

**ALLEGHANY COUNTY
SPARTA, NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



**GOULD KILLIAN
CPA GROUP, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

ALLEGHANY COUNTY, NORTH CAROLINA

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Karen Evans – Finance Officer

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FINANCIAL SECTION

This section of Alleghany County's annual report presents the Basic Financial Statements and Required Supplementary Information (including Management's Discussion and Analysis), as well as the Independent Auditors' Report. In addition, the Financial Section contains combining statements for non-major fund types, individual fund schedules and other supplemental information.



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Commissioners
Alleghany County
Sparta, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Alleghany County, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-12, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 63, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 64, the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County Contributions on pages 65-66, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) and Schedule of County Contributions on pages 67-68, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alleghany County's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax 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*, we have issued our report dated November 25, 2019, on our consideration of Alleghany County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alleghany County's 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 Alleghany County's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 25, 2019

ALLEGHANY COUNTY, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

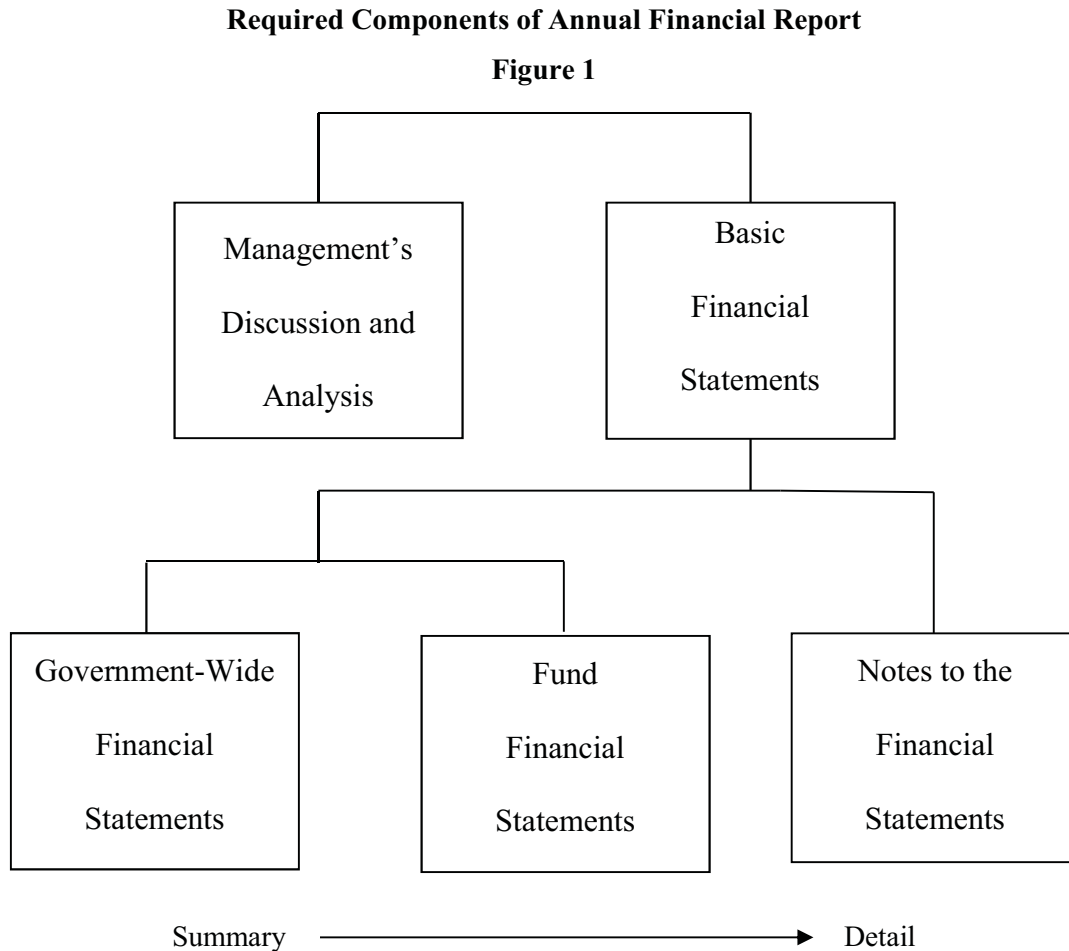
As management of Alleghany County, we offer readers of Alleghany County's financial statements this narrative overview and analysis of the financial activities of Alleghany County for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of Alleghany County exceeded its liabilities and deferred inflows at the close of the fiscal year by \$8,454,792 (*net position*).
- As of the close of the current fiscal year, Alleghany County's governmental funds reported combined ending fund balances of \$4,113,368. Approximately 50% of this total amount, or \$2,048,524, is restricted as to how it can be spent. Approximately 32% of the total ending governmental fund balance, or \$1,299,555, is reported in funds other than the General Fund.
- At the end of the current fiscal year, available fund balance for the General Fund totaled \$1,919,492, or 11.2%, of total General Fund expenditures and transfers to other funds for the fiscal year.
- Alleghany County has a municipal rating of 79 from the Local Government Commission.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Alleghany 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 Alleghany County.



