

**CLAY COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

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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, 2013

Exhibit		Page
	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 Position	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 Position	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	21
Exhibit 7	Statement of Fund Net Position – Proprietary Fund	22
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	23
Exhibit 9	Statement of Cash Flows – Proprietary Fund	24 – 25
Exhibit 10	Statement of Fiduciary Net Position – Fiduciary Funds	26

Notes to the Financial Statements	28 - 62
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Required Supplemental Financial Data:

Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	64
Law Enforcement Officers' Special Separation Allowance– Schedule of Employer Contributions	64
Law Enforcement Officers' Special Separation Allowance- Notes to the Required Schedules	65
Other Post Employment Benefits– Schedule of Funding Progress	66
Other Post Employment Benefits– Schedule of Employer Contributions	66
Other Post Employment Benefits– Notes to the Required Schedules	67

Combining and Individual Fund Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund- Budget and Actual	69-77
Combining Balance Sheet- Nonmajor Governmental Funds	79-80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance- Nonmajor Governmental Funds	81-82
CDBG Fund Grant #10-C-2118	83
CDBG Fund Grnat # 11-C-2368	84
Fire District Fund	85

Industrial Fund	86
Emergency Telephone System Fund	87
School Capital Project Fund	88
Water & Sewer District Fund (Non- GAAP)	89 – 90
Capital Project- Hwy 69 Waterline Project	91
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	92
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	94
Analysis of Current Tax Levy – County-Wide Levy	95
Secondary Market Disclosures	96
Ten Largest Taxpayers	97
Compliance Section:	
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>	99 –101
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	102 –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 –107
Schedule of Findings and Questioned Costs	108 –113
Corrective Action Plan	114-115

Summary Schedule of Prior Year Audit Findings	116
Schedule of Expenditures of Federal & State Awards	117 - 121



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Independent Auditor's Report

To the Board of County Commissioners
Clay County, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, North Carolina, as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Clay County ABC Board. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Clay County ABC Board is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Clay County ABC Board were not audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, based on my audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 4 through 13 and 64 through 67, 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 appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Clay County, North Carolina.

The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 27, 2014 on our consideration of Clay County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.


01/27/2014 04:26:21pm

Shawn Long, CPA
Hayesville, North Carolina

January 27, 2014

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, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

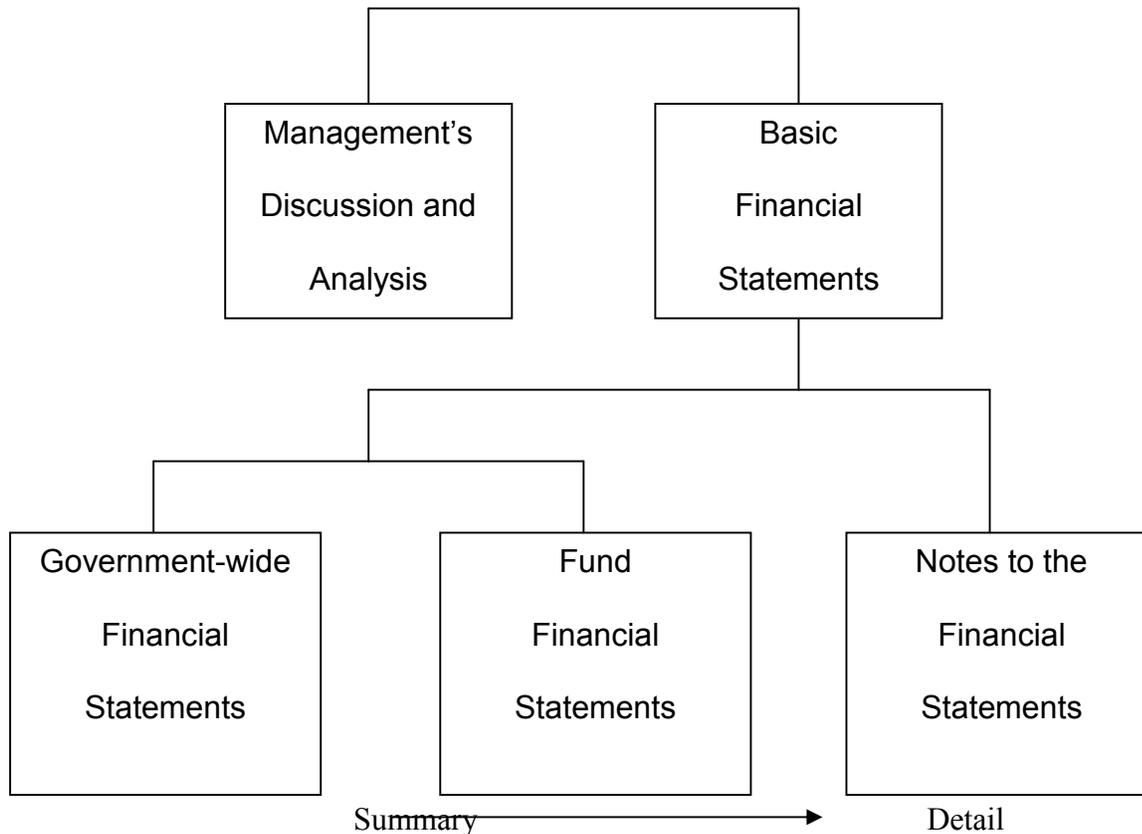
- The assets and deferred outflow of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 20,983,466 (*net position*).
- The government's total net position increased by \$165,746, due to increased net position in the Governmental Funds of \$ 514,165 and decrease in the Water & Sewer Fund of \$ 348,419.
- As of the close of the current fiscal year, Clay County's governmental funds reported combined ending fund balances of \$ 6,153,945, after a net decrease in fund balance of \$ 395,500. Approximately 60.48 percent of this total amount or \$3,721,602 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,248,845 or 13.60 percent of total general fund expenditures for the fiscal year.
- Clay County's total debt decreased by \$ 920,859 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 position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

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

All of the funds of Clay County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 20,983,466 as of June 30, 2013. The County's net position increased by \$165,746 for the fiscal year ended June 30, 2013. One of the largest portions \$15,957,327 (76.05%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment) Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Clay County's net position \$3,698,256 (17.62%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 1,327,883 (6.33%) is unrestricted.

Clay County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 8,292,767	\$ 8,288,007	\$ 79,558	\$ 57,234	\$ 8,372,325	\$ 8,345,241
Capital assets	<u>20,871,535</u>	<u>20,843,330</u>	<u>4,987,995</u>	<u>5,344,648</u>	<u>25,859,530</u>	<u>26,187,978</u>
Total assets	<u>29,164,302</u>	<u>29,131,337</u>	<u>5,067,553</u>	<u>5,401,882</u>	<u>34,231,855</u>	<u>34,533,219</u>
 Total deferred outflow of resources	 8,482	 10,537	 -0-	 -0-	 8,482	 10,537
 Long-term liabilities						
Outstanding	11,613,338	12,543,737	87,931	99,604	11,701,269	12,643,341
Other liabilities	<u>1,003,784</u>	<u>818,964</u>	<u>109,144</u>	<u>83,381</u>	<u>1,112,928</u>	<u>902,345</u>
Total liabilities	<u>12,617,122</u>	<u>13,362,701</u>	<u>197,075</u>	<u>182,985</u>	<u>12,814,197</u>	<u>13,545,686</u>
 Total deferred inflow of resources	 442,674	 191,343	 -0-	 -0-	 442,674	 191,343
 Net position:						
Net invested in capital asset	11,038,332	9,944,399	4,918,995	5,265,648	15,957,327	15,210,047
Restricted	3,698,256	4,072,625	-0-	-0-	3,698,256	4,072,625
Unrestricted	<u>1,376,400</u>	<u>1,570,806</u>	<u>(48,517)</u>	<u>(46,751)</u>	<u>1,327,883</u>	<u>1,524,055</u>
Total net position	<u>\$ 16,112,988</u>	<u>\$ 15,587,830</u>	<u>\$ 4,870,478</u>	<u>\$ 5,218,897</u>	<u>\$ 20,983,466</u>	<u>\$ 20,806,727</u>

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

- Continued diligence in the collection of property taxes by maintaining a high collection percentage of 95.50 %.
- Continued low cost of debt due to the County's high bond rating.

Clay County's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,718,100	\$ 1,647,013	\$ 533,067	\$ 486,481	\$ 2,251,167	\$ 2,133,494
Operating grants and Contributions	4,919,124	5,067,938	-0-	-0-	4,919,124	5,067,938
Capital grants and Contributions	525,969	49,031	-0-	662,447	525,969	711,478
General revenues:						
Property taxes	8,104,769	8,060,032	-0-	-0-	8,104,769	8,060,032
Other taxes	1,725,929	1,704,749	-0-	-0-	1,725,929	1,704,749
Grants and contributions not restricted to specific programs	432,931	420,734	-0-	-0-	432,931	420,734
Other	111,130	131,072	51	30	111,181	131,102
Total revenues	17,537,952	17,080,569	533,118	1,148,958	18,071,070	18,229,527
Expenses:						
General government	3,416,595	3,138,042	-0-	-0-	3,416,595	3,138,042
Public safety	4,426,055	4,080,110	-0-	-0-	4,426,055	4,080,110
Transportation	663,560	627,183	-0-	-0-	663,560	627,183
Economic and physical Development	895,883	872,116	-0-	-0-	895,883	872,116
Human services	4,602,287	4,559,810	-0-	-0-	4,602,287	4,559,810
Cultural and recreation	336,032	343,442	-0-	-0-	336,032	343,442
Education	2,194,965	1,439,266	-0-	-0-	2,194,965	1,439,266
Interest on long-term Debt	415,178	460,170	-0-	-0-	415,178	460,170
Water and sewer	-0-	-0-	954,769	888,956	954,769	888,956
Total expenses	16,950,555	15,520,139	954,769	888,956	17,905,324	16,409,095
Increase in net position before transfers and special items	587,397	1,560,430	(421,651)	260,002	165,746	1,820,432
Transfers	(73,232)	(105,684)	73,232	105,684	-0-	-0-
Increase in net position	514,165	1,454,746	(348,419)	365,686	165,746	1,820,432
Net position, beginning, previously reported	15,587,830	14,128,101	5,218,897	4,853,211	20,806,727	18,981,312
Prior period adjustments (Note III.D.)	10,993	4,983	-0-	-0-	10,993	4,983
Net position, beginning, restated	15,598,823	14,133,084	5,218,897	4,853,211	20,817,720	18,986,295
Net position, ending	16,112,988	15,587,830	4,870,478	5,218,897	20,983,466	20,806,727

Governmental activities. Governmental activities increased the County's net position by \$ 514,165, thereby accounting for all of the growth in the net position of Clay County. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 95.50%

Business-type activities: Business-type activities decreased Clay County's net position by \$ 348,419. Key element of this decrease is as follows:

- Depreciation of capital assets

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Clay County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Clay County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Clay County. At the end of the current fiscal year, Clay County's fund balance available in the General Fund was \$2,248,845 while total fund balance reached \$ 5,918,155. 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 30.21% of general fund expenditures, while total fund balance represents 35.80% of that same amount.

