

**CLAY COUNTY  
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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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**  
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**June 30, 2014**

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## Independent Auditor's Report

To the Board of County Commissioners  
Clay County, North Carolina

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, North Carolina, as of and for the year then ended June 30, 2014, 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 thereon 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 of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Clay County ABC Board were not audited in accordance with Governmental Auditing Standards.

An audit 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, 2014, 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' and Other Post Employment Benefit's Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 4 through 13 and 59 through 62, 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. Other auditors and myself have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The combining and



individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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 by me and other auditors. In my opinion, based on my audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 4, 2014 on my consideration of Clay County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

*Shawn Long*

Shawn Long, CPA  
Hayesville, North Carolina

November 4, 2014

**MANAGEMENT'S  
DISCUSSION &  
ANALYSIS**

## Management's Discussion and Analysis

As management of Clay County, we offer readers of Clay County's financial statements this narrative overview and analysis of the financial activities of Clay County for the fiscal year ended June 30, 2014. 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

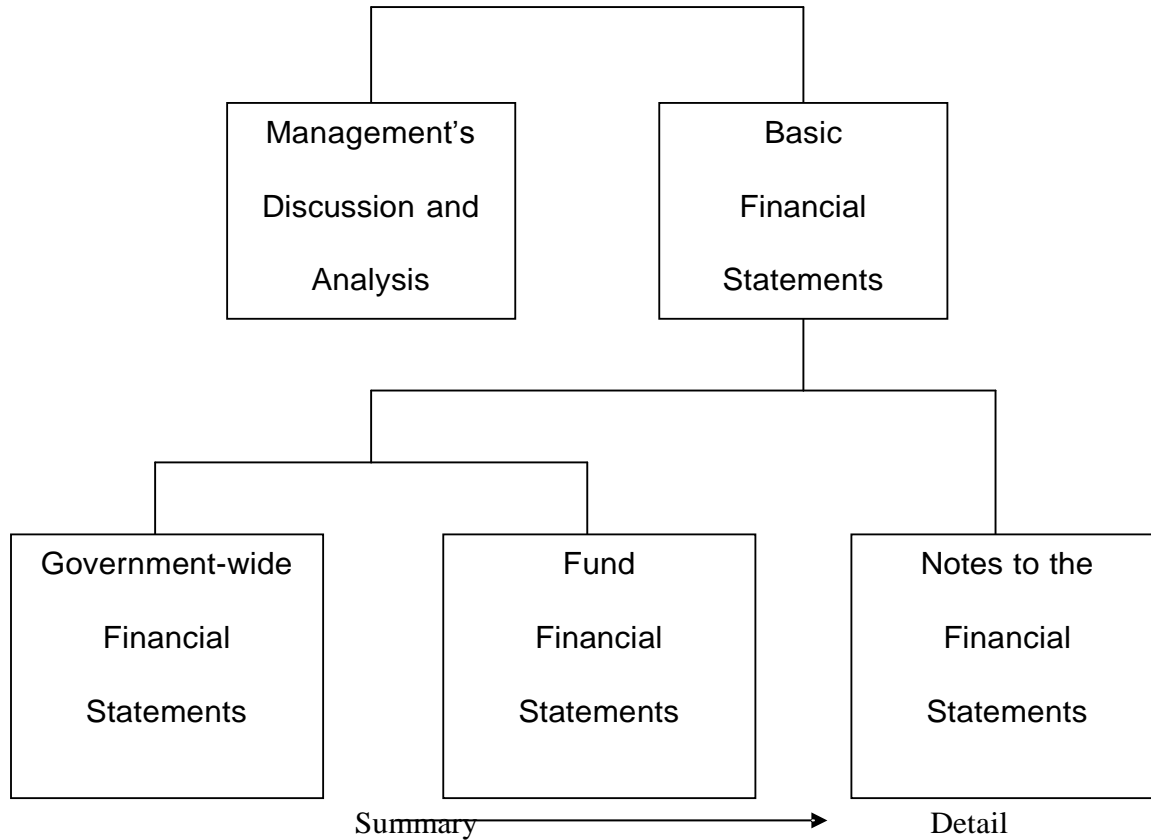
- The assets and deferred outflow of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 21,886,208 (*net position*).
- The government's total net position increased by \$902,742, due to increased net position in the Governmental Funds of \$ 781,695 and in the Water & Sewer Fund of \$ 121,047.
- As of the close of the current fiscal year, Clay County's governmental funds reported combined ending fund balances of \$ 7,239,957, after a net increase in fund balance of \$1, 086,012. Approximately 50.72 percent of this total amount or \$3,672,097 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,567,860 or 20.10 percent of total general fund expenditures for the fiscal year.
- Clay County's total debt increased by \$1,741,843 during the current fiscal year. The key factor in this change was the new debt incurred for the construction of a new health department.
- 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 \$ 21,886,208 as of June 30, 2014. The County's net position increased by \$902,742 for the fiscal year ended June 30, 2014. One of the largest portions \$15,880,185 (72.56%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment). Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Clay County's net position \$2,915,727 (13.32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 3,090,296 (14.12%) is unrestricted.

## Clay County's Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 8,292,767	\$ 8,793,529	\$ 79,558	\$ 96,842	\$ 8,372,325	\$ 8,890,371
Capital assets	<u>20,871,535</u>	<u>22,297,932</u>	<u>4,987,995</u>	<u>5,082,862</u>	<u>25,859,530</u>	<u>27,380,794</u>
Total assets	<u>29,164,302</u>	<u>31,091,461</u>	<u>5,067,553</u>	<u>5,179,704</u>	<u>34,231,855</u>	<u>36,271,165</u>
 Total deferred outflow of resources	 8,482	 6,427	 -0-	 -0-	 8,482	 6,427
 Long-term liabilities						
Outstanding	11,613,338	13,360,429	87,931	84,283	11,701,269	13,444,712
Other liabilities	<u>1,003,784</u>	<u>582,999</u>	<u>109,144</u>	<u>103,896</u>	<u>1,112,928</u>	<u>686,895</u>
Total liabilities	<u>12,617,122</u>	<u>13,943,428</u>	<u>197,075</u>	<u>188,179</u>	<u>12,814,197</u>	<u>14,131,607</u>
 Total deferred inflow of resources	 442,674	 259,777	 -0-	 -0-	 442,674	 259,777
 Net position:						
Net invested in capital asset	11,038,332	10,855,323	4,918,995	5,024,862	15,957,327	15,880,185
Restricted	3,698,256	2,915,727	-0-	-0-	3,698,256	2,915,727
Unrestricted	<u>1,376,400</u>	<u>3,123,633</u>	<u>(48,517)</u>	<u>(33,337)</u>	<u>1,327,883</u>	<u>3,090,296</u>
Total net position	<u>\$ 16,112,988</u>	<u>16,894,683</u>	<u>4,870,478</u>	<u>4,991,525</u>	<u>20,983,466</u>	<u>\$ 21,886,208</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	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,718,100	\$ 1,100,879	\$ 533,067	\$ 558,589	\$ 2,251,167	\$ 1,659,468
Operating grants and Contributions	4,919,124	4,482,683	-0-	-0-	4,919,124	4,482,683
Capital grants and Contributions	525,969	373,655	-0-	300,126	525,969	673,781
General revenues:						
Property taxes	8,104,769	8,161,808	-0-	-0-	8,104,769	8,161,808
Other taxes	1,725,929	2,738,138	-0-	-0-	1,725,929	2,738,138
Grants and contributions not restricted to specific programs	432,931	264,103	-0-	-0-	432,931	264,103
Other	111,130	201,497	51	2960	111,181	204,457
<b>Total revenues</b>	<b>17,537,952</b>	<b>17,322,763</b>	<b>533,118</b>	<b>861,675</b>	<b>18,071,070</b>	<b>18,184,438</b>
Expenses:						
General government	3,416,595	3,315,858	-0-	-0-	3,416,595	3,315,858
Public safety	4,426,055	4,564,800	-0-	-0-	4,426,055	4,564,800
Transportation	663,560	695,725	-0-	-0-	663,560	695,725
Economic and physical Development	895,883	1,260,159	-0-	-0-	895,883	1,260,159
Human services	4,602,287	4,433,233	-0-	-0-	4,602,287	4,433,233
Cultural and recreation	336,032	51,280	-0-	-0-	336,032	51,280
Education	2,194,965	1,775,635	-0-	-0-	2,194,965	1,775,635
Interest on long-term Debt	415,178	297,212	-0-	-0-	415,178	297,212
Water and sewer	-0-	-0-	954,769	887,794	954,769	887,794
<b>Total expenses</b>	<b>16,950,555</b>	<b>16,393,902</b>	<b>954,769</b>	<b>887,794</b>	<b>17,905,324</b>	<b>17,281,696</b>
Increase in net position before transfers and special items	587,397	928,861	(421,651)	(26,119)	165,746	902,742
Transfers	(73,232)	(147,166)	73,232	147,166	-0-	-0-
Increase in net position	514,165	781,695	(348,419)	121,047	165,746	902,742
Net position, beginning, previously reported	15,587,830	16,112,988	5,218,897	4,870,478	20,806,727	20,983,466
Prior period adjustments (Note III.D.)	10,993	-0-	-0-	-0-	10,993	-0-
Net position, beginning, restated	15,598,823	16,112,988	5,218,897	4,870,478	20,817,720	20,983,466
<b>Net position, ending</b>	<b>16,112,988</b>	<b>16,894,683</b>	<b>4,870,478</b>	<b>4,991,525</b>	<b>20,983,466</b>	<b>21,886,208</b>



**Governmental activities.** Governmental activities increased the County's net position by \$ 781,695, thereby accounting for a portion 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 increased Clay County's net position by \$ 121,047. Key element of this increase is as follows:

- Transfer from General fund

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

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

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

The General Fund is the chief operating fund of Clay County. At the end of the current fiscal year, Clay County's fund balance unassigned in the General Fund was \$3,567,860 while total fund balance reached \$ 6,963,378. 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 20.10% of general fund expenditures, while total fund balance represents 39.24% of that same amount.

At June 30, 2014, the governmental funds of Clay County reported a combined fund balance of \$7,239,957, an increase of \$1,086,012 over last year. The primary reason for this increase is the increase 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 \$3,894,075.