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 11) 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.

Following the notes is the **Required Supplemental Information**. This section contains funding information about the County's pension and OPEB plans.

After the required supplemental information, **Supplemental Information** is provided to show details about the County's funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

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 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, economic and physical development, human services, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the landfill services offered by Alleghany County. The final category is component units of which the County has one, the Tourism Development Authority.

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. Alleghany 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 Alleghany 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 governmental 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.

Alleghany 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. Alleghany County has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Alleghany County uses an Enterprise Fund to account for its landfill operations. This fund represents business-type activity 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. Alleghany County has two fiduciary funds. The Social Services Trust Fund, an Agency Fund, which was established to account for monies deposited with the Social Services Department for the benefit of certain individuals, and the Library Trust Fund, which was established to account for donations to be used for the local library.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Alleghany County's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on Schedule A-1 of this report.

**Government-Wide Financial Analysis
Alleghany County's Net Position**

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	(Restated)				(Restated)	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 4,931,003	\$ 5,895,461	\$ 132,285	\$ 153,259	\$ 5,063,288	\$ 6,048,720
Capital assets, net	22,421,705	22,276,014	504,214	379,993	22,925,919	22,656,007
Total assets	27,352,708	28,171,475	636,499	533,252	27,989,207	28,704,727
Deferred Outflows of Resources	1,526,646	998,660	77,493	38,390	1,604,139	1,037,050
Liabilities:						
Current liabilities	1,837,508	1,739,161	108,251	74,623	1,945,759	1,813,784
Other liabilities	17,218,926	16,439,499	710,084	679,344	17,929,010	17,118,843
Total liabilities	19,056,434	18,178,660	818,335	753,967	19,874,769	18,932,627
Deferred Inflows of Resources	1,205,228	964,708	58,557	48,764	1,263,785	1,013,472
Net Position:						
Net investment in capital assets	17,096,244	18,438,392	387,214	379,993	17,483,458	18,818,385
Restricted	1,296,209	1,179,397	-	-	1,296,209	1,179,397
Unrestricted (deficit)	(9,774,761)	(9,591,022)	(550,114)	(611,082)	(10,324,875)	(10,202,104)
Total net position (deficit)	\$ 8,617,692	\$ 10,026,767	\$ (162,900)	\$ (231,089)	\$ 8,454,792	\$ 9,795,678

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Alleghany County exceeded liabilities and deferred inflows of resources by \$8,454,792 as of June 30, 2019. The County's net position decreased by \$1,340,886 for the fiscal year ended June 30, 2019. The largest portion of net position, \$17,483,458, reflects the County's net investment in capital assets (e.g. land, buildings, and equipment). Alleghany County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Alleghany County's net investment in 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.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.25%
- Monitoring of operating expenses including consolidating expenses as much as possible.