At June 30, 2013, the governmental funds of Clay County reported a combined fund balance of \$6,153,945, a decrease of \$395,500 over last year. The primary reason for this decrease is the decrease in fund balance in the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by \$4,529,888.

Proprietary Funds. Clay County's proprietary fund provides the same type of information found in the government-wide statements but in more detail. The unrestricted net position of the Water and Sewer District amounted to negative \$ 48,517. The total decrease in net position for this fund was \$ 348,418. 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, 2013, totals \$ 25,859,530 (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:

- Purchased new equipment and vehicles for various Departments

Clay County's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 839,820	459,714	\$ 108,280	\$ 108,280	\$ 948,100	\$ 567,994
Buildings and System	16,075,942	15,533,548	4,473,066	4,829,719	20,549,008	20,363,267
Improvements Other than Buildings	1,042,049	1,056,204	-0-	-0-	1,042,049	1,056,204
Machinery and Equipment	1,661,256	1,547,992	-0-	-0-	1,661,256	1,547,992
Vehicles and Motorized equipment	1,065,478	962,603	-0-	-0-	1,065,478	962,603
Construction in Progress	186,990	1,283,269	406,649	406,649	593,639	1,689,918
Total	\$ 20,871,535	20,843,330	4,987,995	5,344,648	25,859,530	\$ 26,187,978

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, 2013, Clay County had total bonded debt outstanding of \$ 11,722,482 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	
	2013	2012	2013	2012	2013	2012
General Obligation Bond	\$ 630,000	\$ 740,000	-0-	\$ -0-	630,000	\$ 740,000
QZAB	227,694	258,917	-0-	-0-	227,694	258,917
Installment Purchases	9,833,203	10,898,931	-0-	-0-	9,833,203	10,898,931
Notes Payable	-0-	-0-	69,000	79,000	69,000	79,000
Net Pension Obligation	75,471	60,657	-0-	-0-	75,471	60,657
Other Post Employment Benefits	486,651	365,888	23,601	11,295	510,252	377,183
Compensated absences	360,319	219,344	16,543	9,309	376,862	228,653
Total	\$ 11,613,338	\$ 12,543,737	\$ 109,144	\$ 99,604	\$ 11,722,482	\$ 12,643,341

Clay County's total debt decreased by \$920,859 during the past fiscal year, primarily due to debt reduction.

As mentioned in the financial highlights section of this document, Clay County maintained 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 \$167,421,289.

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, 2014

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 \$ 16,533,584

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Clay County, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clay County ABC Board
ASSETS				
Cash and cash equivalents	6,635,721	\$ -	\$ 6,635,721	\$ 312,956
Receivables (net)	1,306,944	90,319	1,397,263	-
Due from other governments	279,707	-	279,707	-
Inventories	-	-	-	279,632
Internal Balances	47,049	(47,049)	-	-
Prepaid Items	23,346	-	23,346	7,421
Restricted cash & cash equivalents	-	36,288	36,288	-
Capital assets:				
Land, and construction in progress	1,026,810	514,929	1,541,739	-
Other capital assets, net of depreciation	19,844,725	4,473,066	24,317,791	1,408
Total capital assets	20,871,535	4,987,995	25,859,530	1,408
Total assets	29,164,302	5,067,553	34,231,855	601,417
DEFERRED OUTFLOWS OF RESOURCE	8,482	-	8,482	-
LIABILITIES				
Accounts payable and accrued expenses	1,003,784	7,981	1,011,765	133,973
Payable from restricted assets	-	79,950	79,950	-
Long-term liabilities:				
Due within one year	1,268,574	10,000	1,278,574	-
Due in more than one year	10,344,764	99,144	10,443,908	4,088
Total liabilities	12,617,122	197,075	12,814,197	138,061
DEFERRED INFLOWS OF RESOURCES	442,674	-	442,674	-
NET POSITION				
Net Investment in capital assets	11,038,332	4,918,995	15,957,327	1,408
Restricted				
Stabilization of State Statute	950,620	-	950,620	-
Human Services Capital	2,747,636	-	2,747,636	-
Working Capital	-	-	-	50,254
Unrestricted (deficit)	1,376,400	(48,517)	1,327,883	411,694
Total net position	\$ 16,112,988	\$ 4,870,478	\$ 20,983,466	\$ 463,356

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, 2013**

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 3,416,595	\$ 147,026	\$ 69,683	\$ -
Public safety	4,426,055	721,488	349,934	-
Transportation	663,560	55,695	410,978	-
Economic and physical development	895,883	293,197	150,784	-
Human services	4,602,287	360,939	3,722,295	-
Cultural and recreation	336,032	139,755	215,450	-
Education	2,194,965	-	-	525,969
Interest on long-term debt	415,178	-	-	-
Total governmental activities	16,950,555	1,718,100	4,919,124	525,969
Business-type activities:				
Water and Sewer	954,769	533,067	-	-
Total business-type activities	954,769	533,067	-	-
\$ 17,905,324	\$ 2,251,167	\$ 4,919,124	\$ 525,969	
Component unit:				
ABC Board	1,196,344	1,369,442	-	-
Total component unit	1,196,344	1,369,442	-	-

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 position

Net position, beginning as previously reported

Prior period adjustment (Note III.D)

Net position, beginning as restated

Net position, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Clay County ABC Board	
\$ (3,199,886)	\$ -	\$ (3,199,886)	\$ -	
(3,354,633)	-	(3,354,633)	-	
(196,887)	-	(196,887)	-	
(451,902)	-	(451,902)	-	
(519,053)	-	(519,053)	-	
19,173	-	19,173	-	
(1,668,996)	-	(1,668,996)	-	
(415,178)	-	(415,178)	-	
(9,787,362)	-	(9,787,362)	-	
-	(421,702)	(421,702)	-	
-	(421,702)	(421,702)	-	
(9,787,362)	(421,702)	(10,209,064)	-	
-	-	-	173,098	
-	-	-	173,098	
8,104,769	-	8,104,769	-	
1,646,794	-	1,646,794	-	
79,135	-	79,135	-	
432,931	-	432,931	-	
4,242	51	4,293	244	
106,888	-	106,888	-	
10,374,759	51	10,374,810	244	
(73,232)	73,232	-	-	
10,301,527	73,283	10,374,810	244	
514,165	(348,419)	165,746	173,342	
15,587,830	5,218,897	20,806,727	290,014	
10,993	-	10,993	-	
15,598,823	5,218,897	20,817,720	290,014	
\$ 16,112,988	\$ 4,870,478	\$ 20,983,466	\$ 463,356	

Clay County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	General	Non-Major Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,428,819	\$ 206,902	\$ 6,635,721
Receivables, net	1,202,342	104,602	1,306,944
Due from other governments	279,707	-	279,707
Due from other funds	56,333	-	56,333
Prepaid items	23,346	-	23,346
Total assets	<u>\$ 7,990,547</u>	<u>\$ 311,504</u>	<u>\$ 8,302,051</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 989,664	\$ 14,120	\$ 1,003,784
Due to other funds	-	9,284	\$ 9,284
Total liabilities	<u>989,664</u>	<u>23,404</u>	<u>1,003,784</u>
DEFERED INFLOWS OF RESOURCES	<u>1,082,728</u>	<u>52,310</u>	<u>1,135,038</u>
Fund balances:			
Nonspendable:			
Prepays	23,346	-	23,346
Restricted:			
Stabilization by State Statute	898,328	52,292	950,620
Public Safety	-	-	-
Assigned :			
Subsequent year's expenditures	-	-	-
Special revenue fund	-	-	-
Human Services Capital	2,747,636	-	2,747,636
Unassigned :	2,248,845	183,498	2,432,343
Total fund balances	<u>5,918,155</u>	<u>235,790</u>	<u>6,153,945</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,990,547</u>	<u>\$ 311,504</u>	

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

Total Fund balance, Governmental Funds	6,153,945
Charges related to advance refunding bond issue	8,482
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,871,535
Deferred inflows of resources for taxes and special assessments receivable	692,364
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds	<u>(11,613,338)</u>
Net postion of governmental activities	<u>16,112,988</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, 2013

	General Fund	Non-Major Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 7,659,662	\$ 480,997	\$ 8,140,659
Local option sales taxes	1,646,794	-	1,646,794
Other taxes and licenses	79,135	-	79,135
Unrestricted intergovernmental	432,931	-	432,931
Restricted intergovernmental	4,489,806	955,288	5,445,094
Permits and fees	517,724	-	517,724
Sales and services	1,200,376	-	1,200,376
Investment earnings	4,067	175	4,242
Miscellaneous	106,888	-	106,888
Total revenues	<u>16,137,383</u>	<u>1,436,460</u>	<u>17,573,843</u>
EXPENDITURES			
Current:			
General government	2,719,527	-	2,719,527
Public safety	3,608,245	794,231	4,402,476
Transportation	747,367	-	747,367
Economic and physical development	784,792	119,275	904,067
Human services	4,564,254	-	4,564,254
Cultural and recreational	752,319	-	752,319
Intergovernmental:			
Education	1,668,996	-	1,668,996
Capital outlay	-	525,969	525,969
Debt service:			
Principal	1,269,044	-	1,269,044
Interest	415,178	-	415,178
Total expenditures	<u>16,529,722</u>	<u>1,439,475</u>	<u>17,969,197</u>
Excess (deficiency) of revenues over expenditures	<u>(392,339)</u>	<u>(3,015)</u>	<u>(395,354)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(73,232)	-	(73,232)
Discount on debt issued	-	-	-
Refunding bonds issued	-	-	-
Installment purchase obligations issued	62,093	-	62,093
Payment to refunded bond escrow agent	-	-	-
Total other financing sources and uses	<u>(11,139)</u>	<u>-</u>	<u>(11,139)</u>
Net change in fund balance	(403,478)	(3,015)	(406,493)
Fund balances, beginning as previously reported	6,321,633	227,812	6,549,445
Prior period adjustment (Note III.D)	-	10,993	10,993
Fund balances, beginning as restated	<u>6,321,633</u>	<u>238,805</u>	<u>6,560,438</u>
Fund balances, ending	<u>\$ 5,918,155</u>	<u>\$ 235,790</u>	<u>\$ 6,153,945</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, 2013

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

Net changes in fund balances - total governmental funds	\$ (406,493)
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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	\$ 1,185,447	
Depreciation expense for governmental assets	(1,157,242)	
		28,205

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(35,890)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	1,206,950
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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	(155,789)
Increase in Other Post Employee Benefits	(120,763)
Amortization of Bond Proceeds	(2,055)
	(288,607)

Total changes in net position of governmental activities	\$ 514,165
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The notes to the financial statements are an integral part of this statement.