**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 \$ 33,337. The total increase in net position for this fund was \$ 121,047. 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, 2014, totals \$ 27,380,794 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction of new health department building
- Construction of new recreational facility
- Water and sewer line projects
- 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	2014	2013	2014	2013	2014
Land	\$ 839,820	839,820	\$ 108,280	\$ 120,280	\$ 948,100	\$ 960,100
Buildings and System	16,075,942	15,335,081	4,473,066	4,699,004	20,549,008	20,034,085
Improvements Other than Buildings	1,042,049	1,038,090	-0-	-0-	1,042,049	1,038,090
Machinery and Equipment	1,661,256	1,786,842	-0-	10,422	1,661,256	1,797,264
Vehicles and Motorized equipment	1,065,478	1,044,841	-0-	-0-	1,065,478	1,044,841
Construction in Progress	186,990	2,253,258	406,649	253,156	593,639	2,506,414
<b>Total</b>	<b>\$ 20,871,535</b>	<b>22,297,932</b>	<b>4,987,995</b>	<b>5,082,862</b>	<b>25,859,530</b>	<b>\$ 27,380,794</b>

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, 2014, Clay County had total bonded debt outstanding of \$ 13,464,325 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	2014	2013	2014	2013	2014
General Obligation Bond	\$ 630,000	\$ 520,000	-0-	\$ -0-	630,000	\$ 520,000
QZAB	227,694	196,472	-0-	-0-	227,694	196,472
Installment Purchases	9,833,203	12,443,041	-0-	-0-	9,833,203	12,443,041
Less: undrawn loan proceeds		(1,000,432)				(1,000,432)
Notes Payable	-0-	-0-	69,000	58,000	69,000	58,000
Net Pension Obligation	75,471	86,335	-0-	-0-	75,471	86,335
Other Post Employment Benefits	486,651	748,227	23,601	34,144	510,252	782,371
Compensated absences	360,319	366,786	16,543	11,752	376,862	378,538
<b>Total</b>	<b>\$ 11,613,338</b>	<b>\$ 12,543,737</b>	<b>\$ 109,144</b>	<b>\$ 99,604</b>	<b>\$ 11,722,482</b>	<b>\$ 13,464,325</b>

Clay County's total debt increased by \$1,741,843 during the past fiscal year. The increase is primarily due to the new loan for the construction of a health department facility.

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 \$164,086,931.

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 \$16,788,259.

### **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, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clay County ABC Board
<b>ASSETS</b>				
Cash and cash equivalents	6,856,479	\$ 20,611	\$ 6,877,090	\$ 340,353
Receivables (net)	1,582,892	98,470	1,681,362	-
Due from other governments	325,181	-	325,181	-
Inventories	-	-	-	268,950
Internal Balances	22,239	(22,239)	-	-
Prepaid Items	6,738	-	6,738	4,531
Restricted cash & cash equivalents	-	-	-	-
Capital assets:				
Land, improvements, and construction in progress	3,093,078	373,436	3,466,514	25,000
Other capital assets, net of depreciation	19,204,854	4,709,426	23,914,280	226,568
Total capital assets	<u>22,297,932</u>	<u>5,082,862</u>	<u>27,380,794</u>	<u>251,568</u>
Total assets	<u>31,091,461</u>	<u>5,179,704</u>	<u>36,271,165</u>	<u>865,402</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	6,427	-	6,427	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	582,999	1,333	584,332	128,968
Customer Deposits	-	82,950	82,950	-
Long-term liabilities:				
Due within one year	1,520,931	11,000	1,531,931	25,767
Due in more than one year	11,839,498	92,896	11,932,394	63,195
Total liabilities	<u>13,943,428</u>	<u>188,179</u>	<u>14,131,607</u>	<u>217,930</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	259,777	-	259,777	-
<b>NET POSITION</b>				
Net Investment in capital assets	10,855,323	5,024,862	15,880,185	251,568
Restricted				
Stabilization of State Statute	1,340,632	-	1,340,632	-
Register of Deeds	25,641	-	25,641	-
Humans Services Capital	1,549,454	-	1,549,454	-
Working Capital	-	-	-	50,254
Unrestricted (deficit)	3,123,633	(33,337)	3,090,296	345,650
Total net position	<u>\$ 16,894,683</u>	<u>\$ 4,991,525</u>	<u>\$ 21,886,208</u>	<u>\$ 647,472</u>

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, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 3,315,858	\$ 143,620		\$ -	\$ (3,172,238)	\$ -	\$ (3,172,238)	\$ -
Public safety	4,564,800	181,674	916,817	-	(3,466,309)	-	(3,466,309)	-
Transportation	695,725	93,931	293,126	-	(308,668)	-	(308,668)	-
Economic and physical developmer	1,260,159	275,597	145,993	327,293	(511,276)	-	(511,276)	-
Human services	4,433,233	240,943	3,126,747	-	(1,065,543)	-	(1,065,543)	-
Cultural and recreation	51,280	165,114	-	-	113,834	-	113,834	-
Education	1,775,635	-	-	46,362	(1,729,273)	-	(1,729,273)	-
Interest on long-term debt	297,212	-	-	-	(297,212)	-	(297,212)	-
Total governmental activities	16,393,902	1,100,879	4,482,683	373,655	(10,436,685)	-	(10,436,685)	-
Business-type activities:								
Water and Sewer	887,794	558,589	-	300,126	-	(29,079)	(29,079)	-
Total business-type activities	887,794	558,589	-	300,126	-	(29,079)	(29,079)	-
	<u>\$ 17,281,696</u>	<u>\$ 1,659,468</u>	<u>\$ 4,482,683</u>	<u>\$ 673,781</u>	<u>(10,436,685)</u>	<u>(29,079)</u>	<u>(10,465,764)</u>	<u>-</u>
Component unit:								
ABC Board	1,683,651	1,867,767	-	-	-	-	-	184,116
Total component unit	1,683,651	1,867,767	-	-	-	-	-	184,116
General revenues:								
Taxes:								
Property taxes, levied for general purpose					8,161,808	-	8,161,808	-
Local option sales tax					2,242,669	-	2,242,669	-
Other taxes and licenses					495,469	-	495,469	-
Grants and contributions not restricted to specific programs					264,103	-	264,103	-
Investment earnings, unrestricted					2,783	2,960	5,743	-
Miscellaneous, unrestricted					198,714	-	198,714	-
Total general revenues excluding transfers and special items					11,365,546	2,960	11,368,506	-
Transfers					(147,166)	147,166	-	-
Total general revenues, special items, and transfers					11,218,380	150,126	11,368,506	184,116
Change in net position					781,695	121,047	902,742	184,116
Net position, beginning as restated					16,112,988	4,870,478	20,983,466	463,356
Net position, ending					<u>\$ 16,894,683</u>	<u>\$ 4,991,525</u>	<u>\$ 21,886,208</u>	<u>\$ 647,472</u>

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

**Clay County, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2014**

	Non-Major		
	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,589,800	\$ 266,679	\$ 6,856,479
Receivables, net	1,499,132	83,760	1,582,892
Due from other governments	325,181	-	325,181
Due from other funds	29,665	1,590	31,255
Prepaid items	6,738	-	6,738
Total assets	<u>\$ 8,450,516</u>	<u>\$ 352,029</u>	<u>\$ 8,802,545</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 568,857	\$ 14,142	\$ 582,999
Due to Other Funds	1,590	7,426	9,016
Total liabilities	<u>570,447</u>	<u>21,568</u>	<u>592,015</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>916,691</u>	<u>53,882</u>	<u>970,573</u>
Fund balances:			
Nonspendable:			
Prepays	6,738	-	6,738
Restricted:			
Stabilization by State Statute	1,310,754	29,878	1,340,632
Register of Deeds	25,641	-	25,641
Other	-	246,701	246,701
Committed:			
Tax Revaluation	255,000	-	255,000
Assigned :			
Subsequent year's expenditures	247,931	-	247,931
Special revenue funds	-	-	-
Human Services Capital	1,549,454	-	1,549,454
Unassigned :	3,567,860	-	3,567,860
Total fund balances	<u>6,963,378</u>	<u>276,579</u>	<u>7,239,957</u>
Total liabilities and fund balances	<u>\$ 8,450,516</u>	<u>\$ 352,029</u>	

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

Total Fund balance, Governmental Funds	7,239,957
Charges related to advance refunding bond issue	6,427
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,297,932
Deferred inflows of resources for taxes and special assessments receivable	710,796
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>(13,360,429)</u>
Net position of governmental activities	<u>16,894,683</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, 2014**

	<u>Major</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 7,663,260	\$ 480,117	\$ 8,143,377
Local option sales taxes	1,740,529	-	1,740,529
Other taxes and licenses	110,543	-	110,543
Unrestricted intergovernmental	385,086	-	385,086
Restricted intergovernmental	4,212,813	735,710	4,948,523
Permits and fees	524,110	-	524,110
Sales and services	1,251,684	-	1,251,684
Investment earnings	2,633	150	2,783
Miscellaneous	197,697	-	197,697
Total revenues	<u>16,088,355</u>	<u>1,215,977</u>	<u>17,304,332</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,618,411	-	2,618,411
Public safety	3,712,256	679,478	4,391,734
Transportation	691,310	-	691,310
Economic and physical development	789,440	449,348	1,238,788
Human services	5,767,616	-	5,767,616
Cultural and recreational	758,633	-	758,633
Intergovernmental:			
Education	1,729,273	-	1,729,273
Capital outlay	-	46,362	46,362
Debt service:			
Principal	1,383,539	-	1,383,539
Interest	297,212	-	297,212
Total expenditures	<u>17,747,690</u>	<u>1,175,188</u>	<u>18,922,878</u>
Excess (deficiency) of revenues over expenditures	<u>(1,659,335)</u>	<u>40,789</u>	<u>(1,618,546)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(147,166)	-	(147,166)
Discount on debt issued	-	-	-
Refunding bonds issued	-	-	-
Installment purchase obligations issued	2,851,724	-	2,851,724
Payment to refunded bond escrow agent	-	-	-
Total other financing sources and uses	<u>2,704,558</u>	<u>-</u>	<u>2,704,558</u>
Net change in fund balance	1,045,223	40,789	1,086,012
Fund balances, beginning	5,918,155	235,790	6,153,945
Fund balances, ending	<u>\$ 6,963,378</u>	<u>\$ 276,579</u>	<u>\$ 7,239,957</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, 2014**

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

Net changes in fund balances - total governmental funds	\$ 1,086,012
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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	\$ 2,632,667	
Depreciation expense for governmental assets	(1,206,268)	
		-
		1,426,399

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	18,432
	-

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.