Alleghany County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	(Restated)				(Restated)	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,383,162	\$ 1,084,487	\$ 936,039	\$ 862,160	\$ 2,319,201	\$ 1,946,647
Operating grants and contributions	2,721,833	2,375,600	3,186	3,089	2,725,019	2,378,689
Capital grants and contributions	120,538	-	-	-	120,538	-
General revenues:						
Property taxes	9,521,739	8,869,316	-	-	9,521,739	8,869,316
Other taxes	2,543,624	2,381,161	-	-	2,543,624	2,381,161
Grants and contributions not restricted to specific programs	71,272	83,295	-	-	71,272	83,295
Investment earnings, unrestricted	17,145	1,240	1,727	70	18,872	1,310
Gain on sale of capital assets	50,477	344,160	-	-	50,477	344,160
Total revenues	<u>16,429,790</u>	<u>15,139,259</u>	<u>940,952</u>	<u>865,319</u>	<u>17,370,742</u>	<u>16,004,578</u>
Expenses:						
General government	4,945,014	4,883,258	-	-	4,945,014	4,883,258
Public safety	4,676,510	4,307,311	-	-	4,676,510	4,307,311
Economic and physical development	677,390	629,628	-	-	677,390	629,628
Environmental protection	5,126	34,785	-	-	5,126	34,785
Human services	3,396,612	3,011,801	-	-	3,396,612	3,011,801
Cultural and recreation	296,152	414,284	-	-	296,152	414,284
Education	3,558,464	3,586,171	-	-	3,558,464	3,586,171
Interest on long-term debt	168,597	114,639	-	-	168,597	114,639
Solid waste	-	-	987,763	982,487	987,763	982,487
Total expenses	<u>17,723,865</u>	<u>16,981,877</u>	<u>987,763</u>	<u>982,487</u>	<u>18,711,628</u>	<u>17,964,364</u>
Change in net position before transfers	(1,294,075)	(1,842,618)	(46,811)	(117,168)	(1,340,886)	(1,959,786)
Transfers in (out)	<u>(115,000)</u>	<u>-</u>	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(1,409,075)</u>	<u>(1,842,618)</u>	<u>68,189</u>	<u>(117,168)</u>	<u>(1,340,886)</u>	<u>(1,959,786)</u>
Net Position (Deficit):						
Beginning of year	8,760,695	10,603,313	(231,089)	(113,921)	8,529,606	10,489,392
Restatement	<u>1,266,072</u>	<u>1,266,072</u>	<u>-</u>	<u>-</u>	<u>1,266,072</u>	<u>1,266,072</u>
Beginning of year, as restated	<u>10,026,767</u>	<u>11,869,385</u>	<u>(231,089)</u>	<u>(113,921)</u>	<u>9,795,678</u>	<u>11,755,464</u>
End of year	<u>\$ 8,617,692</u>	<u>\$ 10,026,767</u>	<u>\$ (162,900)</u>	<u>\$ (231,089)</u>	<u>\$ 8,454,792</u>	<u>\$ 9,795,678</u>

Governmental Activities. Governmental activities decreased the County's net position by \$1,409,075. Key elements of this increase are as follows:

- While overall revenues increased slightly, expenses increased by approximately \$1,400,000. The slight increase in revenue combined with a \$1,400,000 increase in expenses for the general fund, generated the current year decrease in net position. The County's largest expenses are for general government (28%) and public safety (26%.) The largest increases were in public safety (approximately \$369,000, or 8%) and human services (\$385,000, or 11%) due to increasing demands for the County to provide these essential services for its citizens.
- Year 3 of 4 of a salary study was implemented.

Business-Type Activities. Business-type activities increased Alleghany County's net position by \$68,189. Key elements of this increase are as follow:

- Annual escalating costs of operations including increased contractual costs from solid waste disposal facility, and scrap tire facility.
- Year 3 of 4 of a salary study was implemented.
- Realized better collections through the Tax Office regarding the household solid waste fees.
- Depreciation expense of \$47,854 was charged to operations.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Alleghany County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Alleghany 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 Alleghany County. At the end of the current fiscal year, fund balance available in the General Fund was \$1,919,492, while total fund balance was \$2,813,813. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 11.2% of net General Fund expenditures and transfers to other funds, while total fund balance represents 16.5% of that same amount.

At June 30, 2019, the governmental funds of Alleghany County reported a combined fund balance of \$4,113,368, a decrease of \$520,543 over last year. The General Fund experienced an overall decrease in fund balance, while other government funds experienced an overall combined increase in fund balance.

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.

Proprietary Funds. Alleghany County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Net position (deficit) of the Landfill Fund at the end of the fiscal year totaled \$(162,900).

Capital Asset and Debt Administration

Capital Assets. Alleghany County's capital assets for its governmental and business-type activities as of June 30, 2019 totaled \$22,925,919 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Completed construction of new scales and scale house at the Transfer Facility.
- Completed construction at Sparta Elementary School.
- Purchase of dispatch equipment.
- Purchase of an ambulance and several other vehicles.