Clay County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual- General Fund
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 7,150,500	\$ 7,483,221	\$ 7,659,662	\$ 176,441
Local option sales tax	2,200,000	2,206,750	1,646,794	(559,956)
Other taxes and licenses	93,000	93,000	79,135	(13,865)
Unrestricted intergovernmental	385,000	405,000	432,931	27,931
Restricted intergovernmental	3,292,209	7,157,463	4,489,806	(2,667,657)
Permits and fees	571,250	599,527	517,724	(81,803)
Sales and services	1,267,451	1,465,615	1,200,376	(265,239)
Investment earnings	10,000	10,000	4,067	(5,933)
Miscellaneous	75,480	154,202	106,888	(47,314)
Total revenues	<u>15,044,890</u>	<u>19,574,778</u>	<u>16,137,383</u>	<u>(3,437,395)</u>
Expenditures				
Current:				
General government	2,502,305	2,841,643	2,719,527	122,116
Public safety	3,359,483	3,724,362	3,608,245	116,117
Transportation	595,222	765,585	747,367	18,218
Economic and physical development	666,411	763,809	784,792	(20,983)
Human services	4,253,707	7,469,899	4,564,254	2,905,645
Cultural and recreational	316,369	780,212	752,319	27,893
Intergovernmental:				
Education	1,710,523	1,679,300	1,668,996	10,304
Debt service:				
Principal retirement	1,269,044	1,269,044	1,269,044	-
Interest and other charges	371,826	439,235	415,178	24,057
Total expenditures	<u>15,044,890</u>	<u>19,733,089</u>	<u>16,529,722</u>	<u>3,203,367</u>
Revenues over (under) expenditures	<u>-</u>	<u>(158,311)</u>	<u>(392,339)</u>	<u>(234,028)</u>
Other financing sources (uses):				
Transfers to other funds	-	(3,357)	(73,232)	(69,875)
Installment obligations issued	-	61,668	62,093	425
Total other financing sources (uses)	<u>-</u>	<u>58,311</u>	<u>(11,139)</u>	<u>(69,450)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>(403,478)</u>	<u>(303,478)</u>
Appropriated Fund Balance	-	100,000	-	(100,000)
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>(403,478)</u>	<u>(403,478)</u>
Fund balances, beginning			<u>6,321,633</u>	
Fund balances, ending			<u>\$ 5,918,155</u>	

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

Clay County, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2013

	<u>Major</u> <u>Water and</u> <u>Sewer District</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ -
Receivables, net	90,319	90,319
Restricted cash and cash equivalents	36,288	36,288
Total current assets	<u>126,607</u>	<u>126,607</u>
Noncurrent assets:		
Capital assets:		
Land, improvements, and construction in progress	514,929	514,929
Other capital assets, net of depreciation	4,473,066	4,473,066
Total capital assets	<u>4,987,995</u>	<u>4,987,995</u>
Total noncurrent assets	<u>4,987,995</u>	<u>4,987,995</u>
Total assets	<u>5,114,602</u>	<u>5,114,602</u>
LIABILITIES		
Current liabilities:		
Accounts payable	7,981	7,981
Due to other funds	47,049	47,049
Notes Payable- current	10,000	10,000
Liabilities payable from restricted assets:		
Customer deposits	79,950	79,950
Total current liabilities	<u>144,980</u>	<u>144,980</u>
Noncurrent liabilities:		
Other postemployment benefits	23,601	23,601
Compensated absences	16,543	16,543
Notes Payable- noncurrent	59,000	59,000
Total noncurrent liabilities	<u>99,144</u>	<u>99,144</u>
Total liabilities	<u>244,124</u>	<u>244,124</u>
NET POSITION		
Net investment in capital assets	4,918,995	4,918,995
Unrestricted	<u>(48,517)</u>	<u>(48,517)</u>
Total net position	<u>4,870,478</u>	<u>4,870,478</u>

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 Position
Proprietary Fund
For the Year Ended June 30, 2013

	Major Water and Sewer District	Total
OPERATING REVENUES		
Charges for services	\$ 470,435	\$ 470,435
Water and sewer taps	2,775	2,775
Miscellaneous	59,857	59,857
Total operating revenues	533,067	533,067
OPERATING EXPENSES		
Administration	588,656	588,656
Cash Short/Over	5,510	5,510
Depreciation	356,653	356,653
Total operating expenses	950,819	950,819
Operating income (loss)	(417,752)	(417,752)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	51	51
Interest expense and fees	(3,950)	(3,950)
Total nonoperating revenue (expenses)	(3,899)	(3,899)
Income (loss) before contributions and transfers	(421,651)	(421,651)
Transfers from General	73,232	73,232
Change in net position	(348,419)	(348,419)
Total net position, beginning	\$ 5,218,897	\$ 5,218,897
Total net position, ending	\$ 4,870,478	\$ 4,870,478

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, 2013

	Major Water and Sewer District	Total
Cash flows from operating activities:		
Cash received from customers	\$ 474,602	\$ 474,602
Cash paid for goods and services	(237,899)	(237,899)
Cash paid to employees for services	(338,627)	(338,627)
Customer deposits received	12,600	12,600
Customer deposits returned	(6,150)	(6,150)
Other operating revenue	59,857	59,857
Net cash provided by operating activities	(35,617)	(35,617)
Cash flows from noncapital financing activities		
Transfer from other funds	73,232	73,232
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	-	-
Principal paid on notes payables and installment purchases	(10,000)	(10,000)
Due to other funds repayment	(227,514)	(227,514)
Interest paid on note payable and installment purchases	(3,950)	(3,950)
Capital contributions proceeds	229,491	229,491
Net cash used by capital and related financing activities	(11,973)	(11,973)
Cash flows from investing activities:		
Interest on investments	51	51
Net increase (decrease) in cash and cash equivalents	25,693	25,693
Cash and cash equivalents, beginning	10,595	10,595
Cash and cash equivalents, ending	\$ 36,288	\$ 36,288

(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, 2013**

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

Operating income	<u>\$ (417,752)</u>	<u>\$ (417,752)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	356,653	356,653
Provision for uncollectible accounts		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,392	1,392
Increase (decrease) in accounts payable	(1,900)	(1,900)
Increase (decrease) in accrued vacation	7,234	7,234
Increase (decrease) in OPEB	12,306	12,306
Increase (decrease) in customer deposits	<u>6,450</u>	<u>6,450</u>
Total adjustments	<u>382,135</u>	<u>382,135</u>
Net cash provided by operating activities	<u><u>\$ (35,617)</u></u>	<u><u>\$ (35,617)</u></u>

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

**Clay County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013**

	Agency Fund
Assets	
Cash and cash equivalents	\$ 45,360
Liabilities and Net Position	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Miscellaneous liabilities	45,360
Intergovernmental payable	-
Total liabilities	45,360
Net position:	
Assets held in trust	\$ -

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, 2013

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

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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 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 Emergency Telephone System Fund, the Industrial Fund, the Fire District Fund, and the CDBG Fund are reported as nonmajor special revenue funds. The School Capital Project Fund is reported as capital projects funds.

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and 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, Deferred Inflows and Outflows, 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, 2012. 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	30
Improvements	15
Furniture	7-10
Equipment	5-7
Vehicles	5
Computers	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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion- a charge on refunding that had previously been classified as an asset. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only two items that meet the criterion for the category- prepaid taxes and deferred revenue.

9. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

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

10. 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.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization of State Statute-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 manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the General Fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$ 9,959,043 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)	\$ 32,451,003
Less accumulated depreciation	<u>(11,579,468)</u>
Net capital assets	\$ 20,871,535
Deferred charges related to advance refunding bond issued – included on government-wide statement of net position but are not current financial resources	8,482
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	692,364
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	(10,690,897)
Compensated absences	(360,319)
Other Post Employment Benefits	(486,651)
Pension obligation	<u>(75,471)</u>
Total adjustment	<u>\$ 9,959,043</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$ 920,658 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,185,447
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	(1,157,242)
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 position	(62,093)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	1,269,043
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	(276,552)

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

Decrease in deferred inflows of resources- taxes receivable- at end of year	(<u>35,890</u>)
Total Adjustment	\$ <u>920,658</u>

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provision

Noncompliance with North Carolina General Statutes- During the current fiscal year it was discovered that a former employee was not depositing all receipts collected in the Water and Sewer Department. The amount collected but not deposited into county funds was \$5,510 for the current year. Since the person was personally bonded, the county has filed a claim with the insurance company to recover the loss. The status of legal proceedings is unknown at this time. There have been changes made to the internal controls used by the department to prevent this type of fraud in the future.

B. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2013, the Water and Sewer District reported administrative expenditures that violated State law (G.S. 159-8a) because they exceeded the amounts appropriated in the budget ordinance. Actual administrative expenditures exceeded budgeted administrative expenditures by \$8,166.

