401,288</u>	<u>37,611</u>
Transportation -Senior Center			
Salaries and employee benefits		127,494	
Other operating expenditures		36,096	
Capital Outlay		38,644	
Total transportation senior center	<u>336,300</u>	<u>202,234</u>	<u>134,066</u>
	<b><u>775,199</u></b>	<b><u>603,522</u></b>	<b><u>171,677</u></b>
			(cont.)



**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
<b>Economic and physical development:</b>			
Planning and zoning:			
Salaries and employee benefits		59,027	
Other operating expenditures		8,245	
Total	<u>81,235</u>	<u>67,272</u>	<u>13,963</u>
Sanitary Landfill			
Salaries and employee benefits		191,921	
Other operating expenditures		258,012	
Capital outlay		-	
Total	<u>456,347</u>	<u>449,933</u>	<u>6,414</u>
Agricultural extension:			
Salaries and employee benefits		87,528	
Other operating expenditures		15,619	
Capital Outlay		2,021	
Total	<u>119,670</u>	<u>105,168</u>	<u>14,502</u>
Special Appropriations	<u>31,015</u>	<u>18,476</u>	<u>12,539</u>
<b>Total economic and physical     development</b>	<b><u>688,267</u></b>	<b><u>640,849</u></b>	<b><u>47,418</u></b>
<b>Human services:</b>			
Health:			
Administration & health programs:			
Salaries and employee benefits		847,885	
Other operating expenditures		335,154	
Capital Outlay		12,060	
Total	<u>1,240,410</u>	<u>1,195,099</u>	<u>45,311</u>
Far West dental			
Salaries and employee benefits		464,012	
Other operating expenditures		77,729	
Capital Outlay		28,819	
Total	<u>555,522</u>	<u>570,560</u>	<u>(15,038)</u>
Women, infants, and children:			
Salaries and employee benefits		83,555	
Other operating expenditures		28,726	
Total	<u>111,501</u>	<u>112,281</u>	<u>(780)</u> (cont.)

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Cost Share Program			
Salaries and employee benefits		33,613	
Other operating expenditures		24,874	
Total	<u>59,148</u>	<u>58,487</u>	<u>661</u>
Care Coordination for Children			
Salaries and employee benefits		15,537	
Other operating expenditures		297	
Total	<u>26,289</u>	<u>15,834</u>	<u>10,455</u>
Pregnancy Care Management			
Salaries and employee benefits		15,422	
Other operating expenditures		236	
Total	<u>24,489</u>	<u>15,658</u>	<u>8,831</u>
Smart Start:			
Salaries and employee benefits		24,733	
Other operating expenditures		2,082	
Total	<u>31,093</u>	<u>26,815</u>	<u>4,278</u>
<b>Total health</b>	<b><u>2,048,452</u></b>	<b><u>1,994,734</u></b>	<b><u>53,718</u></b>
Social services:			
Administration:			
Salaries and employee benefits		1,100,100	
Other operating expenditures		731,144	
Capital outlay		302,932	
Total	<u>2,457,848</u>	<u>2,134,176</u>	<u>323,672</u>
AFDC:			
Assistance payments	<u>263,731</u>	<u>145,662</u>	<u>118,069</u>
Medical assistance program:			
Assistance payments	<u>29,498</u>	<u>7,176</u>	<u>22,322</u>
Bioterrorism			
Salaries and employee benefits		29,404	
Other operating expenditures		-	
Total	<u>44,517</u>	<u>29,404</u>	<u>15,113</u>
Other assistance:			
Assistance payments	<u>632,090</u>	<u>388,374</u>	<u>243,716</u>
<b>Total social services</b>	<b><u>3,427,684</u></b>	<b><u>2,704,792</u></b>	<b><u>722,892</u></b>

(cont.)

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Veterans service officer:			
Salaries and employee benefits		3,876	
Other operating expenditures		489	
Total veterans service officer	4,475	4,365	110
<b>    Total human services</b>	<b>5,480,611</b>	<b>4,703,891</b>	<b>776,720</b>
<b>Cultural and recreational:</b>			
Recreation:			
Salaries and employee benefits		118,805	
Other operating expenditures		55,020	
Capital outlay		-	
Total	180,908	173,825	7,083 (cont.)
Campground			
Operating expenditures		55,159	
Capital Outlay		57,803	
	116,360	112,962	3,398
Libraries:			
Contribution to regional library	103,320	103,320	-
<b>Total culture and recreation</b>	<b>400,588</b>	<b>390,107</b>	<b>10,481</b>
<b>Education:</b>			
Public schools - current		1,085,696	
Public schools - capital outlay		205,539	
Public schools- special funds		-	
Community colleges - current		99,000	
<b>Total education</b>	<b>1,414,980</b>	<b>1,390,235</b>	<b>24,745</b>
<b>Debt service:</b>			
Principal retirement		1,287,623	-
Interest and other charges		460,170	-
<b>Total debt service</b>	<b>1,754,283</b>	<b>1,747,793</b>	<b>6,490</b>
<b>Total expenditures</b>	<b>16,657,233</b>	<b>15,334,158</b>	<b>1,323,075</b>
<b>Revenues over (under) expenditures</b>	<b>19,421</b>	<b>598,277</b>	<b>578,856 (cont.)</b>