Alleghany County's Capital Assets
Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	(Restated)				(Restated)	
	2019	2018	2019	2018	2019	2018
Land	\$ 513,769	\$ 513,769	\$ 110,183	\$ 110,183	\$ 623,952	\$ 623,952
Buildings	23,296,372	21,886,989	361,014	353,425	23,657,386	22,240,414
Improvements	7,424,061	7,241,990	108,244	51,073	7,532,305	7,293,063
Machinery and equipment	5,533,716	4,624,524	608,198	529,870	6,141,914	5,154,394
Construction in progress	332,467	1,191,799	-	-	332,467	1,191,799
Total	37,100,385	35,459,071	1,187,639	1,044,551	38,288,024	36,503,622
Less: accumulated depreciation	(14,678,680)	(13,183,057)	(683,425)	(664,558)	(15,362,105)	(13,847,615)
Capital assets, net	<u>\$ 22,421,705</u>	<u>\$ 22,276,014</u>	<u>\$ 504,214</u>	<u>\$ 379,993</u>	<u>\$ 22,925,919</u>	<u>\$ 22,656,007</u>

Additional information on the County's capital assets can be found in the notes to the Basic Financial Statements.

Long-Term Debt

**Alleghany County's Outstanding Debt
Figure 5**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Installment purchase notes	\$ 6,533,822	\$ 6,242,962	\$ 117,000	\$ -	\$ 6,650,822	\$ 6,242,962

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Alleghany County is approximately \$127,000,000.

Additional information regarding Alleghany County's long-term debt, including details of pension liability, compensated absences, OPEB, and accrued landfill closure and post-closure care costs, can be found in the notes of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2020

Government Activities. The adopted FY 19/20 budget included adjustments to longevity pay for all employees, position and pay grade adjustments, continued grant funded positions, state cost share modifications for Cooperative Extension employees and the funding of year 4 of the comprehensive classification and pay study. Two school resource officers, two social workers and one income maintenance supervisor positions were added to the budget. We have also began using a budgeted contingency line as to not have to use fund balance monies when items arise that hasn't been budgeted. The County will spend \$297,000 in capital purchases to purchase vehicles and voting equipment, which will be funded by a loan. The County will construct a new Senior Citizen Center, renovate the existing Senior Citizen Center into additional court room space through financing by a loan obtained in 2018/19. The property rate increased to \$0.5970 per \$100 value. No additional major revenues are anticipated.

Business-Type Activity. The Alleghany Transfer Facility adopted FY 19/20 budget included adjustments to longevity pay for all employees, position and pay grade adjustments, and the funding of year 4 of the comprehensive classification and pay study. Capital lease for a new loader of \$150,000 has been budgeted. No other major capital or capital improvements are anticipated. The household solid waste fees increased to \$90 from \$75.

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 Finance Officer, P.O. Box 366, Sparta, North Carolina 28675.

ALLEGHANY COUNTY, NORTH CAROLINA

Exhibit 1

Page 1 of 2

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Component Unit
	Governmental	Business-Type		Tourism
	Activities	Activities	Total	Development
				Authority
Assets:				
Current assets:				
Cash and investments	\$ 2,728,105	\$ 79,167	\$ 2,807,272	\$ 15,860
Taxes receivable, net	213,567	-	213,567	-
Accounts receivable, net	110,919	53,118	164,037	-
Due from other governments	851,898	-	851,898	-
Total current assets	<u>3,904,489</u>	<u>132,285</u>	<u>4,036,774</u>	<u>15,860</u>
Restricted assets:				
Cash and investments	1,001,663	-	1,001,663	-
Net pension asset (ROD)	24,851	-	24,851	-
Total restricted assets	<u>1,026,514</u>	<u>-</u>	<u>1,026,514</u>	<u>-</u>
Non-current assets:				
Land and construction in progress	846,236	110,183	956,419	-
Depreciable capital assets, net	21,575,469	394,031	21,969,500	-
Total non-current assets	<u>22,421,705</u>	<u>504,214</u>	<u>22,925,919</u>	<u>-</u>
Total assets	<u>27,352,708</u>	<u>636,499</u>	<u>27,989,207</u>	<u>15,860</u>
Deferred Outflows of Resources	<u>1,526,646</u>	<u>77,493</u>	<u>1,604,139</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	509,080	64,438	573,518	585
Payable from restricted cash	2,622	-	2,622	-
Current portion of long-term debt	1,156,806	37,813	1,194,619	-
Current portion of compensated absences	169,000	6,000	175,000	-
Total current liabilities	<u>1,837,508</u>	<u>108,251</u>	<u>1,945,759</u>	<u>585</u>
Non-current liabilities:				
Non-current compensated absences	169,212	15,472	184,684	-
Net pension liability (LGERS)	1,592,031	83,791	1,675,822	-
Total pension liability (LEOSSA)	345,997	-	345,997	-
Total OPEB liability	9,734,670	512,351	10,247,021	-
Due in more than one year	5,377,016	98,470	5,475,486	-
Total non-current liabilities	<u>17,218,926</u>	<u>710,084</u>	<u>17,929,010</u>	<u>-</u>
Total liabilities	<u>19,056,434</u>	<u>818,335</u>	<u>19,874,769</u>	<u>585</u>