The General fund violated State law (G.S. 159-8a) reporting expenditures for Economic and physical development that exceeded budgeted amounts by \$20,983. Other financing sources also exceeded budgeted amounts by \$69,450.

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, 2013, the County's deposits had a carrying amount \$ 1,725,490 and a bank balance of \$ 1,970,759. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,661,214 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2013, Clay County had \$ 564 cash on hand.

Clay County's Enterprise Fund – Water and Sewer, had calculated restricted cash of \$79,950 for customer deposits at June 30, 2013. However, the amount of total cash in the Water and Sewer fund at June 30, 2013 was \$36,288, all of which was shown as restricted cash. The net difference of \$43,662 was used in the service for which the deposits were collected.

At June 30, 2013, the carrying amount of deposits for Clay County ABC Board was \$311,060 and the bank balance was \$289,602. A portion of the bank balance, \$39,602, was not covered by federal depository insurance.

2. Investments

As of June 30, 2013, 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	\$ 4,991,315	N/A	N/A	N/A
Total	\$ 4,991,315	\$ -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, 2013.

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	Tax	Interest	Total
2010	304,193	99,622	403,815
2011	364,501	86,570	451,071
2012	410,773	60,588	471,361
2013	415,362	-0-	415,362
Total	\$ 1,494,829	\$ 246,780	\$ 1,741,609

4. Receivables

Receivables at the government-wide level at June 30, 2013, were as follows:

	Accounts	Taxes and Related Accrued Interest	Total
Government			
Activities:			
General	\$ 562,288	\$ 790,025	\$ 1,352,313
Other			
Governmental	52,292	52,310	104,602
Total receivables	614,580	842,335	1,456,915
Allowance for			
Doubtful accounts	-0-	(149,971)	(149,971)
Total governmental			
Activities	\$ 614,580	\$ 692,364	\$ 1,306,944
Amounts not			
Scheduled for			
Collection during			
The subsequent			
Year	\$ -0-	\$ -0-	\$ -0-
Business-type			
Activities			
Water & Sewer	90,319	-0-	90,319
Total Receivables	90,319		90,319
Allowance for			
Doubtful accounts	-0-	-0-	-0-
Total business-type			
Activities	\$ 90,319	\$ -0-	\$ 90,319

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

Local option sales tax	\$	275,435
White goods disposal tax		814
Scrap tire tax		<u>3,458</u>
Total	\$	<u>279,707</u>

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 459,714	\$ 380,106	\$ -0-	\$ 839,820
Construction in progress	<u>1,283,269</u>	<u>186,990</u>	<u>(1,283,269)</u>	<u>186,990</u>
Total capital assets not being depreciated	<u>1,742,983</u>	<u>567,096</u>	<u>(1,283,269)</u>	<u>1,026,810</u>
Capital assets being depreciated:				
Buildings	20,488,159	1,283,269	-0-	21,771,428
Other improvements	2,393,528	-0-	-0-	2,393,528
Computer Software	-	-	-	-
Equipment	3,529,114	330,738	(200)	3,859,652
Vehicles and motor equipment	<u>3,111,772</u>	<u>287,613</u>	<u>(92,703)</u>	<u>3,306,682</u>
Total capital assets being depreciated	<u>29,522,573</u>	<u>2,088,610</u>	<u>(92,903)</u>	<u>31,331,290</u>
Less accumulated depreciation for:				
Buildings	4,954,611	740,875	-0-	5,695,486
Other improvements	1,337,324	14,155	-0-	1,351,479
Equipment	1,981,122	217,474	(200)	2,198,396
Computer Software	-	-	-	-
Vehicles and motor equipment	<u>2,149,169</u>	<u>184,738</u>	<u>(92,703)</u>	<u>2,241,204</u>
Total accumulated depreciation	<u>10,422,226</u>	<u>1,157,242</u>	<u>(92,903)</u>	<u>11,486,565</u>
Total capital assets being Depreciated, net	<u>19,100,347</u>			<u>19,844,725</u>
Governmental activity capital assets, net	<u>\$20,843,330</u>			<u>\$20,871,535</u>

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

General government	\$	679,302
Public safety		182,819
Transportation		76,574
Economic and physical Development		17,778
Human services		186,815
Cultural and recreational		<u>13,954</u>
Total depreciation Expense	\$	<u>1,157,242</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer District				
Capital assets not being depreciated:				
Land	\$ 108,280	-0-	-0-	108,280
Construction in progress	406,649	-0-	-0-	406,649
Total capital assets not being depreciated	<u>514,929</u>	-0-	-0-	<u>514,929</u>
Capital assets being depreciated:				
Plant and distribution systems	8,058,177	-0-	-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>8,194,557</u>	-0-	-0-	<u>8,194,557</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,228,458	356,653	-0-	3,585,111
Furniture and maintenance equipment	129,380	-0-	-0-	129,380
Vehicles	7,000	-0-	-0-	7,000
Total accumulated depreciation	<u>3,364,838</u>	356,653	-0-	<u>3,721,491</u>
Water and Sewer District capital assets, net	<u>\$ 5,344,648</u>			<u>\$ 4,987,995</u>

Construction commitments

The government had one active construction project as of June 30, 2013, the Recreational Department Facility. At June 30, 2013 the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Rec. Dept. Facility	\$ 47,709	\$ 667,038

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Leasehold Improvements	3,441	-0-	-0-	3,441
Furniture and maintenance equipment	58,776	-0-	-0-	58,776
Total capital assets being depreciated	<u>62,217</u>	<u>-0-</u>	<u>-0-</u>	<u>62,217</u>
Less accumulated depreciation for:				
Leasehold Improvements	1,867	688	-0-	2,555
Furniture and maintenance equipment	49,564	8,690	-0-	58,254
Total accumulated depreciation	<u>51,431</u>	<u>9,378</u>	<u>-0-</u>	<u>60,809</u>
ABC capital assets, net	<u>\$ 10,786</u>			<u>\$ 1,408</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2013, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 989,664	\$ -0-	\$ 989,664
Other govern- mental	<u>14,120</u>	<u>-0-</u>	<u>14,120</u>
Total governmental activities	<u>\$ 1,003,784</u>	<u>-0-</u>	<u>\$ 1,003,784</u>
Business-type Activities:			
Water and Sewer District	<u>7,981</u>	<u>-0-</u>	<u>7,981</u>
Total business- Type activities	<u>\$ 7,981</u>	<u>\$ -0-</u>	<u>\$ 7,981</u>

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 6.74% and 6.77 %, 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, 2013, 2012 and 2011 were \$702,558, \$687,390, and \$600,610, 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 set 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, 2012 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	\$ 15,556
Interest on net pension obligation	3,033
Adjustment to annual required contribution	<u>(3,775)</u>
Annual pension cost	\$ 14,814
Contributions made	<u>-0-</u>
Increase (decrease) in net pension obligation	\$ 14,814
Net pension obligation beginning of year	<u>60,657</u>
Net pension obligation end of year	\$ 75,471

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 11,144	00.00%	\$ 47,385
2012	13,272	00.00%	60,657
2013	14,814	00.00%	75,471

4. *Funded Status and Funding Progress.*

As of December 31, 2012, 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 \$119,027. The covered payroll (annual payroll of active employees covered by the plan) was \$509,762 and the ratio of the UAAL to the covered payroll was 23.35 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, 2013 were \$ 30,545, which consisted of \$ 26,129 from the County and \$4,416 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, 2013, the County's required and actual contributions were \$ 1,576.

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 valuation

	<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	\$ 340,205
Interest on net OPEB obligation	15,087
Adjustment to annual required contribution	(14,413)
Annual OPEB cost (expense)	340,879
Contributions made	(207,810)
Increase (decrease) in net OPEB obligation	133,069
Net OPEB obligation, beginning of year	377,183
Net OPEB obligation, end of year	\$ 510,252

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, 2013 were as follows:

3 Year Trend Information			
For Year Ended June	Annual OPEB Cost	Percentage of Annual OPEB Cost 9.2	Net OPEB Obligation
2011	\$ 182,435	29.1%	\$ 258,012
2012	\$ 289,817	58.9%	\$ 377,183
2013	\$ 340,879	33.3%	\$ 510,252

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 payrolls 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 Outflows and Inflows of Resources

The amount of deferred outflows of resources is a charge on refunding of debt of \$ 8,482.

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$	\$ 67,184
Taxes receivable, net (General)	640,054	
Taxes receivable, net (Special Revenue)	52,310	
Unearned revenue (General)		375,490
Total	<u>\$ 692,364</u>	<u>\$ 442,674</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 \$ 490,099 at June 30, 2013 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 3rd 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, 2013, 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, 2013, 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 January 2013 then decreased interest to 1.69% until July 29, 2020.

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

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

The County financed the Hwy 69 Water and Sewer project by an ARRA Capitalization Grants for State Revolving Funds during fiscal year June 30, 2010. This loan 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%, 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, 2013, then decreased interest to 2.36% until March 17, 2026.

The County financed \$53,899 for three 2011 Ford Crown Victorians for the Sheriff Department during the fiscal year 06/30/2012. The transaction requires annual payments by the County of \$19,023 including interest payments at a rate of 6.0%, until 2014.

The County financed \$62,093 for three Ford Crown Victorians for the Sheriff Department during the current fiscal year. The transaction requires annual payments by the County of \$21,915, including interest payments at a rate of 6.0%, until 2014.