	(1,468,186)
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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	(17,331)
Increase in Other Post Employee Benefits	(261,576)
Amortization of Bond Proceeds	(2,055)
	(280,962)

Total changes in net position of governmental activities	\$ 781,695
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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, 2014**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 7,850,309	\$ 7,850,309	\$ 7,663,260	\$ (187,049)
Local option sales tax	2,200,000	2,201,873	1,740,529	(461,344)
Other taxes and licenses	148,000	148,000	110,543	(37,457)
Unrestricted intergovernmental	405,000	418,836	385,086	(33,750)
Restricted intergovernmental	3,471,853	6,193,957	4,212,813	(1,981,144)
Permits and fees	526,250	566,414	524,110	(42,304)
Sales and services	1,210,692	1,734,136	1,251,684	(482,452)
Investment earnings	10,000	10,000	2,633	(7,367)
Miscellaneous	59,200	189,698	197,697	7,999
Total revenues	<u>15,881,304</u>	<u>19,313,223</u>	<u>16,088,355</u>	<u>(3,224,868)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,800,380	3,049,588	2,618,411	431,177
Public safety	3,601,904	4,234,821	3,712,256	522,565
Transportation	735,083	786,807	691,310	95,497
Economic and physical development	728,723	877,971	789,440	88,531
Human services	4,287,754	8,506,085	5,767,616	2,738,469
Cultural and recreational	367,537	849,659	758,633	91,026
<b>Intergovernmental:</b>				
Education	1,528,723	1,747,500	1,729,273	18,227
<b>Debt service:</b>				
Principal retirement	1,831,200	1,551,656	1,383,539	168,117
Interest and other charges	-	335,733	297,212	38,521
Total expenditures	<u>15,881,304</u>	<u>21,939,820</u>	<u>17,747,690</u>	<u>4,192,130</u>
Revenues over (under) expenditures	<u>-</u>	<u>(2,626,597)</u>	<u>(1,659,335)</u>	<u>967,262</u>
<b>Other financing sources (uses):</b>				
Installment Obligations Issued	-	2,626,597	2,851,724	225,127
Transfers (to) from other funds	-	-	(147,166)	(147,166)
Total other financing sources (uses)	<u>-</u>	<u>2,626,597</u>	<u>2,704,558</u>	<u>77,961</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,045,223</u>	<u>1,045,223</u>
Appropriated Fund Balance	-	-	-	(476,265)
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>1,045,223</u>	<u>568,958</u>
Fund balance, beginning			5,918,155	
Fund balance, ending			<u>\$ 6,963,378</u>	

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

**Clay County, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Water and Sewer District</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,611	\$ 20,611
Receivables, net	98,470	98,470
Total current assets	119,081	119,081
Noncurrent assets:		
Capital assets:		
Land and construction in progress	373,436	373,436
Plant and distribution systems, net of depreciation	4,699,004	4,699,004
Furniture and maintenance equipment, net of depreciation	10,422	10,422
Vehicles, net of depreciation	-	-
Total capital assets	5,082,862	5,082,862
Total noncurrent assets	5,082,862	5,082,862
Total assets	5,201,943	5,201,943
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,333	1,333
Due to other funds	22,239	22,239
Notes Payable- current	11,000	11,000
Customer deposits	82,950	82,950
Total current liabilities	117,522	117,522
Noncurrent liabilities:		
Other postemployment benefits	34,144	34,144
Compensated absences	11,752	11,752
Notes Payable- noncurrent	47,000	47,000
Total noncurrent liabilities	92,896	92,896
Total liabilities	210,418	210,418
<b>NET ASSETS</b>		
Net investment in capital assets	5,024,862	5,024,862
Unrestricted	(33,337)	(33,337)
Total net position	4,991,525	4,991,525

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 Funds**  
**For the Year Ended June 30, 2014**

	<u>Water and Sewer District</u>	<u>Total</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 499,814	\$ 499,814
Water and sewer taps	3,650	3,650
Miscellaneous	55,125	55,125
Total operating revenues	<u>558,589</u>	<u>558,589</u>
<b>OPERATING EXPENSES</b>		
Administration	491,175	491,175
Depreciation	<u>393,162</u>	<u>393,162</u>
Total operating expenses	<u>884,337</u>	<u>884,337</u>
Operating income (loss)	<u>(325,748)</u>	<u>(325,748)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	2,960	2,960
Interest expense and fees	<u>(3,457)</u>	<u>(3,457)</u>
Total nonoperating revenue (expenses)	<u>(497)</u>	<u>(497)</u>
<b>Income (loss) before contributions     and transfers</b>	<b>(326,245)</b>	<b>(326,245)</b>
Capital Contributions	300,126	300,126
Transfers from General	<u>147,166</u>	<u>147,166</u>
<b>Change in net position</b>	<b>121,047</b>	<b>121,047</b>
Total net position, beginning	<u>\$ 4,870,478</u>	<u>\$ 4,870,478</u>
Total net position, ending	<u><u>\$ 4,991,525</u></u>	<u><u>\$ 4,991,525</u></u>

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, 2014**

	<b>Water and Sewer District</b>	<b>Totals June 30, 2014</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 496,731	\$ 496,731
Cash paid for goods and services	(215,744)	(215,744)
Cash paid to employees for services	(302,555)	(302,555)
Customer deposits received	13,400	13,400
Customer deposits returned	(10,400)	(10,400)
Other operating revenue	55,125	55,125
Net cash provided by operating activities	36,557	36,557
<b>Cash flows from noncapital financing</b>		
Transfer from other funds	147,166	147,166
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(488,029)	(488,029)
Principal paid on notes payables and installment purchases	(11,000)	(11,000)
Interest paid on note payable and installment purchases	(3,457)	(3,457)
Capital contributions	300,126	300,126
Net cash used by capital and related financing activities	(202,360)	(202,360)
<b>Cash flows from investing activities:</b>		
Interest on investments	2,960	2,960
Net increase (decrease) in cash and cash equivalents	(15,677)	(15,677)
Cash and cash equivalents, beginning	36,288	36,288
Cash and cash equivalents, ending	\$ 20,611	\$ 20,611

(continued)

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, 2014**

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

Operating income	<u>\$ (325,748)</u>	<u>\$ (325,748)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	393,162	393,162
Provision for uncollectible accounts		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,733)	(6,733)
(Increase) decrease in sales tax receivable	(1,418)	(1,418)
Increase (decrease) in accounts payable and accrued liabilities	(25,706)	(25,706)
Increase (decrease) in customer deposits	<u>3,000</u>	<u>3,000</u>
Total adjustments	<u>362,305</u>	<u>362,305</u>
Net cash provided by operating activities	<u><u>\$ 36,557</u></u>	<u><u>\$ 36,557</u></u>

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

**Clay County, North Carolina  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2014**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 31,082</u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Miscellaneous liabilities	31,082
Intergovernmental payable	<u>          </u>
Total liabilities	<u>31,082</u>
Net assets:	
Assets held in trust	<u>\$ -</u>

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



**NOTES TO THE  
FINANCIAL  
STATEMENTS**

**Clay County, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2014**

**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 funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental 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; the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County; and the Deed of Trust Fee Fund which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and is remitted to the State Treasurer on a monthly basis.

*Nonmajor Funds.* The County maintains 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, 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, State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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. The Enterprise Capital Projects Funds are consolidated with the enterprise operating funds for reporting purposes.

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

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

### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The 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, 2013. 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
Infrastructure	20

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 sources.

## **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 Register of Deeds- portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deed's office.

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

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

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

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

Assigned 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 a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$9,654,726 consists of the following:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 34,936,407
Less accumulated depreciation	<u>12,638,475</u>
Net capital assets	\$ 22,297,932
Deferred charges related to advance refunding bond issued – included on government-wide statement of net position but are not current financial resources	6,427
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	710,796
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	(12,159,081)
Compensated absences	(366,786)
Other Post Employment Benefits	(748,227)
Pension obligation	<u>(86,335)</u>
Total adjustment	<u>\$ 9,654,726</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 (\$ 304,317) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,632,666
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	(1,206,268)
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	(2,851,724)
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	1,383,540
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	( 278,907)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in deferred inflows of resources- taxes receivable- at end of year	<u>18,431</u>
Total Adjustment	<u>\$ 304,317</u>

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

### **A. Excess of Expenditures over Appropriations**

During the fiscal year ended June 30, 2014, the Water and Sewer District reported debt service 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 \$457.

The General fund violated State law (G.S. 159-8a) reporting expenditures for legal purposes that exceeded budgeted amounts by \$1,482. The soil and water department also exceeded budgeted amounts by \$12,478.

## **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, 2014, the County's deposits had a carrying amount \$ 3,163,473 and a bank balance of \$ 3,346,404. Of the bank balance, \$500,000 was covered by federal depository insurance and \$2,846,404 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2014, Clay County had \$ 564 cash on hand.

At June 30, 2014, the Clay County ABC Board's deposits had a carrying amount of \$338,469 and a bank balance of \$333,821. A portion of the bank balance, \$83,821, was not covered by federal depository insurance, but was covered by collateral held by authorized agents in the name of the State Treasurer

**2. Investments**

As of June 30, 2014, 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	\$ 3,744,135	N/A	N/A	N/A
Total	\$ 3,744,135	\$ -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, 2014.