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

ALLEGHANY COUNTY, NORTH CAROLINA

Exhibit 1

Page 2 of 2

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tourism Development Authority
Deferred Inflows of Resources	<u>1,205,228</u>	<u>58,557</u>	<u>1,263,785</u>	<u>-</u>
Net Position:				
Net investment in capital assets	17,096,244	387,214	17,483,458	-
Restricted:				
Stabilization by State statute	960,764	-	960,764	-
Register of Deeds	57,592	-	57,592	-
Register of Deeds' pension	24,851	-	24,851	-
Public safety	109,099	-	109,099	-
Recreation	143,903	-	143,903	-
Unrestricted (deficit)	<u>(9,774,761)</u>	<u>(550,114)</u>	<u>(10,324,875)</u>	<u>15,275</u>
Total net position (deficit)	<u>\$ 8,617,692</u>	<u>\$ (162,900)</u>	<u>\$ 8,454,792</u>	<u>\$ 15,275</u>

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

ALLEGHANY COUNTY, NORTH CAROLINA

Exhibit 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Tourism Development Authority
					Governmental Activities	Business-Type Activities		
Functions/Programs:								
Primary Government:								
Governmental Activities:								
General government	\$ 4,945,014	\$ 509,843	\$ 73,278	\$ -	\$ (4,361,893)	\$ -	\$ (4,361,893)	\$ -
Public safety	4,676,510	828,734	412,504	-	(3,435,272)	-	(3,435,272)	-
Economic and physical development	677,390	-	125,910	-	(551,480)	-	(551,480)	-
Environmental protection	5,126	-	110,336	-	105,210	-	105,210	-
Human services	3,396,612	2,348	1,997,733	46,399	(1,350,132)	-	(1,350,132)	-
Cultural and recreation	296,152	42,237	2,072	-	(251,843)	-	(251,843)	-
Education	3,558,464	-	-	74,139	(3,484,325)	-	(3,484,325)	-
Interest on long-term debt	168,597	-	-	-	(168,597)	-	(168,597)	-
Total governmental activities	17,723,865	1,383,162	2,721,833	120,538	(13,498,332)	-	(13,498,332)	-
Business-Type Activities:								
Solid waste	987,763	936,039	3,186	-	-	(48,538)	(48,538)	-
Total primary government	\$ 18,711,628	\$ 2,319,201	\$ 2,725,019	\$ 120,538	(13,498,332)	(48,538)	(13,546,870)	-
Component Unit:								
Tourism Development Authority	\$ 75,897	\$ -	\$ -	\$ -	-	-	-	(75,897)
General Revenues:								
Taxes:								
Ad valorem taxes					9,521,739	-	9,521,739	-
Local option sales tax					2,389,804	-	2,389,804	-
Other taxes and licenses					153,820	-	153,820	77,556
Unrestricted intergovernmental revenues					71,272	-	71,272	-
Investment earnings, unrestricted					17,145	1,727	18,872	110
Gain on sale of capital assets					50,477	-	50,477	-
Total general revenues					12,204,257	1,727	12,205,984	77,666
Transfers					(115,000)	115,000	-	-
Total general revenues and transfers					12,089,257	116,727	12,205,984	77,666
Change in net position					(1,409,075)	68,189	(1,340,886)	1,769
Net position (deficit), beginning of year:								
As originally reported					8,760,695	(231,089)	8,529,606	13,506
Prior period adjustment (Note 7)					1,266,072	-	1,266,072	-
As restated					10,026,767	(231,089)	9,795,678	13,506
Net position (deficit), end of year					\$ 8,617,692	\$ (162,900)	\$ 8,454,792	\$ 15,275