For Clay County, the future minimum payments as of June 30, 2013, including \$ 1,006,414 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	1,127,351	230,718
2015	1,111,528	157,518
2016	1,091,841	136,113
2017	1,061,832	115,916
2018	1,061,832	96,739
2019 and after	4,378,819	269,410
Principal payments	<u>\$ 9,833,203</u>	
Total interest payments		<u>\$ 1,006,414</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, 2013 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 % \$ 630,000

Annual debt service requirements to maturity for the County's general obligation bond, including interest of \$ 72,134 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	110,000	21,134
2015	115,000	17,696
2016	115,000	14,103
2017	115,000	10,365
2018	110,000	6,398
2019	65,000	2,438
Total	<u>\$ 630,000</u>	<u>\$ 72,134</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 position. 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>
2014	31,223	-0-
2015	31,223	-0-
2016	31,223	-0-
2017	31,223	-0-
2018	31,223	-0-
2019-2024	71,581	-0-
Total	<u>\$ 227,696</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, 2014	13,450
2015	12,950
2016	12,450
2017	11,950
2018	11,450
2019-after	<u>21,400</u>
Total Minimum Note Payments	<u>83,650</u>
Less: Amount Representing Interest	<u>14,650</u>
Present Value of the Note Payment	<u>\$ 69,000</u>

Debt Related to Capital Activities- Of the total Governmental Activities debt listed \$ 9,833,203 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, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Governmental Activities:					
General obligation Debt	\$ 740,000	\$ -0-	\$ 110,000	630,000	110,000
QZAB	258,917	-0-	31,223	227,694	31,223
Installment purchase	10,898,931	62,093	1,127,821	9,833,203	1,127,351
Net Pension obligation	60,657	14,814	-0-	75,471	-
Other Post Employment Benefits	365,888	120,763	-0-	486,651	-
Compensated absences	219,344	378,610	237,635	360,319	-
Total governmental Activities	<u>\$ 12,543,737</u>	<u>\$ 576,280</u>	<u>\$ 1,506,679</u>	<u>\$ 11,613,338</u>	<u>\$ 1,268,574</u>

Business-type

Activities:

Note payable	\$ 79,000	\$ -0-	\$ 10,000	\$ 69,000	\$ 10,000
Other Post Employment Benefits	11,295	12,306	-0-	23,601	-
Compensated absences	9,309	15,628	8,394	16,543	-
Total business-Type activities	<u>\$ 99,604</u>	<u>\$ 27,934</u>	<u>\$ 18,394</u>	<u>\$ 109,144</u>	<u>\$ 10,000</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

Transfer to / from other funds at June 30, 2013, consist of the following:

Due to the General Fund from the Water and Sewer - for unreimbursed expenditures	\$ 47,049
Due to the General Fund from the Emergency Telephone - for unreimbursed expenditures	\$ 9,284

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, 2013:

From the General Fund to the Water and Sewer Fund for operations and material purchases	\$73,232
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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 refunded expenditures posted in the prior year to this fund of \$10,993.

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:

	\$5,918,155
Total fund balance-General Fund	
Less:	
Nonspendables -Prepaid	23,346
Stabilization by State Statute	898,328
Appropriated Fund Balance in 2014 budget	-0-
Assigned for Human Services	2,747,636
Working Capital /Fund Balance Policy	1,578,647
Remaining Fund Balance	670,198

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

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

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

IV. Related Organization

Clay County Rural Development Authority

The County's Governing board is responsible for appointing the members of the board of the Clay County Rural Development Authority, but the County's accountability does not extend beyond making these appointments. The Authority was created for the purpose of the economic development and to provide recreational activities for the county residents of Clay County. The Authority has developed three projects: Chatuge Shores Recreation Area, Mooreview Homesites, and Hayesville Homesites. The Mooreview 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, 2013. 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, 2013. 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, 2013. 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 \$ 125,000 during the fiscal year June 30, 2013. 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	\$ 35,270	\$
Adoption Assistance	49,873	13,114
Medicaid	9,145,787	5,211,387
Food stamp program	2,869,728	
Energy assistance	32,500	
WIC	167,976	
Title IV-E, foster care	74,528	19,363
Total	<u>\$12,375,662</u>	<u>\$ 5,243,864</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.

X. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. Bond issuance costs, which were previously deferred and amortized must be included in current expenditures. Previously deferred bond issuance costs totaling \$2,055 were recognized as an expenditure in the current year.

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)
12/31/2007	-	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%
12/31/2012	-	119,027	119,027	0.0%	509,762	23.35%

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
2011	11,144	0.00%
2012	13,272	0.00%
2013	14,814	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	12/31/12
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	18 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
2011	182,435	29.1%
2012	289,817	58.9%
2013	340,205	33.3%

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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 7,564,941	
Penalties and interest		94,721	
Total	\$ 7,483,221	7,659,662	\$ 176,441
Local option sales taxes:			
Article 39 and 44		708,832	
Article 40 one - half of one percent		574,054	
Article 42 one - half of one percent		363,908	
Total	2,206,750	1,646,794	(559,956)
Other taxes and licenses:			
Deed stamp excise tax		54,342	
Scrap tire disposal tax		19,706	
White goods disposal tax		3,212	
Privilege licenses		1,875	
Total	93,000	79,135	(13,865)
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		391,955	
ABC profit distribution		-	
Beer and wine tax		40,976	
Total	405,000	432,931	27,931
Restricted intergovernmental:			
State Grants		827,161	
Federal Grants		3,622,755	
Court facility fees		14,113	
Enforcement fund		3,575	
ABC profits for law enforcement		7,500	
ABC bottle taxes		14,702	
Total	7,157,463	4,489,806	(2,667,657)
Permits and fees:			
Building and well permits		81,547	
Inspection fees		34,667	
Landfill permits and user fees		293,197	
Franchise fees		23,295	
Gun Permits		10,100	
Register of deeds		74,918	
Total	599,527	517,724	(81,803)

(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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Sales and services:			
Rents, concessions, and fees		38,154	
Jail fees		98,403	
Ambulance and rescue squad fees		519,700	
Police fees		58,618	
Recreation fees		139,755	
Health Department fees		279,392	
Tax office sales		3,334	
Water Sample fees		6,650	
Senior Center Meal fees		675	
Transportation fees		55,695	
Total	1,465,615	1,200,376	(265,239)
Investment earnings	10,000	4,067	(5,933)
Miscellaneous:			
Donations		16,438	
Other		90,450	
Total	154,202	106,888	(47,314)
Total revenues	19,574,778	16,137,383	(3,437,395)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		199,458	
Other operating expenditures		419,458	
Insurance other than property		79,772	
Total	742,938	698,688	44,250
County Appropriations		139,164	
Total	140,488	139,164	1,324
Elections:			
Salaries and employee benefits		131,856	
Other operating expenditures		58,101	
Capital outlay		3,639	
Total	200,424	193,596	6,828
Finance:			
Salaries and employee benefits		188,126	
Other operating expenditures		23,042	
Capital outlay		7,944	
Total	240,405	219,112	21,293

(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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Taxes supervisor:			
Salaries and employee benefits		126,402	
Other operating expenditures		26,853	
Capital Outlay		3,000	
Total	<u>170,381</u>	<u>156,255</u>	<u>14,126</u>
Taxes collector:			
Salaries and employee benefits		164,941	
Other operating expenditures		26,454	
Capital Outlay		-	
Total	<u>196,370</u>	<u>191,395</u>	<u>4,975</u>
Legal:			
Contracted services	<u>20,000</u>	<u>21,542</u>	<u>(1,542)</u>
Register of deeds:			
Salaries and employee benefits		157,642	
Other operating expenditures		33,823	
Capital outlay		-	
Total	<u>217,292</u>	<u>191,465</u>	<u>25,827</u>
Public buildings:			
Salaries and employee benefits		203,987	
Other operating expenditures		493,031	
Capital Outlay		2,932	
Total	<u>694,525</u>	<u>699,950</u>	<u>(5,425)</u>
Senior Center			
Salaries and employee benefits		97,184	
Other operating expenditures		107,476	
Capital Outlay		3,700	
Total	<u>218,820</u>	<u>208,360</u>	<u>10,460</u>
Total general government	<u>2,841,643</u>	<u>2,719,527</u>	<u>122,116</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		1,176,737	
Other operating expenditures		212,925	
Capital outlay		86,147	
Total	<u>1,560,866</u>	<u>1,475,809</u>	<u>85,057</u>
Jail:			
Salaries and employee benefits		599,544	
Other operating expenditures		226,065	
Total	<u>827,243</u>	<u>825,609</u>	<u>1,634</u>
School Resource Officer:			
Salaries and employee benefits		37,640	
Other operating expenditures		341	
Total	<u>39,684</u>	<u>37,981</u>	<u>1,703</u>
Emergency management:			
Salaries and employee benefits		17,760	
Other operating expenditures		19,625	
Capital Outlay		11,064	
Total	<u>55,931</u>	<u>48,449</u>	<u>7,482</u>
Fire:			
Other operating expenditures		34,987	
Total	<u>39,000</u>	<u>34,987</u>	<u>4,013</u>
Inspections:			
Salaries and employee benefits		102,236	
Other operating expenditures		7,288	
Capital outlay		7,067	
Total	<u>117,580</u>	<u>116,591</u>	<u>989</u>
Emergency medical services			
Salaries and employee benefits		834,360	
Other operating expenditures		124,212	
Capital outlay		-	
Total	<u>959,629</u>	<u>958,572</u>	<u>1,057</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Telecommunications			
Salaries and employee benefits		51,208	
Other operating expenditures		9,765	
Capital outlay		-	
Total	<u>65,301</u>	<u>60,973</u>	<u>4,328</u>
Animal Control Officer			
Salaries and employee benefits		24,230	
Other operating expenditures		13,090	
Capital outlay		-	
Total	<u>40,860</u>	<u>37,320</u>	<u>3,540</u>
Courthouse Security			
Salaries and employee benefits		10,127	
Other operating expenditures		349	
Capital outlay		-	
Total	<u>13,368</u>	<u>10,476</u>	<u>2,892</u>
Clerk of Court			
Other operating expenditures		1,478	
Total	<u>4,900</u>	<u>1,478</u>	<u>3,422</u>
Total public safety	<u>3,724,362</u>	<u>3,608,245</u>	<u>116,117</u>
Transportation:			
Transportation -Operations			
Salaries and employee benefits		332,652	
Other operating expenditures		76,804	
Capital Outlay		-	
Total transportation operations	<u>423,843</u>	<u>409,456</u>	<u>14,387</u>
Transportation -Senior Center			
Salaries and employee benefits		128,451	
Other operating expenditures		32,184	
Capital Outlay		177,276	
Total transportation senior center	<u>341,742</u>	<u>337,911</u>	<u>3,831</u>
	<u>765,585</u>	<u>747,367</u>	<u>18,218</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Planning and zoning:			
Salaries and employee benefits		58,097	
Other operating expenditures		31,954	
Capital Outlay		8,330	
Total	108,327	98,381	9,946
Sanitary Landfill			
Salaries and employee benefits		194,705	
Other operating expenditures		258,978	
Capital outlay		22,295	
Total	475,094	475,978	(884)
Soil and Water conservation:			
Salaries and employee benefits		77,095	
Other operating expenditures		32,822	
Capital Outlay		-	
Total	88,650	109,917	(21,267)
Agricultural extension:			
Salaries and employee benefits		77,589	
Other operating expenditures		13,220	
Capital Outlay		-	
Total	91,738	90,809	929
Special Appropriations	-	9,707	(9,707)
Total economic and physical development	763,809	784,792	(20,983)
Human services:			
Health:			
Administration & health programs:			
Salaries and employee benefits		884,035	
Other operating expenditures		386,370	
Capital Outlay		183,024	
Total	1,998,029	1,453,429	544,600
Far West dental			
Salaries and employee benefits		506,068	
Other operating expenditures		81,581	
Capital Outlay		63,773	
Total	2,453,973	651,422	1,802,551