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
<b>Other financing sources (uses):</b>			
Installment obligation issued:	55,000	53,899	
Transfers (to) from other funds:			
Capital Projects Funds	(99,000)	(97,247)	
Water and Sewer Fund	(106,000)	(105,684)	
<b>Total other financing     sources (uses)</b>	<b>(150,000)</b>	<b>(149,032)</b>	<b>968</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>(130,579)</b>	<b>449,245</b>	<b>579,824</b>
<b>Appropriated fund balance</b>	<b>130,579</b>	<b>-</b>	<b>(130,579)</b>
<b>Revenues, other sources, and appropriated fund balance over (under) expenditures</b>	<b>\$ -</b>	<b>449,245</b>	<b>\$ 449,245</b>
<b>Fund balance, beginning</b>		<b>5,872,388</b>	
<b>Fund balance, ending</b>		<b>\$ 6,321,633</b>	

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
E911 Funding	\$ -	\$ 313,144	\$ -
Interest earned		586	
Total revenue	<u>765,599</u>	<u>313,730</u>	<u>(451,869)</u>
Expenditures			
Implementation functions		59,037	
Telephone		70,540	
Software Maintenance		138,032	
Hardware Maintence		126,766	
Training		1,489	
S.L. 2011-158 Expenditures		128,712	
Total expenditures	<u>765,599</u>	<u>524,576</u>	<u>241,023</u>
Revenues under expenditures	-	(210,846)	(210,846)
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>	(210,846)	<u>\$ (210,846)</u>
Fund balance, beginning as previously reported		345,597	
Prior period adjustment (Note III.D)		4,983	
Fund balance, beginning as restated		<u>\$ 350,580</u>	
Fund balance, ending		<u>\$ 139,734</u>	

### *Combining Statements for Non-Major Funds- Clay County*

#### Special Revenue Funds

- *CDBG Fund*- This is the County's fund to account for money received from the Community Development Block Grant, which is used for capital purposes.
- *Fire District Fund*- This fund accounts for the tax revenues collected by the County on behalf of the various fire districts located within the County.
- *Industrial Fund*- This Fund accounts for funds held to be used by the County in the Industrial Park

#### Capital Project Funds

- *Department of Social Services Building Capital Project*- The County uses this fund to account for the building of a new building for the Social Service Department
- *School Capital Project Fund*- The County uses this fund to account for capital outlay for the County school system.

**Clay County, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

	<b>Special Revenue Funds</b>			
	<b>CDBG Fund</b>	<b>Fire District Fund</b>	<b>Industrial Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 16,408	\$ 88,078	\$ 104,486
Accounts receivable, net	-	-	-	-
Taxes receivable, net	-	55,764	-	55,764
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 72,172</b>	<b>\$ 88,078</b>	<b>\$ 160,250</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 16,408	\$ -	\$ 16,408
Deferred revenue	-	55,764	-	55,764
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>72,172</b>	<b>-</b>	<b>72,172</b>
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	-	-
Unassigned	-	-	88,078	88,078
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>88,078</b>	<b>88,078</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 72,172</b>	<b>\$ 88,078</b>	<b>\$ 160,250</b>

**Capital Projects Funds**

---

<b>Department of Social Service Building Capital Project</b>	<b>School Capital Project Fund</b>	<b>Total Nonmajor Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 104,486
-	-	-	-
-	-	-	55,764
-	-	-	-
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 160,250</b>

\$ -	\$ -	\$ -	\$ 16,408
-	-	-	55,764
-	-	-	-
-	-	-	72,172

-	-	-	-
-	-	-	88,078
-	-	-	88,078
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 160,250</b>