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

ALLEGHANY COUNTY, NORTH CAROLINA

Exhibit 3

Page 1 of 2

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	Major			
	General	County Buildings	Other	
	Fund	Capital Project	Governmental	Total
	Fund	Fund	Funds	
Assets:				
Cash and investments	\$ 2,206,492	\$ -	\$ 521,613	\$ 2,728,105
Taxes receivable, net	200,962	-	-	200,962
Accounts receivable, net	44,476	-	66,443	110,919
Due from other governments	851,898	-	-	851,898
Due from other funds	42,423	-	-	42,423
Restricted cash	208,965	779,788	12,910	1,001,663
Total assets	<u>\$ 3,555,216</u>	<u>\$ 779,788</u>	<u>\$ 600,966</u>	<u>\$ 4,935,970</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 193,849	\$ -	\$ 36,154	\$ 230,003
Accrued wages and payroll liabilities	227,120	-	-	227,120
Due to general fund	-	-	42,423	42,423
Payable from restricted cash	-	2,622	-	2,622
Total liabilities	<u>420,969</u>	<u>2,622</u>	<u>78,577</u>	<u>502,168</u>
Deferred Inflows of Resources:				
Prepaid taxes	74,996	-	-	74,996
Ad valorem taxes receivable	200,962	-	-	200,962
EMS receivable	44,476	-	-	44,476
Total deferred inflows of resources	<u>320,434</u>	<u>-</u>	<u>-</u>	<u>320,434</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	894,321	-	66,443	960,764
Restricted, other	57,592	777,166	253,002	1,087,760
Committed	151,373	-	-	151,373
Assigned	404,788	-	256,217	661,005
Unassigned (deficit)	1,305,739	-	(53,273)	1,252,466
Total fund balances	<u>2,813,813</u>	<u>777,166</u>	<u>522,389</u>	<u>4,113,368</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,555,216</u>	<u>\$ 779,788</u>	<u>\$ 600,966</u>	<u>\$ 4,935,970</u>

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

ALLEGHANY COUNTY, NORTH CAROLINA**Exhibit 3****Page 2 of 2****BALANCE SHEET - GOVERNMENTAL FUNDS****June 30, 2019**

Total fund balanced of governmental funds	\$ 4,113,368
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,421,705
Net pension asset (ROD)	24,851
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	345,464
Benefit payments and administrative costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	10,687
Benefit payments and administrative costs for OPEB are deferred outflows of resources on the Statement of Net Position	235,772
Net pension liability (LGERS)	(1,592,031)
Total OPEB liability	(9,734,670)
Total pension liability (LEOSSA)	(345,997)
Pension-related deferrals	893,720
OPEB-related deferrals	(1,089,229)
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(51,957)
Installment purchase notes	(6,533,822)
Compensated absences	(338,212)
Deferred inflows of resources in the governmental funds are not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	<u>258,043</u>
Net position of governmental activities	<u>\$ 8,617,692</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Major			
	General	County Buildings	Other	
	Fund	Capital Project	Governmental	Total
	Fund	Fund	Funds	
Revenues:				
Ad valorem taxes	\$ 9,527,505	\$ -	\$ -	\$ 9,527,505
Other taxes and licenses	2,543,624	-	-	2,543,624
Unrestricted intergovernmental revenues	71,272	-	-	71,272
Restricted intergovernmental revenues	2,329,757	-	413,034	2,742,791
Permits and fees	167,538	-	-	167,538
Sales and services	809,375	-	10,258	819,633
Investment earnings	15,631	3	1,511	17,145
Miscellaneous	745,620	-	20,151	765,771
Total revenues	16,210,322	3	444,954	16,655,279
Expenditures:				
Current:				
General government	4,104,761	-	-	4,104,761
Public safety	4,715,111	-	200,679	4,915,790
Economic and physical development	590,861	-	23,446	614,307
Environmental protection	-	-	5,126	5,126
Human services	2,837,433	-	351,549	3,188,982
Cultural and recreation	397,025	-	99	397,124
Education	2,948,506	-	-	2,948,506
Capital outlay	-	122,837	1,002,858	1,125,695
Debt service:				
Principal repayments	1,133,166	-	-	1,133,166
Interest	116,640	-	-	116,640
Total expenditures	16,843,503	122,837	1,583,757	18,550,097
Revenues under expenditures	(633,181)	(122,834)	(1,138,803)	(1,894,818)
Other Financing Sources (Uses):				
Transfers in	-	-	656,846	656,846
Transfers out	(771,846)	-	-	(771,846)
Installment obligations issued	524,026	900,000	-	1,424,026
Sale of capital assets	65,249	-	-	65,249
Total other financing sources (uses)	(182,571)	900,000	656,846	1,374,275
Net change in fund balances	(815,752)	777,166	(481,957)	(520,543)
Fund balances, beginning of year	3,629,565	-	1,004,346	4,633,911
Fund balances, end of year	\$ 2,813,813	\$ 777,166	\$ 522,389	\$ 4,113,368