(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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Women, infants, and children:			
Salaries and employee benefits		89,202	
Other operating expenditures		32,929	
Total	125,305	122,131	3,174
Care Coordination for Children			
Salaries and employee benefits		23,421	
Other operating expenditures		741	
Total	28,073	24,162	3,911
Pregnancy Care Management			
Salaries and employee benefits		23,421	
Other operating expenditures		792	
Total	26,273	24,213	2,060
Smart Start:			
Salaries and employee benefits		23,809	
Other operating expenditures		4,234	
Total	30,185	28,043	2,142
Total health	4,661,838	2,303,400	2,358,438
Social services:			
Administration:			
Salaries and employee benefits		1,106,545	
Other operating expenditures		643,065	
Capital outlay		3,625	
Total	1,895,050	1,753,235	141,815
AFDC:			
Assistance payments	263,731	124,514	139,217
Medical assistance program:			
Assistance payments	50,000	661	49,339
Bioterrorism			
Salaries and employee benefits		20,866	
Other operating expenditures		2,678	
Total	42,083	23,544	18,539
Other assistance:			
Assistance payments	552,722	354,503	198,219
Total social services	2,803,586	2,256,457	547,129

(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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Veterans service officer:			
Salaries and employee benefits		3,876	
Other operating expenditures		521	
Total veterans service officer	4,475	4,397	78
 Total human services	7,469,899	4,564,254	2,905,645
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		123,690	
Other operating expenditures		36,278	
Capital outlay		433,396	
Total	620,182	593,364	26,818
Campground			
Operating expenditures		55,635	
Capital Outlay		-	
	56,710	55,635	1,075
Libraries:			
Contribution to regional library	103,320	103,320	-
Total culture and recreation	780,212	752,319	27,893
Education:			
Public schools - current		988,996	
Public schools - capital outlay		205,000	
Public schools- special funds		350,000	
Community colleges - current		125,000	
Total education	1,679,300	1,668,996	10,304
Debt service:			
Principal retirement		1,269,044	
Interest and other charges		415,178	
Total debt service	1,708,279	1,684,222	24,057
Total expenditures	19,733,089	16,529,722	3,203,367
Revenues over (under) expenditures	(158,311)	(392,339)	(234,028)

(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, 2013**

	Final Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Installment obligation issued:	61,668	62,093	(425)
Transfers (to) from other funds:			
Water and Sewer Fund	(3,357)	(73,232)	69,875
Total other financing sources (uses)	58,311	(11,139)	(69,450)
Revenues and other financing sources over expenditures and other financing uses	(100,000)	(403,478)	(303,478)
Appropriated fund balance	100,000	-	(100,000)
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	(403,478)	\$ (403,478)
Fund balance, beginning		6,321,633	
Fund balance, ending		\$ 5,918,155	

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.
- *Emergency Telephone System Fund* – This fund accounts for the 911 revenues collected by the telephone industry to fund the 911 emergency system

Capital Project Funds

- *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, 2013

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	CDBG Fund	Fire District Fund	Industrial Fund	Emergency Telephone System Fund	
ASSETS					
Cash and cash equivalents	\$ -	\$ 11,727	\$ 88,078	\$ 107,097	\$ 206,902
Accounts receivable, net	-	-	-	52,292	52,292
Taxes receivable, net	-	52,310	-	-	52,310
Due from other governments	-	-	-	-	-
Total assets	\$ -	\$ 64,037	\$ 88,078	\$ 159,389	\$ 311,504
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 11,727	\$ -	\$ 2,393	\$ 14,120
Due to other funds	-	-	-	9,284	9,284
Total liabilities	-	11,727	-	11,677	23,404
DEFERRED INFLOWS OF RESOURCES					
Taxes receivable	-	52,310	-	-	52,310
Total deferred inflows of resources	-	52,310	-	-	52,310
Fund balances:					
Restricted:					
Stabilization by State Statute	-	-	-	52,292	52,292
Unassigned	-	-	88,078	95,420	183,498
Total fund balances	-	-	88,078	147,712	235,790
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 64,037	\$ 88,078	\$ 159,389	\$ 311,504

Capital Projects Funds

School Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 206,902
-	-	52,292
-	-	52,310
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,504</u>
\$ -	\$ -	\$ 14,120
-	-	9,284
-	-	23,404
-	-	52,310
		52,310
-	-	52,292
-	-	183,498
-	-	235,790
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,504</u>

Clay County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	CDBG Fund	Fire District Fund	Industrial Fund	Emergency Telephone System Fund	
REVENUES					
Ad valorem taxes	\$ -	\$ 480,997	\$ -		\$ 480,997
Local option sales taxes	-	-	-	-	-
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	119,275	-	-	310,044	429,319
Investment earnings	-	-	-	175	175
Miscellaneous	-	-	-	-	-
Total revenues	<u>119,275</u>	<u>480,997</u>	<u>-</u>	<u>310,219</u>	<u>910,491</u>
EXPENDITURES					
Current:					
Economic and physical development	119,275	-	-	-	119,275
Public safety	-	480,997	-	313,234	794,231
Capital outlay	-	-	-	-	-
Total expenditures	<u>119,275</u>	<u>480,997</u>	<u>-</u>	<u>313,234</u>	<u>913,506</u>
Excess (deficiency) of revenues over expenditures	-	-	-	(3,015)	(3,015)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,015)</u>	<u>(3,015)</u>
Fund balances, beginning as previously reported	-	-	88,078	139,734	227,812
Prior period adjustment (Note III.D)	-	-	-	10,993	10,993
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,078</u>	<u>\$ 147,712</u>	<u>\$ 235,790</u>

Capital Projects Funds

School Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 480,997
-	-	-
-	-	-
525,969	525,969	955,288
-	-	175
-	-	-
<u>525,969</u>	<u>525,969</u>	<u>1,436,460</u>
-	-	119,275
-	-	794,231
525,969	525,969	525,969
<u>525,969</u>	<u>525,969</u>	<u>1,439,475</u>
-	-	(3,015)
-	-	-
-	-	-
-	-	(3,015)
-	-	227,812
-	-	10,993
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,790</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, 2013

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
GRANT #10-C-2118	\$ 400,000	\$ 242,329	\$ 88,656	\$ 330,985	\$ 69,015
	-	-	-	-	-
Total Revenues	400,000	242,329	88,656	330,985	69,015
Expenditures:					
Economic and physical development					
GRANT #10-C-2118 :					
Rehabilitation	25,000	-	-	-	25,000
Reconstruction	306,667	191,572	71,080	262,652	44,015
Clearance	22,689	11,490	11,199	22,689	-
Temporary Relocation Expenses	5,644	4,994	650	5,644	-
Administration	40,000	34,273	5,727	40,000	-
Total expenditures	400,000	242,329	88,656	330,985	69,015
Revenues under expenditures	-	-	-	-	-
Other financing sources (uses):					
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
CDBG Fund Grant # 11-C-2368
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
GRANT #11-C-2368:	\$ 500,000	\$ -	\$ 30,619	\$ 30,619	\$ 469,381
	-	-	-	-	-
Total Revenues	500,000	-	30,619	30,619	469,381
Expenditures:					
Economic and physical development					
GRANT #11-C-2368:					
Parks, playgrounds and recreation facilities	450,000	-	1,200	1,200	448,800
Administration	50,000	-	29,419	29,419	20,581
Total expenditures	500,000	-	30,619	30,619	469,381
Revenues under expenditures	-	-	-	-	-
Other financing sources (uses):					
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, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year		\$ 460,003	
Prior year		20,994	
Total	<u>563,661</u>	<u>480,997</u>	<u>(82,664)</u>
Expenditures:			
Current:			
Public safety:			
Fire District No. 1		80,816	
Fire District No. 2		41,801	
Fire District No. 3		45,010	
Fire District No. 4		313,370	
Total expenditures	<u>563,661</u>	<u>480,997</u>	<u>82,664</u>
Revenues over expenditures	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>
Fund balance, beginning		\$ -	
Fund balance, ending		<u><u>\$ -</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, 2013

	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		\$ 88,078	
Fund balance, ending		<u>\$ 88,078</u>	

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, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
E911 Funding	\$ -	\$ 310,044	\$ -
Interest earned		175	
Total revenue	<u>399,635</u>	<u>310,219</u>	<u>(89,416)</u>
Expenditures			
Implementation functions		73,386	
Phone and Furniture		44,231	
Software Maintenance		28,871	
Hardware Maintenance		159,150	
Training		7,596	
Total expenditures	<u>399,635</u>	<u>313,234</u>	<u>86,401</u>
Revenues under expenditures	-	(3,015)	(3,015)
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>	<u>(3,015)</u>	<u>\$ (3,015)</u>
Fund balance, beginning as previously reported		139,734	
Prior period adjustment (Note III.D)		10,993	
Fund balance, beginning as restated		<u>\$ 150,727</u>	
Fund balance, ending		<u>\$ 147,712</u>	