**Clay County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2012**

	<b>Special Revenue Funds</b>			
	<b>CDBG Fund</b>	<b>Fire District Fund</b>	<b>Industrial Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ -	\$ 471,797	\$ -	\$ 471,797
Local option sales taxes	-	-	-	-
Other taxes and licenses	-	-	-	-
Restricted intergovernmental	217,329	-	-	217,329
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	217,329	471,797	-	689,126
<b>EXPENDITURES</b>				
Current:				
Economic and physical development	217,329	-	-	217,329
Public safety	-	471,797	-	471,797
Capital outlay	-	-	-	-
Total expenditures	217,329	471,797	-	689,126
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (to) from other funds	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	88,078	88,078
Fund balances, ending	\$ -	\$ -	\$ 88,078	\$ 88,078

**Capital Projects Funds**

<b>Department of Social Service Building Capital Project</b>	<b>School Capital Project Fund</b>	<b>Total Nonmajor Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 471,797
-	-	-	-
-	-	-	-
-	49,031	49,031	266,360
773	-	773	773
-	-	-	-
<u>773</u>	<u>49,031</u>	<u>49,804</u>	<u>738,930</u>
-	-	-	217,329
-	-	-	471,797
<u>1,724,604</u>	<u>49,031</u>	<u>1,773,635</u>	<u>1,773,635</u>
<u>1,724,604</u>	<u>49,031</u>	<u>1,773,635</u>	<u>3,547,270</u>
<u>(1,723,831)</u>	<u>-</u>	<u>(1,723,831)</u>	<u>(1,723,831)</u>
<u>97,247</u>	<u>-</u>	<u>97,247</u>	<u>97,247</u>
<u>97,247</u>	<u>-</u>	<u>97,247</u>	<u>97,247</u>
<u>(1,626,584)</u>	<u>-</u>	<u>(1,626,584)</u>	<u>(1,626,584)</u>
<u>1,626,584</u>	<u>-</u>	<u>1,626,584</u>	<u>1,714,662</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,078</u>

**Clay County, North Carolina**  
**CDBG Fund Grant # 10-C-2118**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted Intergovernmental: GRANT #10-C-2118	\$ 400,000	\$ 25,000	\$ 217,329	\$ 242,329	\$ 157,671
	-	-	-	-	-
Total Revenues	400,000	25,000	217,329	242,329	157,671
<b>Expenditures:</b>					
Economic and physical development GRANT #10-C-2118 :					
Rehabilitation	40,000	-	-	-	40,000
Reconstruction	285,000	-	191,572	191,572	93,428
Clearance	30,000	-	11,490	11,490	18,510
Temporary Relocation Expenses	5,000	-	4,994	4,994	6
Administration	40,000	25,000	9,273	34,273	5,727
Total expenditures	400,000	25,000	217,329	242,329	157,671
Revenues under expenditures	-	-	-	-	-
<b>Other financing sources (uses):</b>					
Transfers in:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources over uses	-	-	-	-	-
Fund balance, beginning			\$ -		
Fund balance, ending			\$ -		

**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, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year		\$ 450,325	
Prior year		21,472	
Total	<u>492,000</u>	<u>471,797</u>	<u>(20,203)</u>
 Expenditures:			
Current:			
Public safety:			
Fire District No. 1		79,743	
Fire District No. 2		39,981	
Fire District No. 3		43,623	
Fire District No. 4		308,450	
Total expenditures	<u>492,000</u>	<u>471,797</u>	<u>20,203</u>
 Revenues over expenditures	<u>\$ -</u>	-	<u>\$ -</u>
 Fund balance, beginning		\$ -	
Fund balance, ending		<u>\$ -</u>	

**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, 2012**

	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**  
**Department of Social Service Building Capital Project**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Interest Earned	\$ -	\$ 716	\$ 773	\$ 1,489	\$ 1,489
Total Revenues	-	716	773	1,489	1,489
<b>Expenditures</b>					
Construction	2,099,000	374,132	1,724,604	2,098,736	264
Total expenditures	\$ 2,099,000	\$ 374,132	\$ 1,724,604	\$ 2,098,736	\$ 264
Revenues under expenditures	\$(2,099,000)	\$ (373,416)	\$(1,723,831)	\$(2,097,247)	\$ 1,753
<b>Other financing sources (uses):</b>					
Transfer from General Fund	99,000	-	97,247	97,247	(1,753)
Loan Proceeds	2,000,000	2,000,000	-	2,000,000	-
Total other financing sources (uses)	\$ 2,099,000	\$ 2,000,000	\$ 97,247	\$ 2,097,247	-
Revenues and other financing sources over uses	\$ -	\$ 1,626,584	\$(1,626,584)	\$ -	\$ -
Fund balance, beginning			\$ 1,626,584		
Fund balance, ending			\$ -		