**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
2011	360,765	120,855	481,620
2012	405,481	99,338	504,819
2013	410,042	63,552	473,594
2014	423,750	27,543	451,293
<b>Total</b>	<b>\$ 1,600,038</b>	<b>\$ 311,288</b>	<b>\$ 1,911,326</b>

**4. Receivables**

Receivables at the government-wide level at June 30, 2014, were as follows:

	<b>Accounts</b>	<b>Taxes and Related Accrued Interest</b>	<b>Total</b>
Government Activities:			
General	\$ 842,217	\$ 818,644	\$ 1,660,861
Other			
Governmental	29,878	53,882	83,760
Total receivables	872,095	872,526	1,744,621
Allowance for Doubtful accounts	-0-	( 161,729)	(161,729)
<b>Total governmental Activities</b>	<b>\$ 872,095</b>	<b>\$ 710,797</b>	<b>\$ 1,582,892</b>
Amounts not Scheduled for Collection during The subsequent Year	\$ -0-	\$ -0-	\$ -0-
Business-type Activities			
Water & Sewer	98,470	-0-	98,470
Total Receivables	98,470		98,470
Allowance for Doubtful accounts	-0-	-0-	-0-
<b>Total business-type Activities</b>	<b>\$ 98,470</b>	<b>\$ -0-</b>	<b>\$ 98,470</b>

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

Local option sales tax	\$	321,089
White goods disposal tax		807
Scrap tire tax		<u>3,285</u>
Total	\$	<u>325,181</u>

**5. Capital Assets**

**Primary Government**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 839,820	-0-	-0-	\$ 839,820
Construction in progress	<u>186,990</u>	<u>2,066,268</u>		<u>2,253,258</u>
Total capital assets not being depreciated	<u>1,026,810</u>	<u>2,066,268</u>		<u>3,093,078</u>
<b>Capital assets being depreciated:</b>				
Buildings	21,771,428	-0-	-0-	21,771,428
Other improvements	2,393,528	-0-	-0-	2,393,528
Computer Software	-	-	-	-
Equipment	3,859,652	411,886	-0-	4,271,538
Vehicles and motor equipment	<u>3,306,682</u>	<u>154,512</u>	<u>(54,359)</u>	<u>3,406,835</u>
Total capital assets being depreciated	<u>31,331,290</u>	<u>566,398</u>	<u>(54,359)</u>	<u>31,843,329</u>
Less accumulated depreciation for:				
Buildings	5,695,486	740,861	-0-	6,436,347
Other improvements	1,351,479	3,959	-0-	1,355,438
Equipment	2,198,396	294,853	(8,553)	2,484,696
Computer Software	-	-	-	-
Vehicles and motor equipment	<u>2,241,204</u>	<u>166,595</u>	<u>(45,805)</u>	<u>2,361,994</u>
Total accumulated depreciation	<u>11,486,565</u>	<u>1,206,268</u>	<u>(54,358)</u>	<u>12,638,475</u>
Total capital assets being Depreciated, net	<u>19,844,725</u>			<u>19,204,854</u>
<b>Governmental activity capital assets, net</b>	<b><u>\$20,871,535</u></b>			<b><u>\$22,297,932</u></b>

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

General government	\$	683,342
Public safety		195,667
Transportation		81,089
Economic and physical Development		21,995
Human services		209,601
Cultural and recreational		<u>14,574</u>
Total depreciation Expense	\$	<u>1,206,268</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer District</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 108,280	12,000	-0-	120,280
Construction in progress	406,649	253,156	406,649	253,156
Total capital assets not being depreciated	<u>514,929</u>	<u>265,156</u>	<u>406,649</u>	<u>373,436</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	8,058,177	616,494	-0-	8,674,671
Furniture and maintenance equipment	129,380	13,028	-0-	142,408
Vehicles	7,000	-0-	-0-	7,000
Total capital assets being depreciated	<u>8,194,557</u>	<u>629,522</u>	<u>- 0-</u>	<u>8,824,079</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,585,111	390,556	-0-	3,975,667
Furniture and maintenance equipment	129,380	2,606	-0-	131,986
Vehicles	7,000	-0-	-0-	7,000
Total accumulated depreciation	<u>3,721,491</u>	<u>393,162</u>	<u>-0-</u>	<u>4,114,653</u>
<b>Water and Sewer District capital assets, net</b>	<b>\$ <u>4,987,995</u></b>			<b>\$ <u>5,082,862</u></b>

### Construction commitments

The government had four active construction project as of June 30, 2014, the Recreational Department Facility. At June 30, 2014 the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Rec. Dept. Facility	\$ 701,528	\$ 37,472
Hwy 69 Sewer Lines	\$ 193,909	\$1,778,650
Health Department	\$ 1,551,730	\$1,478,054
Town Sewer Project	\$ 126,216	\$ 863,471



**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	-0-	25,000	-0-	25,000
Total capital assets not being depreciated		25,000		25,000
<b>Capital assets being depreciated:</b>				
Buildings	-0-	229,199	-0-	229,129
Leasehold Improvements	3,441	-0-	-0-	3,441
Furniture and maintenance equipment	58,776	-0-	-0-	58,776
Total capital assets being depreciated	62,217	229,199		291,416
Less accumulated depreciation for:				
Buildings	-0-	2,865	-0-	2,865
Leasehold Improvements	2,555	652	-0-	3,207
Furniture and maintenance equipment	58,254	522	-0-	58,776
Total accumulated depreciation	60,809	4,039	-0-	64,848
Total capital assets being depreciated, net	1,408	225,160	-0-	226,568
<b>ABC capital assets, net</b>	<b>\$ 1,408</b>			<b>\$ 251,568</b>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 568,857	\$ -0-	\$ 568,857
Other governmental	14,142	-0-	14,142
Total governmental activities	\$ 582,999	-0-	\$ 582,999
Business-type Activities:			
Water and Sewer District	1,333	-0-	1,333
Total business-type activities	\$ 1,333	\$ -0-	\$ 1,333

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

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

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28 %, 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, 2014, 2013 and 2012 were \$781,703, \$702,558, and \$687,390, 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, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitle to but not yet receiving benefits	0
Active plan members	15
Total	<u>16</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, 2013 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 post-employment 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	\$ 17,192
Interest on net pension obligation	3,774
Adjustment to annual required contribution	<u>(6,149)</u>
Annual pension cost	\$ 14,817
Contributions made	<u>(3,953)</u>
Increase (decrease) in net pension obligation	\$ 10,864
Net pension obligation beginning of year	<u>75,471</u>
Net pension obligation end of year	\$ 86,335

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 13,272	00.00%	\$ 60,657
2013	14,814	00.00%	75,471
2014	14,817	26.68%	86,335

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

As of December 31, 2013, 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 \$147,466. The covered payroll (annual payroll of active employees covered by the plan) was \$542,479 and the ratio of the UAAL to the covered payroll was 27.18 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, 2014 were \$ 30,189, which consisted of \$ 27,719 from the County and \$2,470 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 3 of G.S. 161.

Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer to administer the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$ 1,422.

**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	1
<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>16</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	\$ 298,037
Interest on net OPEB obligation	20,410
Adjustment to annual required contribution	(19,498)
Annual OPEB cost (expense)	298,949
Contributions made	(26,830)
Increase (decrease) in net OPEB obligation	272,119
Net OPEB obligation, beginning of year	510,252
Net OPEB obligation, end of year	\$ 782,371

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, 2014 were as follows:

3 Year Trend Information			
For Year Ended June	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 289,817	58.9%	\$ 377,183
2013	\$ 340,879	33.3%	\$ 510,252
2014	\$ 298,949	9.00%	\$ 782,371

*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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

### **3. Closure and Postclosure Care Costs – Clay County Landfill**

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

#### **4. Deferred Outflows and Inflows of Resources**

The amount of deferred outflows of resources is a charge on refunding of debt of \$ 6,427.

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$	77,987
Taxes receivable, net (General)	656,914	
Taxes receivable, net (Special Revenue)	53,882	
Unearned revenue (General)		181,790
Total	<u>\$ 710,796</u>	<u>\$ 259,777</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 \$ 5,800 at June 30, 2014 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 two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000. For health and dental insurance, the County is self insured up to \$25,000 per person, in excess of the \$25,000 the County is insured by a stop loss carrier up to a maximum aggregate of \$1,000,000. The plan is handled by a 3<sup>rd</sup> party administrator.

In accordance with GS 159-29, the County employees that have access to \$100 or more at any given time of the County's funds are performed bonded through a commercial surety bond. The Director of Finance,



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

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

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

## **6. Contingent Liabilities**

At June 30, 2014, 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, 2014, 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 requires annual payments of \$26,832.20. 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%. This loan was paid in full during the current fiscal year.

The County financed \$62,093 for three Ford Crown Victorians for the Sheriff Department during the 2013 fiscal year. The transaction requires annual payments by the County of \$21,915, including interest payments at a rate of 6.0%, until July 2014.

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

The County financed two vehicles for the Sherriff's Department on January 14, 2014. The transaction requires two annual payments of \$24,967.11 including interest at 7.95%.

The County financed a town sewer line project on June 13, 2014. The total approved loan proceeds were \$1,104,060 and was financed by United Community Bank. However, as of June 30, 2014 the entire loan proceeds had not been drawn by the County. Therefore as of year-end there were there were unspent loan proceeds of \$1,000,432. This transaction will require semi-annual payments of \$45,304.87 including interest at a rate of 2.79% until June 15, 2029.