**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, 2013**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Public School Building					
Capital Fund - lottery	575,000	-	525,969	525,969	(49,031)
Total revenues	<u>575,000</u>	<u>-</u>	<u>525,969</u>	<u>525,969</u>	<u>(49,031)</u>
Expenditures					
Intergovernmental - education:					
Hayesville High School- lottery	575,000	-	525,969	525,969	49,031
Total expenditures	<u>575,000</u>	<u>-</u>	<u>525,969</u>	<u>525,969</u>	<u>49,031</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>	<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, 2013**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential/commerical		\$ 271,935	
Total	\$ 262,000	271,935	\$ 9,935
Sewer charges:			
Residential/commercial		198,500	
Total	200,000	198,500	(1,500)
Water and sewer taps	20,000	2,775	(17,225)
Other operating revenues	36,000	59,857	23,857
Total operating revenues	518,000	533,067	15,067
Nonoperating revenues:			
Interest earnings	2,000	51	(1,949)
Total revenues	520,000	533,118	13,118
Other financing sources:			
Transfers from other funds:			
General Fund	80,000	73,232	(6,768)
Total revenues and other financing sources	600,000	606,350	6,350
			(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, 2013**

	Final Budget	Actual	Variance Positive (Negative)
Expenditures:			
Administration:			
Salaries and employee benefits		358,167	
Travel		3,154	
Insurance		4,828	
Repair and Maintenance		127,047	
Other operating expenditures		100,970	
Total	<u>586,000</u>	<u>594,166</u>	<u>(8,166)</u>
Debt service:			
Interest and other charges		3,950	
Debt principal		10,000	
Total	<u>14,000</u>	<u>13,950</u>	<u>50</u>
Capital outlay:			
Water & Sewer Line Expansion		-	-
Total expenditures	<u>600,000</u>	<u>608,116</u>	<u>(8,116)</u>
Revenues and other financing sources over expenditures	<u>-</u>	<u>(1,766)</u>	<u>(1,766)</u>

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

Revenue and other financing sources over expenditures	<u>\$ (1,766)</u>
Reconciling items:	
Debt principal	10,000
Capital contributions	-
Capital outlay	-
Depreciation	<u>(356,653)</u>
Total reconciling items	<u>(346,653)</u>
Change in net position	<u>\$ (348,419)</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, 2013

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
NCDENR Grant	\$ 720,256	\$ 650,257	\$ -	\$ 650,257	\$ (69,999)
Rural Dev Grant	500,000	440,341	-	440,341	(59,659)
ARC Grant	300,000	-	-	-	(300,000)
Total Revenues	1,520,256	1,090,598	-	1,090,598	(429,658)
Expenditures					
Water Sys Construction	1,581,920	1,345,749	-	1,345,749	236,171
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
Total expenditures	2,056,900	1,627,242	-	1,627,242	429,658
Revenues under expenditures	(536,644)	(536,644)	-	(536,644)	-
Other financing sources (uses):					
	-	-	-	-	-
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
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
Social Services				
Assets:				
Cash and cash equivalents	\$ 12,670	\$ 141,597	\$ 108,907	\$ 45,360
Liabilities:				
Miscellaneous liabilities	\$ 12,670	\$ 141,597	\$ 108,907	\$ 45,360
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 45,419	\$ 45,419	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 45,419	\$ 45,419	\$ -
Motor Vehicle Tax				
Assets:				
Cash and cash equivalents	\$ -	\$ 3,429	\$ 3,429	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 3,429	\$ 3,429	\$ -
Town of Hayesville Ad-Valorem Taxes				
Assets:				
Cash and cash equivalents	\$ -	\$ 98,135	\$ 98,135	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 98,135	\$ 98,135	\$ -
Deed of Trust Fund				
Assets:				
Cash and cash equivalents	\$ -	\$52,215	\$52,215	\$ -
Liabilities:				
Intergovernmental payable-NC	\$ -	\$52,215	\$52,215	\$ -
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 12,670	\$ 340,795	\$ 308,105	\$ 45,360
Liabilities:				
Miscellaneous liabilities	\$ 12,670	\$ 243,161	\$ 210,471	\$ 45,360
Intergovernmental payable	-	97,634	97,634	-
Total liabilities	\$ 12,670	\$ 340,795	\$ 308,105	\$ 45,360

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, 2013**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 7,533,958	7,194,619	\$ 339,339
2011-2012	386,601	-	218,641	167,960
2010-2011	160,238	-	76,840	83,398
2009-2010	101,190	-	36,781	64,409
2008-2009	64,605	-	17,984	46,621
2007-2008	40,409	-	8,149	32,260
2006-2007	23,022	-	5,742	17,280
2005-2006	16,142	-	1,766	14,376
2004-2005	16,201	-	1,825	14,376
2003-2004	12,234	-	2,227	10,007
2002-2003	10,975	-	10,975	0
	<u>831,617</u>	<u>7,533,958</u>	<u>7,575,549</u>	<u>790,026</u>

Less: allowance for uncollectible accounts:
General Fund (149,971)

Ad valorem taxes receivable - net:
General Fund \$ 640,055

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 7,659,662
Penalties collected on ad valorem taxes- Agency fund	\$ -
Interest collected on as valorem taxes- General Fund	\$ (94,721)
Reconciling items:	
Interest collected	-
Discounts allowed	-
Taxes written off	10,608
Total reconciling items	<u>10,608</u>
Total collections and credits	<u>\$ 7,575,549</u>

**Clay County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2013**

	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	2,004,835,278	0.360%	\$ 7,217,407	\$ 7,217,407	\$ -
Motor vehicles taxed at prior year's rate	86,803,889	0.360%	312,494	-	312,494
Total	2,091,639,167		7,529,901	7,217,407	312,494
Discoveries:					
Current year taxes	3,663,889	0.360%	13,190	11,531	1,659
Total	3,663,889		13,190	11,531	1,659
Abatements	(2,536,944)	0.360%	(9,133)	(5,500)	(3,633)
Total property valuation	2,092,766,111				
Net levy			7,533,958	7,223,438	310,520
Uncollected taxes at June 30, 2013			339,339	298,221	41,118
Current year's taxes collected			7,194,619	6,925,217	269,402
Current levy collection percentage			95.50%	95.87%	86.76%

Clay County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2013

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100 %
Real Property	\$ 1,943,076,200
Personal Property	118,282,416
Public Service Companies	31,407,495
Total Assessed Valuation	\$ 2,092,766,111
Tax Rate per \$100	0.360%
Levy (includes discoveries, releases and abatements)	\$ 7,533,958

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	\$ 481,809
---------------------------	------------

**Clay County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2013**

Taxpayer	Type of Business	2013 Assessed Valuation	Percentage of Total Assessed Valuation
Blue Ridge Mountain EMC	Utility	22,343,307	0.0107
Ridges at Mtn Harbour LLC	Commercial Real Estate	14,204,030	0.0068
Ingles Markets Inc	Commercial Real Estate	11,089,519	0.0053
JWJ of Clay County LLC	Commercial Real Estate	5,411,200	0.0026
Nelson Hendrikse Trustee	Commercial Real Estate	5,016,054	0.0024
Nantahala Bank & Trust Co	Commercial Real Estate	4,980,520	0.0024
Coleman Cable	Utility	4,960,359	0.0024
Steven Payne	Individual	4,957,714	0.0024
Fine Holding LLC	Commercial Real Estate	4,277,140	0.0020
Frontier Comm of the Carolinas	Utility	4,103,829	0.0020
		<hr/>	<hr/>
Total		<u>81,343,672</u>	<u>0.0389</u>

COMPLIANCE SECTION



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

Independent Auditor's Report

To the Board of Commissioners
Clay County, North Carolina

I have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprises Clay County's basic financial statements, and have issued my report thereon dated January 27, 2014. My report includes a reference to other auditors who 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

In planning and performing my audit of the financial statements, I considered Clay County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

My consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the

accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses. **2013-1 & 2013-2**

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. **2013-3, 2013-4, & 2013-5**

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items **2013-2, 2013-3, 2013-4 & 2013-5**

Clay County's Responses to Findings

The County's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

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

Shawn Long
Shawn Long

01/27/2014 04:06:29 pm

Shawn Powell Long, CPA
Hayesville, North Carolina

January 27, 2014



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Report On Compliance For Each Major Federal Program; Report on 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

Report on Compliance for Each Major Federal Program

I have audited the Clay County, North Carolina, compliance with the types of compliance requirements described in the OMB 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, 2013. Clay County’s major Federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of Clay County’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, my audit does not provide a legal determination of Clay County's compliance with those requirements.

Opinion on Each Major Federal Program

In my opinion, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 Shawn Long
02720405635pm

Shawn Powell Long, CPA
Hayesville, North Carolina

January 27, 2014



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**Report On Compliance For Each Major State Program; Report on 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

Report on Compliance for Each Major State Program

I have audited Clay County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013. Clay County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Clay County's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 State program occurred. An audit includes examining, on a test basis, evidence about Clay County's compliance with those

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

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

Opinion on Each Major State Program

In my opinion, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Shawn Long

01/27/2014 04:22:18 pm

Shawn Powell Long, CPA
Hayesville, North Carolina

January 27, 2014

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

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 \$ 338,615

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
Public School Building Capital Fund- Lottery Proceeds

Section II. Financial Statement Findings

Finding: **2013-1** 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. Please refer to the corrective action plan beginning on page 114.

Finding: **2013-2** Misappropriation of Funds

MATERIAL WEAKNESS

Criteria: Internal control procedures are not being followed in the Water & Sewer Department to ensure that all funds collected are being deposited.

Condition: Due to audit procedures, there were obvious signs that all collections were not being deposited into the Water & Sewer bank account. Daily collection reports would tie to the daily deposit total but the breakdown of cash versus checks on the report did not tie with the deposit slip totals.

Questioned Costs: \$5,510

Context: All known security deposits were tested. Based on customer applications there was \$17,700 collected for security deposits for current fiscal year but general ledger only showed \$12,600. That is a difference of \$5,100 of security deposits that were not deposited into the bank or recorded as security deposits in the general ledger. There were 12 of the previously mentioned \$200 security deposits received in cash (based on the customer application) that were not found to be deposited. Contents of collections for all deposits for the entire year were examined. The other security deposits received by check were deposited in lieu of cash collected for water and sewer fees or commercial hauler fees. There were also three instances where there was documentation that returned checks had been made good with cash but the funds were not deposited into the bank. These returned checks totaled \$409.69.