**Clay County, North Carolina  
School Capital Projects Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2012**

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental:					
Public School Building Capital Fund - lottery	575,000	-	49,031	49,031	(525,969)
Total revenues	<u>575,000</u>	<u>-</u>	<u>49,031</u>	<u>49,031</u>	<u>(525,969)</u>
<b>Expenditures</b>					
Intergovernmental - education:					
Hayesville High School- lottery	575,000	-	49,031	49,031	525,969
Total expenditures	<u>575,000</u>	<u>-</u>	<u>49,031</u>	<u>49,031</u>	<u>525,969</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:					
Transfers from General Fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential/commercial		\$ 246,229	
Total	\$ 259,000	246,229	\$ (12,771)
Sewer charges:			
Residential/commercial		177,492	
Total	205,000	177,492	(27,508)
Water and sewer taps	5,000	1,000	(4,000)
Other operating revenues	61,900	61,760	(140)
Total operating revenues	530,900	486,481	(44,419)
Nonoperating revenues:			
Interest earnings	100	30	(70)
Total revenues	531,000	486,511	(44,489)
Other financing sources:			
Transfers from other funds:			
General Fund	106,000	105,684	(316)
Total revenues and other financing sources	637,000	592,195	(44,805)

(continued)



**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
Administration:			
Salaries and employee benefits		286,496	
Travel		3,630	
Supplies		-	
Other operating expenditures		281,440	
Total	<u>622,000</u>	<u>571,566</u>	<u>50,434</u>
Debt service:			
Interest and other charges		4,450	
Debt principal		10,000	
Total	<u>15,000</u>	<u>14,450</u>	<u>550</u>
Capital outlay:			
Water & Sewer Line Expansion	<u>750,000</u>	<u>745,507</u>	<u>4,493</u>
Total expenditures	<u>1,387,000</u>	<u>1,331,523</u>	<u>55,477</u>
Revenues and other financing sources over expenditures	<u>(750,000)</u>	(739,328)	<u>10,672</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenue and other financing sources over expenditures		<u>\$ (739,328)</u>	
Reconciling items:			
Debt principal		10,000	
Capital contributions		662,447	
Capital outlay		745,507	
Depreciation		<u>(312,940)</u>	
Total reconciling items		<u>1,105,014</u>	
Change in net assets		<u>\$ 365,686</u>	

**Clay County, North Carolina**  
**Capital Project- Hwy 69 Waterline Project (Federal Project H-ARRA-A-09-1270)**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
NCDENR Grant	\$ 720,256	\$ 650,257	\$ 62,676	\$ 712,933	\$ (7,323)
Rural Dev Grant	500,000	440,341	-	440,341	(59,659)
ARC Grant	300,000	-	-	-	(300,000)
<b>Total Revenues</b>	<b>1,520,256</b>	<b>1,090,598</b>	<b>62,676</b>	<b>1,153,274</b>	<b>(366,982)</b>
<b>Expenditures</b>					
Water Sys Construction	1,581,920	1,345,749	62,676	1,408,425	173,495
Contingency	142,830	-	-	-	142,830
Land Acq\Easement	110,000	110,000	-	110,000	-
Design Engin Permitting	126,200	107,455	-	107,455	18,745
Construction Admin	63,200	46,380	-	46,380	16,820
Legal \Admin	25,000	17,658	-	17,658	7,342
Material Testing	7,750	-	-	-	7,750
<b>Total expenditures</b>	<b>\$ 2,056,900</b>	<b>\$ 1,627,242</b>	<b>\$ 62,676</b>	<b>\$ 1,689,918</b>	<b>\$ 366,982</b>
Revenues under expenditures	\$ (536,644)	\$ (536,644)	-	\$ (536,644)	-
<b>Other financing sources (uses):</b>					
Revolving Loan Note	536,644	536,644	-	536,644	-
Total other financing sources (uses)	\$ 536,644	\$ 536,644	-	\$ 536,644	\$ -
Revenues and other financing sources over uses	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning			\$ -		
Fund balance, ending			\$ -		