For Clay County, the future minimum payments as of June 30, 2014, including \$ 1,454,340 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	1,374,708	239,126
2016	1,333,672	211,201
2017	1,305,478	186,287
2018	1,307,266	162,421
2019	1,309,105	138,504
2020 and after	5,812,811	516,801
Principal payments	<u>\$ 12,443,040</u>	
Total interest payments		<u>\$ 1,454,340</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, 2014 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 3.125 %                   \$           520,000

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>
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>\$ 520,000</u>	<u>\$ 51,000</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 in May 2021 of \$9,136, at an interest rate of 0.0%.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2015	31,223	-0-
2016	31,223	-0-
2017	31,223	-0-
2018	31,223	-0-
2019	31,223	-0-
2020-2021	40,357	-0-
Total	<u>\$ 196,472</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 \$14,350 including interest at 5%. Future minimum payments including interest are as follows:

June 30, 2015	13,900
2016	12,950
2017	14,350
2018	13,750
2019	13,150
2020	<u>11,550</u>
Total Minimum Note	
Payments	<u>79,650</u>
Less: Amount Representing	
Interest	<u>21,650</u>
Present Value of the Note	
Payment	<u>\$ 58,000</u>

**Debt Related to Capital Activities-** Of the total Governmental Activities debt listed \$ 12,443,041 less the \$1,000,432 of unspent loan proceeds 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, 2014:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
<b>Governmental</b>					
<b>Activities:</b>					
General obligation					
Debt	\$ 630,000	\$ -0-	\$ 110,000	520,000	115,000
QZAB	227,695	-0-	31,223	196,472	31,223
Installment purchase	9,833,202	3,852,156	1,242,317	12,443,041	1,374,708
Less Undrawn loan proceeds		-1,000,432		-1,000,432	
Net Pension obligation	75,471	10,864	-0-	86,335	-
Other Post Employment Benefits	486,651	261,576	-0-	748,227	-
Compensated absences	360,319	346,645	340,178	366,786	-
Total governmental Activities	<u>\$ 11,613,338</u>	<u>\$ 3,470,809</u>	<u>\$ 1,723,718</u>	<u>\$ 13,360,429</u>	<u>\$ 1,520,931</u>

**Business-type**

**Activities:**

Note payable	\$ 69,000	\$ -0-	\$ 11,000	\$ 58,000	\$ 11,000
Other Post Employment Benefits	23,601	10,543	-0-	34,144	-
Compensated absences	16,543	14,063	18,854	11,752	-
Total business- Type activities	<u>\$ 109,144</u>	<u>\$ 24,606</u>	<u>\$ 29,854</u>	<u>\$ 103,896</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, 2014, consist of the following:

Due to the General Fund from the Water and Sewer - for unreimbursed expenditures	\$ 22,239
Due to the General Fund from the Emergency Telephone - for unreimbursed expenditures	\$ 7,426
Due to Fire Tax Fund from General Fund – June DMV collections for fire tax	\$ 1,590

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, 2014:

From the General Fund to the Water and Sewer Fund for grant matching funds used for capital improvements \$147,166.

From the Water & Sewer Fund to the General fund for general expenses \$27,709

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. Net Investment in Capital Assets**

	Governmental		Business-type
Capital assets	\$22,297,932		\$5,082,862
Less: long-term debt	12,443,041		47,000
Less: current portion of long-term debt			11,000
Add: unexpended debt proceeds	1,000,432		-0-
Net investment in capital assets	\$10,855,323		\$5,024,862

**E. Fund Balance**

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

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

<b>Total fund balance-General Fund</b>	<b>\$6,894,171</b>
Less:	
Nonspendables –Prepaid	6,738
Stabilization by State Statute	1,310,754
Appropriated Fund Balance in 2014 budget	247,931
Register of Deeds	25,641
Tax Revaluation	255,000
Assigned for Human Services	1,549,454
Working Capital /Fund Balance Policy	1,755,186
<b>Remaining Fund Balance</b>	<b>1,743,467</b>

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

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

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

**IV. Related Organization**

Clay County Rural Development Authority

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

## **V. Joint Ventures**

### **Nantahala Regional Library**

The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$105,000 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, 2014. 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, 2014. 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, 2014. 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	\$ 36,421	\$
Adoption Assistance	58,232	15,245
Medicaid	8,723,653	4,897,157
Food stamp program	2,701,877	
Energy assistance	77,100	
WIC	169,069	
Title IV-E, foster care	<u>31,137</u>	<u>8,664</u>
Total	<u>\$11,831,415</u>	<u>\$ 4,971,817</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. Subsequent Events**

Management has evaluated subsequent events through November 4, 2014, the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

### **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 Pysl ((b-a/c)
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%
12/31/2013	-	147,466	147,466	0.0%	542,479	27.18%

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
2012	13,272	0.00%
2013	14,814	0.00%
2014	14,817	26.68%

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	12/31/13
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
2012	289,817	58.9%
2013	340,879	33.3%
2014	298,949	9.00%

Notes to the Required Schedules:

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

Valuation date	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percent 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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes		\$ 7,576,738	
Interest		86,522	
Total	\$ 7,850,309	7,663,260	\$ (187,049)
<b>Local option sales taxes:</b>			
Article 39 and 44		750,686	
Article 40 one - half of one percent		600,267	
Article 42 one - half of one percent		389,576	
Total	2,201,873	1,740,529	(461,344)
<b>Other taxes and licenses:</b>			
Deed stamp excise tax		55,291	
Scrap tire disposal tax		20,634	
White goods disposal tax		3,304	
Franchise fees		28,724	
Privilege licenses		2,590	
Total	148,000	110,543	(37,457)
<b>Unrestricted intergovernmental:</b>			
Payments in lieu of taxes-outside sources		339,536	
Beer and wine tax		45,550	
Total	418,836	385,086	(33,750)
<b>Restricted intergovernmental:</b>			
State grants		579,843	
Federal grants		3,597,196	
Court facility fees		11,302	
Enforcement fund		1,018	
ABC profits for law enforcement		8,000	
ABC bottle taxes		15,454	
Total	6,193,957	4,212,813	(1,981,144)
<b>Permits and fees:</b>			
Building and well permits		89,575	
Inspection fees		73,082	
Landfill permits and user fees		275,597	
Recreation fees		11,436	
Gun Permits		7,715	
Register of deeds		66,705	
Total	566,414	524,110	(42,304)

(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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
<b>Sales and services:</b>			
Rents, concessions, and fees		35,750	
Jail fees		135,015	
Ambulance and rescue squad fees		509,085	
Police fees		80,551	
Recreation fees		153,678	
Health Department fees		234,310	
Tax office sales		2,255	
Water Sample fees		6,633	
Senior Center Meal fees		476	
Transportation fees		93,931	
Total	<u>1,734,136</u>	<u>1,251,684</u>	<u>(482,452)</u>
<b>Investment earnings</b>	<u>10,000</u>	<u>2,633</u>	<u>(7,367)</u>
<b>Miscellaneous:</b>			
Donations		21,006	
Other		176,691	
Total	<u>189,698</u>	<u>197,697</u>	<u>7,999</u>
<b>Total revenues</b>	<b><u>19,313,223</u></b>	<b><u>16,088,355</u></b>	<b><u>(3,224,868)</u></b>
<b>Expenditures:</b>			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits		188,395	
Other operating expenditures		271,303	
Insurance other property		89,218	
Capital Outlay		5,749	
Total	<u>659,561</u>	<u>554,665</u>	<u>104,896</u>
County Appropriations		156,735	
Total	<u>170,018</u>	<u>156,735</u>	<u>13,283</u>
Elections:			
Salaries and employee benefits		130,189	
Other operating expenditures		51,140	
Capital outlay		6,217	
Total	<u>218,972</u>	<u>187,546</u>	<u>31,426</u>
Finance:			
Salaries and employee benefits		180,247	
Other operating expenditures		25,703	
Total	<u>246,649</u>	<u>205,950</u>	<u>40,699</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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Taxes supervisor:			
Salaries and employee benefits		127,638	
Other operating expenditures		34,180	
Total	<u>194,541</u>	<u>161,818</u>	<u>32,723</u>
Taxes collector:			
Salaries and employee benefits		168,878	
Other operating expenditures		24,003	
Total	<u>262,676</u>	<u>192,881</u>	<u>69,795</u>
Legal:			
Contracted services	<u>24,117</u>	<u>25,599</u>	<u>(1,482)</u>
Register of deeds:			
Salaries and employee benefits		163,200	
Other operating expenditures		46,573	
Total	<u>253,041</u>	<u>209,773</u>	<u>43,268</u>
Public buildings:			
Salaries and employee benefits		195,117	
Other operating expenditures		508,060	
Capital Outlay		11,613	
Total	<u>788,938</u>	<u>714,790</u>	<u>74,148</u>
Senior Center			
Salaries and employee benefits		99,399	
Other operating expenditures		103,905	
Capital Outlay		5,350	
Total	<u>231,075</u>	<u>208,654</u>	<u>22,421</u>
<b>Total general government</b>	<b><u>3,049,588</u></b>	<b><u>2,618,411</u></b>	<b><u>431,177</u></b>
<b>Public safety:</b>			
Sheriff and communications:			
Salaries and employee benefits		1,130,033	
Other operating expenditures		189,696	
Capital outlay		52,346	
Total	<u>1,611,460</u>	<u>1,372,075</u>	<u>239,385</u>
Jail:			
Salaries and employee benefits		604,709	
Other operating expenditures		395,487	
Capital Outlay		10,000	
Total	<u>1,097,475</u>	<u>1,010,196</u>	<u>87,279</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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
School Resource Officer:			
Salaries and employee benefits		55,745	
Other operating expenditures		542	
Total	<u>65,432</u>	<u>56,287</u>	<u>9,145</u>
Emergency management:			
Salaries and employee benefits		51,763	
Other operating expenditures		18,645	
Total	<u>117,177</u>	<u>70,408</u>	<u>46,769</u>
Fire:			
Other operating expenditures		19,917	
Total	<u>39,000</u>	<u>19,917</u>	<u>19,083</u>
Inspections:			
Salaries and employee benefits		97,637	
Other operating expenditures		12,600	
Total	<u>121,534</u>	<u>110,237</u>	<u>11,297</u>
Emergency medical services			
Salaries and employee benefits		821,340	
Other operating expenditures		137,635	
Capital outlay		6,017	
Total	<u>1,042,989</u>	<u>964,992</u>	<u>77,997</u>
Telecommunications			
Salaries and employee benefits		47,142	
Other operating expenditures		12,089	
Total	<u>73,595</u>	<u>59,231</u>	<u>14,364</u>
Animal Control Officer			
Salaries and employee benefits		24,181	
Other operating expenditures		10,743	
Total	<u>37,100</u>	<u>34,924</u>	<u>2,176</u>
Courthouse Security			
Salaries and employee benefits		11,308	
Other operating expenditures		274	
Total	<u>22,159</u>	<u>11,582</u>	<u>10,577</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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Clerk of Court			
Other operating expenditures		2,407	
Total	6,900	2,407	4,493
<b>Total public safety</b>	<b>4,234,821</b>	<b>3,712,256</b>	<b>522,565</b>
<b>Transportation:</b>			
Transportation -Operations			
Salaries and employee benefits		320,524	
Other operating expenditures		76,762	
Total transportation operations	443,431	397,286	46,145
Transportation -Senior Center			
Salaries and employee benefits		156,584	
Other operating expenditures		49,036	
Capital Outlay		88,404	
Total transportation senior center	343,376	294,024	49,352
	<b>786,807</b>	<b>691,310</b>	<b>95,497</b>
<b>Economic and physical development:</b>			
Planning and zoning:			
Salaries and employee benefits		38,556	
Other operating expenditures		123,714	
Total	189,292	162,270	27,022
Sanitary Landfill			
Salaries and employee benefits		178,419	
Other operating expenditures		253,684	
Total	473,362	432,103	41,259
Soil and Water Conservation			
Salaries and employee benefits		65,079	
Other operating expenditures		18,292	
Capital outlay		13,042	
Total	83,665	96,413	(12,748)
Agricultural extension:			
Salaries and employee benefits		74,943	
Other operating expenditures		14,006	
Total	121,446	88,949	32,497
Special Appropriations	10,206	9,705	501
<b>Total economic and physical     development</b>	<b>877,971</b>	<b>789,440</b>	<b>88,531</b>
			(cont.)