Cause: There are a limited number of personnel in the department.

Recommendation: The County should implement internal control procedures that would ensure that all cash collected is deposited.

Views of responsible officials and planned corrective actions: The County has contracted with another CPA firm to help establish internal control procedures for the Water and Sewer department. The County has terminated the employee and has filed a claim with their insurance carrier. No charges have been filed at this time. Please refer to the corrective action plan beginning on page 114.

Finding: 2013-3 Budget Violations

MATERIAL NONCOMPLIANCE

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Clay County Water and Sewer department expended \$8,166 more for administration than appropriated in the annual budget ordinance.

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

Context: N/A

Effect: Moneys were spent that had not been appropriated.

Cause: The Board had expenditures that had not been budgeted for in the budget ordinance or amendments.

Recommendation: Budget amendments should be adopted prior to expending the funds. Careful review should be done monthly on year to date expenditures as compared to budgeted expenditures.

Views of responsible officials and planned corrective actions: The Board of Commissioners agrees

with this finding. Policies and procedures will be put in place so that budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan beginning on page 114.

Finding: 2013-4 Budget Violations

MATERIAL NONCOMPLIANCE

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Clay County expended \$20,983 more for economic and physical development than appropriated in the annual budget ordinance.

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

Context: N/A

Effect: Moneys were spent that had not been appropriated.

Cause: The Board had expenditures that had not been budgeted for in the budget ordinance or amendments.

Recommendation: Budget amendments should be adopted prior to expending the funds. Careful review should be done monthly on year to date expenditures as compared to budgeted expenditures.

Views of responsible officials and planned corrective actions: The Board of Commissioners agrees with this finding. Policies and procedures will be put in place so that budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan beginning on page 114.

Finding: 2013-5 Budget Violations

MATERIAL NONCOMPLIANCE

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Clay County expended \$69,450 more for other financing sources than appropriated in the annual budget ordinance.

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

Context: N/A

Effect: Moneys were spent that had not been appropriated.

Cause: The Board had expenditures that had not been budgeted for in the budget ordinance or amendments.

Recommendation: Budget amendments should be adopted prior to expending the funds. Careful review should be done monthly on year to date expenditures as compared to budgeted expenditures.

Views of responsible officials and planned corrective actions: The Board of Commissioners agrees with this finding. Policies and procedures will be put in place so that budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan beginning on page 114.

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, 2013

Section II - Financial Statement Findings

Finding: 2013-1 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.

Finding: 2013-2 Misappropriation of Funds

Name of contact person: Paul Leek, County Manager

Corrective Action: New internal control policies and procedures have been implemented for the Water and Sewer department for all collections. Additional review by supervisors is also now required.

Proposed Completion Date: Management has already implemented the above procedures.

Finding: 2013-3 Budget Violation

Name of contact person: Vicki Hogsed, Finance Officer

Corrective Action: The Board members will review a budget-to-actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made as will be necessary.

Proposed Completion Date: The Board will implement the above procedure at their next board meeting.

Finding: 2013-4 Budget Violation

Name of contact person: Vicki Hogsed, Finance Officer

Corrective Action: The Board members will review a budget-to-actual report prepared by

the finance officer at each monthly board meeting. Budget amendments will be made as will be necessary.

Proposed Completion Date: The Board will implement the above procedure at their next board meeting.

Finding: 2013-5 Budget Violation

Name of contact person: Vicki Hogsed, Finance Officer

Corrective Action: The Board members will review a budget-to-actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made as will be necessary.

Proposed Completion Date: The Board will implement the above procedure at their next board meeting.

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, 2013

Finding: 12-1
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: 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, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
Passed-through the N.C. Dept. of Health and Human Services: Division of Social Services: Administration:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	113,856 <hr/> 113,856	- <hr/> -	113,855 <hr/> 113,855
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	60,200	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	167,976 <hr/> 228,176	- <hr/> -	- <hr/> -
Total U.S. Department of Agriculture			<hr/> 342,032	<hr/> -	<hr/> 113,855
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
11-CT-020, Capital	20.509	XXXX	44,595	5,574	-
11-ED-020, Operating	20.513	XXXX	150	-	-
11-ED-020, Capital	20.513	XXXX	31,070	3,884	-
12-CT-020, Admin	20.509	XXXX	19,524	1,220	-
12-CT-020, Capital	20.509	XXXX	73,957	9,245	-
13-CT-020, Admin	20.509	XXXX	111,297	6,956	-
13-CT-020, Capital	20.509	XXXX	1,057	131	-
13-ED-020, Operating	20.513	XXXX	6,773 <hr/> 6,773	- <hr/> -	- <hr/> -
Total U.S. Department of Transportation			<hr/> 288,423	<hr/> 27,010	<hr/> -
<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	30,759 <hr/> 30,759	- <hr/> -	- <hr/> -
Total U. S. Department of Homeland Security			<hr/> 30,759	<hr/> -	<hr/> -

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>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	119,275	-	-
USDA- Rural Dev Assistant	10.433	XXXX	35,675	-	-
Total Passed through NC Department of Commerce			154,950	-	-
<u>U.S. Dept. of Health & Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Southwestern NC Planning & Economic Dev Comm:					
Special Programs for the Aging - Title IIIB					
Grants for Supportive Services and Senior Centers	93.044	XXXX	63,603	4,060	-
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	82,593	2,554	-
Total Aging Cluster			146,196	6,614	-
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Foster Care and Adoption Cluster					
Title IV-E Foster Care - Administration	93.658	XXXX	119,785	9,025	109,682
Foster Care - Direct Benefit Payments	93.658	XXXX	74,528	19,363	20,011
Adoption Assistance- Direct Benefit Payments	93.659	XXXX	49,873	13,114	13,449
Total Foster Care and Adoption Cluster			244,186	41,502	143,142
Temporary Assistance for Needy Families (TANF)					
Work First	93.558	XXXX	119,130	-	54,641
TANF/Work First-Direct Benefit Payments	93.558	XXXX	35,270	-	-
Total TANF Cluster			154,400	-	54,641
Child Support Enforcement	93.563	XXXX	129,040	-	66,475
Low-Income Home Energy Assistance:					
Administration	93.568	XXXX	9,838	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	32,500	-	-
Crisis Intervention Program	93.568	XXXX	73,206	-	-
Family Preservation	93.556	XXXX	1,234	-	-
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645	XXXX	5,601	9	1,870
Independent Living Grant	93.674	XXXX	2,497	377	-
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	90,994	-	1,620
SSBG - Other Services and Training	93.667	XXXX	35,535	4,096	13,211
Division of Child Development:					
Smart Start		XXXX	-	27,803	-
Division of Social Services					
Child Care Development Fund - Administration	93.596	XXXX	80,000	-	-
Total Subsidized Child Care			80,000	27,803	-

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</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	9,145,787	5,211,387	661
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	185,360	7,352	175,375
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	5,218	451	1,214
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	27,550	-	-
Immunization Grants	93.268	XXXX	4,702	-	-
Prevention Investigation and Technical Assistance	93.283	XXXX	2,994	-	-
Statewide Health Promotion Program	93.717	XXXX	9,640	-	-
Comprehensive Breast and Cervical Cancer Early Detection	93.919	XXXX	11,100	2,550	-
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Temporary Assistance for Needy Families	93.558	XXXX	330	-	-
Social Service Block Grant	93.667	XXXX	-	383	-
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	-
Passed-through the N.C. Dept. of Health and Human Services:					
Office of Population Affairs					
Family Planning Services	93.217	XXXX	14,386	-	-
<u>U.S. Department of Homeland Security</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health					
Assistance to Firefighters	97.044	XXXX	29,209	-	-
Total U.S. Dept. of Health and Human Services			10,471,008	5,324,655	458,209
Total federal awards			11,287,172	5,351,665	572,064

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
State Awards:					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
Scap Tire Program		XXXX	-	4,213	-
Total N.C. Dept. of Environmental and Natural Resources			-	4,213	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
County Funded Programs		XXXX	-	-	142,745
Non Allocating County Cost		XXXX	-	-	90,847
State County Special Assist		XXXX	-	-	7,979
State Foster Home		XXXX	-	8,912	8,912
SFHF		XXXX	-	5,630	5,630
CWS Adoption		XXXX	-	34,943	11,648
Foster Care		XXXX	-	-	74,598
SC SA Domiciliary Care Payment		XXXX	-	99,291	99,291
Total Division of Social Service			-	148,776	441,650
Division of Public Health					
Other Receipts/ State Supported Expenditures					
General Aid to Counties		XXXX	-	76,200	-
Food and Lodging Fees		XXXX	-	2,332	-
Environmental Health		XXXX	-	4,000	-
School Nurse Funding Initiative		XXXX	-	50,000	-
TB Medical Service		XXXX	-	540	-
Women 's Helath Service Fund		XXXX	-	4,314	-
Risk Reduction/ Health Promotion		XXXX	-	6,206	-
General Communicable Disease Control		XXXX	-	11,294	-
Healthy Communities		XXXX	-	2,840	-
Tuberculosis		XXXX	-	670	-
Total Division of Public Health			-	158,396	-
Total N. C. Department of Health and Human Services			-	307,172	441,650
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund- Lottery Proceeds		XXXX	-	525,966	-
<u>N.C. Department of Environmet and Natural Resources</u>					
Division of Parks and Recreation		XXXX	-	215,450	-
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs		XXXX	-	57,827	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	44,791	-
- ROAP Rural General Public Program		XXXX	-	45,919	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		XXXX	-	4,836	-
Total ROAP			-	95,546	-

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
N.C. Department of Insurance Shiip Grant		XXXX	-	6,191	-
N.C. Dept. of Administration					
Veteran Service Officer		XXXX	-	1,452	-
Total N.C. Dept of Administration			-	1,452	-
Total State awards			-	1,213,817	441,650
Total federal and State awards			\$ 11,287,172	\$ 6,565,482	\$ 1,013,714

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, 2013. 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	\$ 482,980

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		\$ 57,827
Public School Building Capital Fund- Lottery Proceeds		XXXX		525,966