**Clay County, North Carolina**  
**Capital Project- Jack Rabbit Recreation Sewer Connection**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
US Forest Service	\$ 1,183,747	\$ 751,264	\$ 432,483	\$ 1,183,747	\$ -
Contract AG4419C100096					
Interest Earned	1,583	1,583	-	1,583	-
Total Revenues	1,185,330	752,847	432,483	1,185,330	-
<b>Expenditures</b>					
Sewer Sys Construction	\$ 860,668	\$ 566,599	\$ 294,069	\$ 860,668	-
Contingency	103,777	-	103,777	103,777	-
Land Acq\Easement	30,785	30,785	-	30,785	-
Design Engin Permitting	90,000	83,428	6,572	90,000	-
Environmental Review	10,000	10,000	-	10,000	-
Construction Admin	60,000	33,852	26,148	60,000	-
Legal \Admin	26,600	26,600	-	26,600	-
Material Testing	3,500	-	3,500	3,500	-
Total expenditures	\$ 1,185,330	\$ 751,264	\$ 434,066	\$ 1,185,330	\$ -
Revenues under expenditures	-	1,583	(1,583)	-	-
<b>Other financing sources (uses):</b>					
Transfer from (to)General	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources over uses	\$ -	\$ 1,583	\$ (1,583)	\$ -	\$ -
Fund balance, beginning			\$ 1,583		
Fund balance, ending			\$ -		

**Clay County, North Carolina**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>Social Services</b>				
Assets:				
Cash and cash equivalents	\$ 17,266	\$ 95,990	\$ 100,586	\$ 12,670
Liabilities:				
Miscellaneous liabilities	\$ 17,266	\$ 95,990	\$ 100,586	\$ 12,670
<b>Fines and Forfeitures</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 42,570	\$ 42,570	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 42,570	\$ 42,570	\$ -
<b>Motor Vehicle Tax</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 4,160	\$ 4,160	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 4,160	\$ 4,160	\$ -
<b>Town of Hayesville Ad-Valorem Taxes</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 86,486	\$ 86,486	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 86,486	\$ 86,486	\$ -
<b>Deed of Trust Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	\$12,233	\$12,233	\$ -
Liabilities:				
Intergovernmental payable-NC	\$ -	\$12,233	\$12,233	\$ -
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 17,266	\$ 241,439	\$ 246,035	\$ 12,670
Liabilities:				
Miscellaneous liabilities	\$ 17,266	\$ 186,636	\$ 191,232	\$ 12,670
Intergovernmental payable	-	54,803	54,803	-
Total liabilities	\$ 17,266	\$ 241,439	\$ 246,035	\$ 12,670

## OTHER SCHEDULES

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Ten Largest Taxpayers

**Clay County, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2012**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 7,508,621	7,122,020	\$ 386,601
2010-2011	325,217	-	164,979	160,238
2009-2010	155,731	-	54,541	101,190
2008-2009	91,264	-	26,659	64,605
2007-2008	49,039	-	8,630	40,409
2006-2007	26,356	-	3,334	23,022
2005-2006	18,096	-	1,954	16,142
2004-2005	17,045	-	844	16,201
2003-2004	12,869	-	635	12,234
2002-2003	11,662	-	685	10,977
2001-2002	8,355	-	8,355	0
	<u>715,634</u>	<u>7,508,621</u>	<u>7,392,638</u>	<u>831,617</u>

Less: allowance for uncollectible accounts:  
General Fund (159,127)

Ad valorem taxes receivable - net:  
General Fund \$ 672,491

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 7,492,761
Penalties collected on ad valorem taxes- Agency fund	\$ -
Interest collected on as valorem taxes- General Fund	\$ (100,123)
Reconciling items:	
Interest collected	-
Discounts allowed	-
Taxes written off	-
Total reconciling items	<u>-</u>
Total collections and credits	<u>\$ 7,392,638</u>

**Clay County, North Carolina  
Analysis of Current Tax Levy  
County - wide Levy  
For the Fiscal Year Ended June 30, 2012**

	County - wide		Amount of Levy	Total Levy	
	Property Valuation	Rate		Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	2,005,951,389	0.360%	\$ 7,221,425	\$ 7,221,425	\$ -
Motor vehicles taxed at prior year's rate	82,465,000	0.360%	296,874	-	296,874
Total	<u>2,088,416,389</u>		<u>7,518,299</u>	<u>7,221,425</u>	<u>296,874</u>
Discoveries:					
Current year taxes	6,316,944	0.360%	22,741	21,038	1,703
Total	<u>6,316,944</u>		<u>22,741</u>	<u>21,038</u>	<u>1,703</u>
Abatements	(9,005,278)	0.360%	(32,419)	(27,948)	(4,471)
Total property valuation	<u><u>2,085,728,056</u></u>				
Net levy			7,508,621	7,214,515	294,106
Uncollected taxes at June 30, 2012			<u>386,601</u>	<u>346,296</u>	<u>40,305</u>
Current year's taxes collected			<u>7,122,020</u>	<u>6,868,219</u>	<u>253,801</u>
Current levy collection percentage			<u>94.85%</u>	<u>95.20%</u>	<u>86.30%</u>