**Clay County, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
<b>Human services:</b>			
Health:			
Administration & health programs:			
Salaries and employee benefits		871,427	
Other operating expenditures		383,873	
Capital Outlay		1,434,022	
Total	<u>3,263,725</u>	<u>2,689,322</u>	<u>574,403</u>
Far West dental			
Salaries and employee benefits		476,787	
Other operating expenditures		67,576	
Capital Outlay		183,949	
Total	<u>1,918,264</u>	<u>728,312</u>	<u>1,189,952</u>
Women, infants, and children:			
Salaries and employee benefits		89,749	
Other operating expenditures		20,215	
Total	<u>131,081</u>	<u>109,964</u>	<u>21,117</u>
Care Coordination for children			
Salaries and employee benefits		21,475	
Other operating expenditures		829	
Total	<u>26,661</u>	<u>22,304</u>	<u>4,357</u>
Pregnancy Care Management			
Salaries and employee benefits		22,027	
Other operating expenditures		741	
Total	<u>26,661</u>	<u>22,768</u>	<u>3,893</u>
Smart Start:			
Salaries and employee benefits		22,081	
Other operating expenditures		1,362	
Total	<u>28,685</u>	<u>23,443</u>	<u>5,242</u>
<b>Total health</b>	<b><u>5,395,077</u></b>	<b><u>3,596,113</u></b>	<b><u>1,798,964</u></b>
Social services:			
Administration:			
Salaries and employee benefits		1,066,215	
Other operating expenditures		642,890	
Capital outlay		23,827	
Total	<u>2,250,452</u>	<u>1,732,932</u>	<u>517,520</u>
AFDC:			
Assistance payments	<u>263,731</u>	<u>56,926</u>	<u>206,805</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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Medical assistance program:			
Assistance payments	14,316	25	14,291
. Bioterrorism			
Salaries and employee benefits		24,143	
Other operating expenditures		-	
	27,459	24,143	3,316
Other assistance:			
Assistance payments	550,575	353,208	197,367
<b>Total social services</b>	<b>3,106,533</b>	<b>2,167,234</b>	<b>939,299</b>
Veterans service officer:			
Salaries and employee benefits		3,876	
Other operating expenditures		393	
Total veterans service officer	4,475	4,269	206
<b>Total human services</b>	<b>8,506,085</b>	<b>5,767,616</b>	<b>2,738,469</b>
<b>Cultural and recreational:</b>			
Recreation:			
Salaries and employee benefits		127,035	
Other operating expenditures		28,651	
Capital outlay		405,065	
Total	648,733	560,751	87,982
Recreation sports			
Other operating expenditures		26,021	
Total	26,546	26,021	525
Campground			
Operating expenditures		54,161	
Capital Outlay		12,700	
	69,380	66,861	2,519
Libraries:			
Contribution to regional library	105,000	105,000	-
<b>Total culture and recreation</b>	<b>849,659</b>	<b>758,633</b>	<b>91,026</b>
<b>Education:</b>			
Public schools - current		1,268,826	
Public schools - capital outlay		335,447	
Community colleges - current		125,000	
<b>Total education</b>	<b>1,747,500</b>	<b>1,729,273</b>	<b>18,227</b>

(cont.)

**Clay County, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
<b>Debt service:</b>			
Principal retirement		1,383,539	-
Interest and other charges		297,212	-
<b>Total debt service</b>	<b>1,887,389</b>	<b>1,680,751</b>	<b>206,638</b>
<b>Total expenditures</b>	<b>21,939,820</b>	<b>17,747,690</b>	<b>4,192,130</b>
<b>Revenues over (under) expenditures</b>	<b>(2,626,597)</b>	<b>(1,659,335)</b>	<b>967,262</b>
<b>Other financing sources (uses):</b>			
Installment obligation issued:		2,851,724	
Transfers (to) from other funds:			
Capital Projects Funds		-	
Water and Sewer Fund		(147,166)	
<b>Total other financing sources (uses)</b>	<b>2,626,597</b>	<b>2,704,558</b>	<b>77,961</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>-</b>	<b>1,045,223</b>	<b>1,045,223</b>
<b>Appropriated fund balance</b>	<b>-</b>	<b>-</b>	<b>(476,265)</b>
<b>Revenues, other sources, and appropriated fund balance over (under) expenditures</b>	<b>\$ -</b>	<b>1,045,223</b>	<b>\$ 568,958</b>
<b>Fund balance, beginning</b>		<b>5,918,155</b>	
<b>Fund balance, ending</b>		<b>\$ 6,963,378</b>	

**Clay County, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

	<b>Special Revenue Funds</b>					<b>Capital Projects Funds</b>		
	<b>CDBG Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Fire District Fund</b>	<b>Industrial Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>	<b>School Capital Project Fund</b>	<b>Total Nonmajor Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 166,049	\$ 12,552	\$ 88,078	\$ 266,679	\$ -	\$ -	\$ 266,679
Accounts receivable, net	-	29,878	-	-	29,878	-	-	\$ 29,878
Taxes receivable, net	-	-	53,882	-	53,882	-	-	\$ 53,882
Due from other funds	-	-	1,590	-	1,590	-	-	\$ 1,590
Due from other governments	-	-	-	-	-	-	-	\$ -
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 195,927</b>	<b>\$ 68,024</b>	<b>\$ 88,078</b>	<b>\$ 352,029</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 352,029</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 14,142	\$ -	\$ 14,142	\$ -	\$ -	\$ 14,142
Due to other funds	-	7,426	-	-	7,426	-	-	\$ 7,426
<b>Total liabilities</b>	<b>-</b>	<b>7,426</b>	<b>14,142</b>	<b>-</b>	<b>21,568</b>	<b>-</b>	<b>-</b>	<b>\$ 21,568</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
		-	53,882	-	53,882			
Fund balances:								
Restricted:								
Other		158,623		88,078	246,701			
Stabilization by State Statute	-	29,878	-	-	29,878	-	-	29,878
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>188,501</b>	<b>-</b>	<b>88,078</b>	<b>276,579</b>	<b>-</b>	<b>-</b>	<b>276,579</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ 195,927</b>	<b>\$ 68,024</b>	<b>\$ 88,078</b>	<b>\$ 352,029</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 352,029</b>



**Clay County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>Special Revenue Funds</b>				<b>Total Nonmajor Special Revenue Funds</b>	<b>Capital Projects Funds</b>		
	<b>CDBG Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Fire District Fund</b>	<b>Industrial Fund</b>		<b>School Capital Project Fund</b>	<b>Total Nonmajor Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>								
Ad valorem taxes	\$ -	\$ -	\$ 480,117	\$ -	\$ 480,117	\$ -	\$ -	\$ 480,117
Local option sales taxes	-	-	-	-	-	-	-	-
Other taxes and licenses	-	-	-	-	-	-	-	-
Restricted intergovernmental	449,348	240,000	-	-	689,348	46,362	46,362	735,710
Investment earnings	-	150	-	-	150	-	-	150
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>449,348</b>	<b>240,150</b>	<b>480,117</b>	<b>-</b>	<b>1,169,615</b>	<b>46,362</b>	<b>46,362</b>	<b>1,215,977</b>
<b>EXPENDITURES</b>								
Current:								
Economic and physical development	449,348	-	-	-	449,348	-	-	449,348
Public safety	-	199,361	480,117	-	679,478	-	-	679,478
Capital outlay	-	-	-	-	-	46,362	46,362	46,362
<b>Total expenditures</b>	<b>449,348</b>	<b>199,361</b>	<b>480,117</b>	<b>-</b>	<b>1,128,826</b>	<b>46,362</b>	<b>46,362</b>	<b>1,175,188</b>
Excess (deficiency) of revenues over expenditures	-	40,789	-	-	40,789	-	-	40,789
Net change in fund balances	-	40,789	-	-	40,789	-	-	40,789
Fund balances, beginning	-	147,712	-	88,078	235,790	-	-	235,790
<b>Fund balances, ending</b>	<b>\$ -</b>	<b>\$ 188,501</b>	<b>\$ -</b>	<b>\$ 88,078</b>	<b>\$ 276,579</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 276,579</b>

**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, 2014**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
GRANT #10-C-2118	\$ 400,000	\$ 330,985	\$ 67,086	\$ 398,071	\$ 1,929
	-	-	-	-	-
<b>Total Revenues</b>	400,000	330,985	67,086	398,071	1,929
<b>Expenditures</b>					
Economic and physical development					
GRANT #10-C-2118:					
Rehabilitation	21,750	-	19,826	19,826	1,924
Reconstruction	308,195	262,652	45,538	308,190	5
Clearance	23,661	22,689	972	23,661	-
Temporary Relocation Expenses	6,394	5,644	750	6,394	-
Administration	40,000	40,000	-	40,000	-
<b>Total expenditures</b>	400,000	330,985	67,086	398,071	1,929
Revenues under expenditures	-	-	-	-	-
Other financing sources (uses):					
Transfers in:					
General Fund	-	-	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-	-	-
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, 2014**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
GRANT # 11-C-2368:	\$ 500,000	\$ 30,619	\$ 327,293	\$ 357,912	\$ 142,088
	-	-	-	-	-
Total Revenues	500,000	30,619	327,293	357,912	142,088
<b>Expenditures</b>					
Economic and physical development					
GRANT #11-C-2368:					
Parks, playgrounds and recreation facilities	450,000	1,200	307,293	308,493	141,507
Administration	50,000	29,419	20,000	49,419	581
Total expenditures	500,000	30,619	327,293	357,912	142,088
Revenues under expenditures	-	-	-	-	-
<b>Other financing sources (uses):</b>					
Transfers in:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources over uses	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning			\$ -		
Fund balance, ending			\$ -		