**Clay County, North Carolina**  
**Analysis of Current Tax Levy**  
**County - wide Levy**  
**For the Fiscal Year Ended June 30, 2012**

---

**Secondary Market Disclosures:**

Assessed Valuation:

Assessment Ratio	100 %
Real Property	\$ 1,926,698,731
Personal Property	130,342,879
Public Service Companies	28,686,446
Total Assessed Valuation	\$ 2,085,728,056
Tax Rate per \$100	0.360%
Levy (includes discoveries, releases and abatements)	\$ 7,508,621

In addition to the County-wide rate, the following table lists the levies by the County on behalf of the fire protection districts for the fiscal year ended June 30:

Fire Protection Districts	\$ 475,239
---------------------------	------------



**Clay County, North Carolina  
Ten Largest Taxpayers  
For the Fiscal Year Ended June 30, 2012**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2012 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
The Ridges at Mt Harbour LLC	Commercial Real Estate	1,631,900	0.0008
Ingles Markets	Commercial Real Estate	6,605,900	0.0032
JWJ of Clay County LLC	Commercial Real Estate	5,411,200	0.0026
Nelson Hendrikse Trustee	Commercial Real Estate	4,988,470	0.0024
Fine Holding LLC	Commercial Real Estate	4,252,090	0.0020
United Community Bank	Commercial Real Estate	4,120,870	0.0020
Hayesville HCRE LLC	Commercial Real Estate	3,996,200	0.0019
Oak Ridge North LLC	Commercial Real Estate	3,879,280	0.0019
LH Glasgow	Commercial Real Estate	3,494,708	0.0017
Bear Cove at Firee Creek LLC	Commercial Real Estate	3,481,400	0.0017
		<hr/>	<hr/>
Total		<u>41,862,018</u>	<u>0.0201</u>

# **COMPLIANCE SECTION**



**SHAWN P. LONG, CPA**

PO BOX 1248  
ON THE SQUARE  
HAYESVILLE, NC 28904

---

---

Telephone (828) 389-8043

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

**Independent Auditor's Report**

To the Board of Commissioners  
Clay County, North Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of Clay County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises Clay County's basic financial statements, and have issued my report thereon dated November 28, 2012. 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. Other auditors audited the financial statements of the Clay County ABC Board, as described in my report on the Clay County, North Carolina's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Clay County ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

My consideration of the internal control over financial reporting was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the

schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. **2012-1**

### 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*.

The County's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the County's response and accordingly, I express no opinion on it.

I noted certain matters that I reported to management of Clay County, in a separate letter dated November 28, 2012.

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

29/11/12 10:59 -05:00

X



Shawn Long  
I approve the document



Shawn Powell Long  
Certified Public Accountant

November 28, 2012



**SHAWN P. LONG, CPA**

PO BOX 1248  
ON THE SQUARE  
HAYESVILLE, NC 28904

---

---

Telephone (828) 389-8043

**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of Commissioners  
Clay County, North Carolina

Compliance

I have audited the Clay County, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Clay County's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clay County's management. My responsibility is to express an opinion on Clay County's compliance based on my audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act*. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that 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. My audit does not provide a legal determination on Clay County's compliance with those requirements.

In my opinion, the Clay County complied, in all material respects, with the 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, 2012.

## Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Clay County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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

29/11/12 11:00 -05:00

X   
Shawn Long  
I approve the document

---



Shawn Powell Long  
Certified Public Accountant

November 28, 2012



**SHAWN P. LONG, CPA**

PO BOX 1248  
ON THE SQUARE  
HAYESVILLE, NC 28904

---

---

Telephone (828) 389-8043

**Report On Compliance With Requirements Applicable To Each Major State  
Program And Internal Control Over Compliance In Accordance With OMB  
Circular A-133 And The State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of Commissioners  
Clay County, North Carolina

Compliance

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 its major State programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Clay County's management. My responsibility is to express an opinion on Clay County's compliance based on my audit.

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 OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that 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 the 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. My audit does not provide a legal determination on Clay County's compliance with those requirements.

In my opinion, Clay County complied, in all material respects, with the 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, 2012.

## Internal Control Over Compliance

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

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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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

29/11/12 11:00 -05:00

X   
Shawn Long  
I approve the document 

Shawn Powell Long  
Certified Public Accountant

November 28, 2012



**CLAY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2012

**Section 1- Summary of Auditor's Results**

---

Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

\* Material weakness(es) identified?  Yes  None reported

\* Significant Deficiency(s) identified  
that are not considered to be  
Material weaknesses  Yes  None reported

Noncompliance material to financial  
statements noted  Yes  No

Federal Awards

Internal control over major federal programs:

\* Material weakness(es) identified?  Yes  None reported

\* Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses  Yes  None reported

Noncompliance material to federal  
awards  Yes  No

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.778	Title XIX- Medicaid

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

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

State Awards

Internal control over major State programs:

\* Material weakness(es) identified? \_\_\_ Yes **X** None reported

\* Significant Deficiency(s) identified that are not considered to be material weaknesses \_\_\_ Yes **X** None reported

Type of auditor's report issued on compliance for major State programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_ Yes **X** No

Identification of major State programs:

Program Name  
Title XIX- Medicaid

## **Section II. Financial Statement Findings**

---

Finding: **2012-1** Segregation of Duties

### **MATERIAL WEAKNESS**

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Clay County personnel.

Questioned Costs: There are no questioned costs with this type of finding.

Context: N/A

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Board of Commissioners agrees with this finding.

## **III. Federal Award Findings and Questioned Costs**

---

None Reported

## **IV. State Award Findings and Questioned Costs**

---

None Reported

**CLAY COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2012**

**Section II - Financial Statement Findings**

**Finding: 2012-1 Segregation of Duties**

Name of contact person: Vicki Hogsed, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: Management will implement the above procedure immediately.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

**Section IV - State Award Findings and Questioned Costs**

None reported.

**CLAY COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2012

**Finding:** 11-1  
**Status:** Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of segregation. However, in small governments this continues to be an issue.

**Finding:** 10-1  
**Status:** Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of segregation. However, in small governments this continues to be an issue.

**Finding:** 09-1  
**Status:** Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of segregation. However, in small governments this continues to be an issue.

**Finding:** 08-1  
**Status:** Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of segregation. However, in small governments this continues to be an issue.

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assist. Program Cluster:</u>					
State Administrative Matching Grants for					
the Supplemental Nutrition Assist. Program					
	10.561	XXXX	148,577	-	148,577
Total Food Stamp Cluster					
			148,577	-	148,577
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	58,580	-	-
AGRI-SFP Food Program Meal					
	10.559	XXXX	450	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children					
	10.557	XXXX	171,732	-	-
Total Women, Infants & Children					
			230,762	-	-
Total U.S. Department of Agriculture			379,339	-	148,577
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
11-ED-020, Operating					
	20.513	XXXX	27,470	-	-
11-CT-020, Admin					
	20.509	XXXX	27,382	1,711	-
11-CT-020, Capital					
	20.509	XXXX	20,272	2,534	-
12-CT-020, Admin					
	20.509	XXXX	118,663	7,416	-
Total U.S. Department of Transportation			193,787	11,661	-
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
Emergency Management Performance Grants					
	97.042	XXXX	20,625	-	-
Total U. S. Department of Homeland Security			20,625	-	-

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>					
Passed-through the N.C. Department of Commerce					
Community Development Block Grant - State's Program	14.228	XXXX	217,329	-	-
USDA- Rural Dev Assistant	10.433	XXXX	36,000	-	-
Total Passed through NC Department of Commerce			253,329	-	-
<u>U.S. Dept. of Health &amp; 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	53,932	3,442	-
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	90,465	2,798	-
Total Administration on Aging			144,397	6,240	-
<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	125,901	6,156	119,346
Foster Care - Direct Benefit Payments	93.658	XXXX	54,799	14,414	14,160
Adoption Assistance- Direct Benefit Payments	93.659	XXXX	49,642	13,349	13,374
Total Foster Care and Adoption Cluster			230,342	33,919	146,880
Work First /Temporary Assistance for Needy Families (TANF)					
Work First/TANF-Direct Benefit Payments	93.558	XXXX	109,500	-	63,895
Special Children Adoption	93.558	XXXX	33,076	-	-
Total TANF Cluster			30,600	-	-
			173,176	-	63,895
Adoption /Foster Care					
NC Child Support Enforcement Section	93.563	XXXX	37,992	-	8,459
Low-Income Home Energy Assistance Block Grant:			121,163	-	62,417
Administration	93.568	XXXX	10,336	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	21,800	-	-
Crisis Intervention Program	93.568	XXXX	89,093	-	-
Family Preservation	93.556	XXXX	1,586	-	-
Child Welfare Services - State Grants			3,041	-	1,014
- Permanency Planning - Families for Kids	93.645	XXXX	1,218	378	-
Independent Living Grant	93.674	XXXX	-	-	-
Family Violence Prevention	93.671	XXXX	-	-	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667	XXXX	87,916	-	1,102
SSBG - Other Services and Training	93.667	XXXX	41,504	3,952	15,152
Division of Child Development:					
Smart Start		XXXX	-	26,657	-
Division of Social Services					
Child Care Development Fund - Administration	93.596	XXXX	60,000	-	-
Total Subsidized Child Care			60,000	26,657	-