**Clay County, North Carolina**  
**CDBG Fund Grant #12-C-2491**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2014**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
GRANT # 12-C-2491:	\$ 750,000	\$ -	\$ 54,969	\$ 54,969	\$ 695,031
	-	-	-	-	-
Total Revenues	750,000	-	54,969	54,969	695,031
<b>Expenditures</b>					
Economic and physical development					
GRANT #12-C-2491:					
Public Sewer					
Improvements	660,000	-	-	-	660,000
Administration	90,000	-	54,969	54,969	35,031
Total expenditures	750,000	-	54,969	54,969	695,031
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**  
**Emergency Telephone System Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
E911 Funding	\$ -	\$ 240,000	\$ -
Interest earned		150	
Total revenue	<u>258,956</u>	<u>240,150</u>	<u>(18,806)</u>
Expenditures			
Implementation functions		71,426	
Phone and furniture		20,767	
Software maintenance		65,482	
Hardware maintenance		29,897	
Training		11,789	-
Total expenditures	<u>258,956</u>	<u>199,361</u>	<u>59,595</u>
Revenues under expenditures	-	40,789	40,789
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>	40,789	<u>\$ (40,789)</u>
Fund balance, beginning		<u>147,712</u>	
Fund balance, ending		<u>\$ 188,501</u>	

**Clay County, North Carolina**  
**Fire District Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 460,974	
Prior year		19,143	
Total	\$ 494,195	480,117	\$ (14,078)
Expenditures:			
Current:			
Public safety:			
Fire District No. 1		79,879	-
Fire District No. 2		42,457	-
Fire District No. 3		44,391	
Fire District No. 4		313,390	
Total expenditures	494,195	480,117	14,078
Revenues over expenditures	\$ -	-	-
Fund balance, beginning		-	
Fund balance, ending		\$ -	

**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, 2014**

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

**Clay County, North Carolina  
School Capital Projects Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2014**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Restricted intergovernmental Public School Building Capital Fund- lottery	\$ - 46,362	\$ - -	\$ - 46,362	\$ - 46,362	\$ - -
Total Revenues	46,362	-	46,362	46,362	-
<b>Expenditures</b>					
Intergovernmental- education: Hayesville High School- lottery	46,362	-	46,362	46,362	-
Total expenditures	46,362	-	46,362	46,362	-
Revenues under expenditures	-	-	-	-	-
<b>Other financing sources (uses):</b>					
Transfers from General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources over uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			\$ -		
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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Charges for services:			
Water sales:			
Residential/commercial		\$ 291,063	
Total	\$ 300,000	291,063	\$ (8,937)
Sewer charges:			
Residential/commercial		208,751	
Total	240,000	208,751	(31,249)
Water and sewer taps	6,000	3,650	(2,350)
Other operating revenues	32,000	55,125	23,125
Total operating revenues	578,000	558,589	(19,411)
Nonoperating revenues:			
Interest earnings	2,900	2,960	60
Total revenues	580,900	561,549	(19,351)
Other financing sources:			
Transfers from other funds:			
General Fund	600,000	147,166	(452,834)
Total revenues and other financing sources	1,180,900	708,715	(472,185)
			(continued)
<b>Expenditures:</b>			
Administration:			
Salaries and employee benefits		277,745	
Travel		1,425	
Insurance		5,363	
Repairs		54,315	
Other operating expenditures		146,575	
Total	560,100	485,423	74,677
Debt service:			
Interest and other charges		3,457	
Debt principal		11,000	
Total	14,000	14,457	(457)

**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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Land		12,000	
Water & Sewer Line Expansion		476,029	
Total	<u>606,800</u>	<u>488,029</u>	<u>118,771</u>
 Total expenditures	 <u>1,180,900</u>	 <u>987,909</u>	 <u>192,991</u>
 Revenues and other financing sources over expenditures	 <u><u>-</u></u>	 <u><u>(279,194)</u></u>	 <u><u>(279,194)</u></u>

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

Revenue and other financing sources over expenditures	<u>\$ (279,194)</u>
Reconciling items:	
Debt principal	11,000
Capital contributions in Capital Projects	300,126
Capital outlay	488,029
Transfer to General In Capital Projects	-
Interest Income from Capital Projects	-
Decrease in accrued vacation pay	4,791
Increase in other postemployment benefits	(10,543)
Depreciation	<u>(393,162)</u>
Total reconciling items	<u>400,241</u>
 Change in net position	 <u><u>\$ 121,047</u></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, 2014**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
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	-	283,698	283,698	(16,302)
<b>Total Revenues</b>	<b>1,520,256</b>	<b>1,090,598</b>	<b>283,698</b>	<b>1,374,296</b>	<b>(145,960)</b>
<b>Expenditures</b>					
Water Sys Construction	1,581,920	1,345,749	209,844	1,555,593	26,327
Contingency	142,830	-	73,854	73,854	68,976
Land Acq\Easement	110,000	110,000	-	110,000	-
Design Engin Permitting	126,200	107,455	-	107,455	18,745
Construction Admin	63,200	46,380	-	46,380	16,820
Legal Admin	25,000	17,658	-	17,658	7,342
Material Testing	7,750	-	-	-	7,750
<b>Total expenditures</b>	<b>2,056,900</b>	<b>1,627,242</b>	<b>283,698</b>	<b>1,910,940</b>	<b>145,960</b>
Revenues under expenditures	(536,644)	(536,644)	-	(536,644)	-
<b>Other financing sources (uses):</b>					
Revolving Loan Note	536,644	536,644	-	536,644	-
<b>Total other financing sources (uses)</b>	<b>536,644</b>	<b>536,644</b>	<b>-</b>	<b>536,644</b>	<b>-</b>
Revenues and other financing sources over uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			\$ -		
Fund balance, ending			<u>\$ -</u>		

**Clay County, North Carolina**  
**Capital Project- Hwy 69 Sewerline Project (Golden Leaf)**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2014**

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Golden Leaf Grant	\$ 1,000,000	\$ -	\$ 77,500	\$ 77,500	\$ (922,500)
Total Revenues	1,000,000	-	77,500	77,500	(922,500)
<b>Expenditures</b>					
Engineering, Bidding, Contra- Administration, Permitting	146,200	-	77,500	77,500	68,700
Construction	853,800	-	-	-	853,800
Total expenditures	1,000,000	-	77,500	77,500	922,500
Revenues under expenditures	-	-	-	-	-
<b>Other financing sources (uses):</b>					
Transfer from General	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources over uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			\$ -		
Fund balance, ending			<u>\$ -</u>		

**Clay County, North Carolina**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2014**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Social Services</b>				
Assets:				
Cash and cash equivalents	\$ 45,360	\$ 83,595	\$ 97,873	\$ 31,082
Liabilities:				
Miscellaneous liabilities	\$ 45,360	\$ 83,595	\$ 97,873	\$ 31,082
<b>Fines and Forfeitures</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 42,400	\$ 42,400	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 42,400	\$ 42,400	\$ -
<b>Municipal Tax</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 97,184	\$ 97,184	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 97,184	\$ 97,184	\$ -
<b>Deed of Trust Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	\$53,125	\$53,125	\$ -
Liabilities:				
Intergovernmental payable-NC	\$ -	\$53,125	\$53,125	\$ -
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 45,360	\$ 276,304	\$ 290,582	\$ 31,082
Liabilities:				
Miscellaneous liabilities	\$ 45,360	\$ 180,779	\$ 195,057	\$ 31,082
Intergovernmental payable- Clay County Board of Education	-	42,400	42,400	-
Intergovernmental payable- State of North Carolina	-	53,125	53,125	-
Total liabilities	\$ 45,360	\$ 180,779	\$ 195,057	\$ 31,082

**Clay County, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2014**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 7,618,756	7,301,159	\$ 317,597
2012-2013	339,339	-	165,350	173,989
2011-2012	167,960	-	61,698	106,262
2010-2011	83,398	-	24,568	58,830
2009-2010	64,409	-	13,901	50,508
2008-2009	46,621	-	7,179	39,442
2007-2008	32,260	-	2,771	29,489
2006-2007	17,280	-	1,234	16,046
2005-2006	14,376	-	1,179	13,197
2004-2005	14,376	-	1,092	13,284
2003-2004	10,007	-	10,007	0
	<u>790,026</u>	<u>7,618,756</u>	<u>7,590,138</u>	<u>818,644</u>

Less: allowance for uncollectible accounts:  
General Fund (161,729)

Ad valorem taxes receivable - net:  
General Fund \$ 656,915

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 7,663,260
Penalties collected on ad valorem taxes- Agency fund	\$ 4,483
Reconciling items:	
Interest collected	(86,522)
Discounts allowed	0
Taxes written off	8,917
Total reconciling items	<u>(77,605)</u>
Total collections and credits	<u>\$ 7,590,138</u>

**Clay County, North Carolina  
Analysis of Current Tax Levy  
County - wide Levy  
For the Fiscal Year Ended June 30, 2014**

	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	1,973,113,582	0.360%	\$ 7,103,209	\$ 7,103,209	\$ -
Motor vehicles taxed at prior year's rate	114,905,833	0.360%	413,661	-	413,661
Total	<u>2,088,019,415</u>		<u>7,516,870</u>	<u>7,103,209</u>	<u>413,661</u>
Discoveries:					
Current year taxes	30,530,833	0.360%	109,911	108,912	999
Total	<u>30,530,833</u>		<u>109,911</u>	<u>108,912</u>	<u>999</u>
Abatements	<u>(2,229,167)</u>	0.360%	<u>(8,025)</u>	<u>(6,759)</u>	<u>(1,266)</u>
Total property valuation	<u><u>2,116,321,082</u></u>				
Net levy			7,618,756	7,205,362	413,394
Uncollected taxes at June 30, 2014			<u>317,597</u>	<u>303,093</u>	<u>14,504</u>
Current year's taxes collected			<u><u>7,301,159</u></u>	<u><u>6,902,269</u></u>	<u><u>398,890</u></u>
Current levy collection percentage			<u><u>95.83%</u></u>	<u><u>95.79%</u></u>	<u><u>96.49%</u></u>