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	7,679,751	4,529,227	7,176
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	242,077	7,746	233,632
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	6,922	458	1,778
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Medical Assistance Assistance Program	93.778	XXXX	14,977	5,778	
<u>Center for Disease Control and Prevention</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	35,509	-	-
Immunization Grants	93.268	XXXX	5,675	-	-
Prevention Investigation and Technical Assistance	93.283	XXXX	1,511	-	-
ARRA Preventing Healthcare- Associated Infections	93.717	XXXX	2,177	-	-
Comprehensive Breast and Cervical Cancer Early Detection	93.919	XXXX	11,100	2,550	-
<u>Administration of Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Temporary Assistance for Needy Families	93.558	XXXX	400	-	-
Social Service Block Grant	93.667	XXXX	-	225	-
<u>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	XXXX	29,505	22,131	-
<u>Office of Population Affairs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Office of Population Affairs					
Family Planning Services	93.217	XXXX	16,626	-	-
Total U.S. Dept. of Health and Human Services			9,069,794	4,639,261	541,505
<u>Environmental Protection Agency</u>					
Passed-through N.C. Department of Environment and Natural Resources					
ARRA - Capitalization Grants for Clean Water State Revolving Funds (Note 2)					
	66.458	XXXX	62,676	-	-
Total federal awards			9,979,550	4,650,922	690,082



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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>State Awards:</b>					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
Scap Tire Program		XXXX	-	5,651	-
Total N.C. Dept. of Environmental and Natural Resources			-	5,651	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
County Funded Programs		XXXX	-	-	247,621
Non Allocating County Cost		XXXX	-	-	113,191
State County Special Assist		XXXX	-	-	11,760
Wrk Frt Non Reimbursable		XXXX	-	-	88,592
State Foster Home		XXXX	-	22,457	22,457
SFHF		XXXX	-	26,128	26,128
TANF Incentive		XXXX	-	122	-
CWS Adoption		XXXX	-	29,805	8,386
Foster Care Special Prov		XXXX	-	3,593	-
SC/SA Domiciliary Care Payment		XXXX	-	97,337	97,337
Total Division of Social Service			-	179,442	615,472
Division of Public Health					
Other Receipts/ State Supported Expenditures					
General Aid to Counties		XXXX	-	81,554	-
Food and Lodging Fees		XXXX	-	1,529	-
Environmental Health		XXXX	-	4,000	-
School Nurse Funding Initiative		XXXX	-	50,000	-
ESMM Community Grant		XXXX	-	500	-
WHSF		XXXX	-	2,253	-
Risk Reduction/ Health Promotion		XXXX	-	5,445	-
General Communicable Disease Control		XXXX	-	11,294	-
Tuberculosis		XXXX	-	345	-
Total Division of Public Health			-	156,920	-
Total N. C. Department of Health and Human Services			-	336,362	615,472
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund		XXXX	-	49,031	-
<u>N.C. Department of Corrections</u>					
Criminal Justice Partnership Program		XXXX	-	8,175	-
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs		XXXX	-	118,246	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	49,636	-
- ROAP Rural General Public Program		XXXX	-	40,892	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		XXXX	-	6,180	-
Total ROAP			-	96,708	-
<u>N.C. Department of Insurance</u>					
Shiip Grant		XXXX	-	6,690	-
<u>N.C. Dept. of Administration</u>					
State Board of Elections Primary Grant		XXXX	-	4,443	-
Veteran Service Officer		XXXX	-	1,452	-
Total N.C. Dept of Administration			-	5,895	-
Total State awards			-	626,758	615,472
<b>Total federal and State awards</b>			<b>\$ 9,979,550</b>	<b>\$ 5,277,680</b>	<b>\$ 1,305,554</b>

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
---	------------------------------------	---	--	-------------------------------	-------------------------------

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 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. Loans Outstanding  
 Clay County had the following loan balances outstanding at June 30, 2012. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
ARRA - Capitalization Grants for State Revolving Funds	66.458	XXXX	\$ 509,811

3. Subrecipients  
 Of the federal and State expenditures presented in the schedule, Clay County provided federal and State awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Juvenile Crime Prevention Programs		XXXX		\$ 118,246
Public School Building Capital Fund		XXXX		49,031