**Clay County, North Carolina  
 Analysis of Current Tax Levy  
 County - wide Levy  
 For the Fiscal Year Ended June 30, 2014**

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**Secondary Market Disclosures:**

Assessed Valuation:

Assessment Ratio	100 %
Real Property	\$ 1,927,230,485
Personal Property	161,022,327
Public Service Companies	28,068,270
Total Assessed Valuation	\$ 2,116,321,082
Tax Rate per \$100	0.360%
Levy (includes discoveries, releases and abatements)	\$ 7,618,756

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	\$ 491,201
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**Clay County, North Carolina  
Ten Largest Taxpayers  
For the Fiscal Year Ended June 30, 2014**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2014 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
Blue Ridge Mtn EMC	Utility	22,909,860	0.0108
Ingles	Commercial Real Estate	10,420,027	0.0049
Ridges at Mountain Harbour	Commercial Real Estate	9,228,700	0.0044
JWJ of Clay County LLC	Commercial Real Estate	5,411,200	0.0026
Coleman Cable	Utility	5,349,809	0.0025
Nantahala Bank & Trust	Commercial Real Estate	5,327,632	0.0025
Hendrikse Nelson J Trustee	Commercial Real Estate	5,100,072	0.0024
Steven B. Payne	Commercial Real Estate	4,567,114	0.0022
Fine Holdings LLC	Commercial Real Estate	4,276,640	0.0020
NC4 Hayesville LLC	Commercial Real Estate	4,096,200	0.0019
		<hr/>	<hr/>
Total		<u>76,687,254</u>	<u>0.0362</u>

# **COMPLIANCE SECTION**



**SHAWN P. LONG, CPA**

PO BOX 1248  
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HAYESVILLE, NC 28904

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Telephone (828) 389-8043

**Report On Internal Control Over Financial Reporting And On Compliance And  
Other Matters Based On An Audit Of Financial Statements Performed In  
Accordance With *Government Auditing 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, 2014, and the related notes to the financial statements, which collectively comprises Clay County's basic financial statements, and have issued my report thereon dated November 4, 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 auditors' 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.

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. **2014-1**

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 did not find any significant deficiencies.

### Compliance and Other Matters

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

### 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 Powell Long, CPA  
Hayesville, North Carolina

November 4, 2014



# SHAWN P. LONG, CPA

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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, 2014. 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, 2014.

#### Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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*

Shawn Powell Long, CPA  
Hayesville, North Carolina

November 4, 2014



**SHAWN P. LONG, CPA**

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HAYESVILLE, NC 28904

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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, 2014. Clay County’s major State programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of Clay County’s major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of 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, 2014.

#### 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*

Shawn Powell Long, CPA  
Hayesville, North Carolina

November 4, 2014

**CLAY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014

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

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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
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$ 331,518

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

State Awards

Internal control over major State programs:

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

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

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

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

Identification of major State programs:

Program Name  
Title XIX- Medicaid

**Section II. Financial Statement Findings**

---

Finding: **2014-1** 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.

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

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None Reported

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

---

None Reported

**CLAY COUNTY, NORTH CAROLINA**  
**CORRECTIVE ACTION PLAN**  
For the Year Ended June 30, 2014

**Section II - Financial Statement Findings**

**Finding: 2014-1 Segregation of Duties**

Name of contact person: Vicki Hogsed, Finance Officer

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

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

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

None reported.

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

None reported.

**CLAY COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2014

**Finding:** 13-1  
**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:** 13-2  
**Status:** Corrected

**Finding:** 13-3  
**Status:** Corrected

**Finding:** 13-4  
**Status:** Corrected

**Finding:** 13-5  
**Status:** Corrected

**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, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
State Administrative Matching Grants for the Supplemental Nutrition Assist. Program	10.561	XXXX	111,884	-	111,883
Total Food Stamp Cluster			111,884	-	111,883
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	60,188	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	169,069	-	-
Total Women, Infants & Children			229,257	-	-
Total U.S. Department of Agriculture			341,141	-	111,883
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
13-CT-020, Admin	20.509	XXXX	25,108	1,569	-
14-CT-020, Admin	20.509	XXXX	112,229	7,014	-
13-ED-020, Operating	20.513	XXXX	19,563	-	-
14-ED-020, Mobility	20.513	XXXX	9,541	1,193	-
Total U.S. Department of Transportation			166,441	9,776	-
<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	35,503	-	-
Total U. S. Department of Homeland Security			35,503	-	-
<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	449,347	-	-
USDA- Rural Dev Assistance	10.433	XXXX	18,325	-	-
Total Passed through NC Dept of Commerce			467,672	-	-
<u>U.S. Dept. of Health &amp; Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Southwestern NC Planning & Economic Dev Comm:					
Special Programs for the Aging - Title IIIB					
Grants for Supportive Services and Senior Centers	93.044	XXXX	56,469	3,604	-
Social Service Block Grant (SSBG)- In home service	93.667	XXXX	98,405	3,044	-
Total Aging Cluster			154,874	6,648	-

**CLAY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption Cluster</u>					
Title IV-E Foster Care - Administration	93.658	XXXX	57,838	14,888	51,097
Foster Care - Direct Benefit Payments	93.658	XXXX	31,137	8,664	8,664
Adoption Assistance- Training	93.659	XXXX	1,018	-	931
Adoption Assistance- Direct Benefit Payments	93.659	XXXX	58,232	15,245	15,245
Total Foster Care and Adoption Cluster			148,225	38,797	75,937
Temporary Assistance for Needy Families TANF	93.558		88,000	-	138062
Work First/TANF-Direct Benefit Payments	93.558	XXXX	36,421	-	-
Special Children Adoption	93.558	XXXX	3,600	14,400	-
Child Support Enforcement	93.563	XXXX	121,223	-	62,448
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568	XXXX	9,538	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	77,100	-	-
Crisis Intervention Program	93.568	XXXX	47,701	-	-
Family Preservation	93.556	XXXX	6,117	-	-
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645	XXXX	7,853	-	2,618
Independent Living Grant	93.674	XXXX	840	-	-
Division of Aging and Adult Services:					
Division of Social Services:					
Social Service Block Grant	93.667	XXXX	74,920	329	1,348
SSBG - Other Services and Training	93.667	XXXX	30,885	4,096	11,660
Division of Child Development:					
Smart Start		XXXX	-	26,906	-
Division of Social Services					
Child Care Development Fund- Administration	93.596	XXXX	80,000	-	-
Total Subsidized Child Care					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	8,753,128	4,906,986	-
State Children's Insurance Program- N.C. Health Choice	93.767	XXXX	111,653	35,212	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	231,037	9,805	187,927
State Children's Insurance Program - N.C. Health Choic	93.767	XXXX	5,777	338	1,484
Passed through NC Dept. of Health and Human Services					
Division of Public Health					
Public Health Emergency Preparedness	93.069	XXXX	27,459	-	-
Immunization Grants	93.268	XXXX	4,656	-	-
PPHF 2012: Breast and Cervical Cancer Screening					
Opportunities for States, Tribes and Territories solely financed by 2012 Prevention and Public Health Funds	93.744	XXXX	383	-	-
Comprehensive Breast and Cervical Cancer					
Early Detection Programs	93.919	XXXX	10,353	2,550	-
Statewide Health Promotion Program	93.991	XXXX	7,702	-	-

**CLAY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
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	28,618	22,045	-
Passed through NC Dept. of Health and Human Services					
Office of Population Affairs					
Family Planning Services	93.217	XXXX	14,378	-	-
Total U.S. Department of Health and Human Services:			\$ 9,927,567	\$ 5,061,464	\$ 481,484
Total federal awards			\$ 11,093,198	\$ 5,077,888	\$ 593,367
<b>State Awards:</b>					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
Scap Tire Program		XXXX	-	1,909	-
Total N.C. Dept. of Environmental and Natural Resources			-	1,909	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
CPS Expansion State		XXXX	-		
County Funded Programs		XXXX	-		228,322
Non Allocating County Cost		XXXX	-		97,018
Wrk Frt Non Reimbursable		XXXX	-		64,134
State Foster Home		XXXX	-	7,594	7,594
SFHF Maximazation		XXXX	-	6,666	6,666
CWS Adoption Subsidy		XXXX	-	37,503	12,501
Foster Care		XXXX	23,961	-	14,623
SC SA Domiciliary Care Payment		XXXX	-	92,233	92,233
Total Division of Social Service			-	143,996	523,091
Division of Public Health					
Other Receipts/State Supported Expenditures					
General Aid to Counties		XXXX	-	76,200	-
Food and Lodging Fees		XXXX	-	3,177	-
Environmental Health		XXXX	-	4,000	-
School Nurse Funding Initiative		XXXX	-	40,205	-
Maternal Health (HMHC)		XXXX	-	93	-
TB Medical Service		XXXX	-	540	-
Risk Reduction/Health Promotion		XXXX	-	6,285	-
General Communicable Disease Control		XXXX	-	11,294	-
Tuberculosis		XXXX	-	122	-
Total Division of Public Health			-	141,916	-
Total N. C. Department of Health and Human Services			-	285,912	523,091
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund- Lottery Proceeds		XXXX		46,362	
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs		XXXX	-	65,754	-

**CLAY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	49,089	-
- ROAP Rural General Public Program		DOT-16CL	-	53,847	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	4,513	-
Total ROAP			-	107,449	-
<u>N.C. Department of Insurance</u>					
Shiip Grant		XXXX	-	5,587	
<u>N.C. Dept. of Administration</u>					
Veteran Service Officer		XXXX	-	1,452	-
Total State awards			23,961	514,425	523,091
<b>Total federal and State awards</b>			<b>\$ 11,117,159</b>	<b>\$ 5,592,313</b>	<b>\$ 1,116,458</b>

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, 2014. 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	\$ 456,147

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		\$ 65,754
Public School Building Capital Fund- Lottery Proceeds		XXXX		\$ 46,362