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

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Activities
(Exhibit 2) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (520,543)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(5,766)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(270,200)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,666,260
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,505,797)
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis	(14,772)
Contributions to pension plans in the current fiscal year are not included on the Statement of Activities.	345,464
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	10,687
Contributions and administration costs for OPEB are deferred outflows of resources on the statement of net position	235,772
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 the governmental funds.	
Compensated absences	(32,616)
Pension expense	(465,532)
OPEB plan expense	(509,215)
Debt issued is reported as revenues in the governmental funds statement. However, in the Statement of Activities, these transactions are not a revenue, rather they are an increase in liabilities.	(1,424,026)
Expenses related to accrued interest that do not require current financial resources are not reported as expenditures in the fund statements.	(51,957)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>1,133,166</u>
Change in net position of governmental activities (Exhibit 2)	\$ <u>(1,409,075)</u>

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

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over/(Under)
Revenues:				
Ad valorem taxes	\$ 9,260,000	\$ 9,260,000	\$ 9,527,505	\$ 267,505
Other taxes and licenses	2,466,935	2,591,776	2,543,624	(48,152)
Unrestricted intergovernmental revenues	84,936	84,936	71,272	(13,664)
Restricted intergovernmental revenues	2,734,960	2,926,643	2,329,757	(596,886)
Permits and fees	177,000	177,000	167,538	(9,462)
Sales and services	727,800	753,910	809,375	55,465
Investment earnings	1,800	4,800	14,906	10,106
Miscellaneous	554,902	609,578	743,725	134,147
Total revenues	<u>16,008,333</u>	<u>16,408,643</u>	<u>16,207,702</u>	<u>(200,941)</u>
Expenditures:				
General government	4,071,218	4,322,121	4,037,833	284,288
Public safety	4,361,664	4,677,523	4,715,111	(37,588)
Economic and physical development	579,476	656,088	590,861	65,227
Human services	3,221,726	3,222,915	2,837,433	385,482
Cultural and recreational	452,604	415,704	397,025	18,679
Education	2,948,545	2,948,545	2,948,506	39
Debt service:				
Principal retirement	1,071,592	1,133,172	1,133,166	6
Interest and fees	102,489	123,298	116,640	6,658
Total expenditures	<u>16,809,314</u>	<u>17,499,366</u>	<u>16,776,575</u>	<u>722,791</u>
Revenues under expenditures	<u>(800,981)</u>	<u>(1,090,723)</u>	<u>(568,873)</u>	<u>521,850</u>
Other Financing Sources (Uses):				
Transfers (out)	(571,714)	(819,985)	(819,428)	557
Long-term debt issued	520,277	520,277	524,026	3,749
Sale of capital assets	-	-	65,249	65,249
Appropriated fund balance	<u>852,418</u>	<u>1,390,431</u>	<u>-</u>	<u>(1,390,431)</u>
Total other financing sources (uses)	<u>800,981</u>	<u>1,090,723</u>	<u>(230,153)</u>	<u>(1,320,876)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(799,026)</u>	<u>\$ (799,026)</u>
Fund balance, beginning of year			<u>3,403,874</u>	
Fund balance, end of year			2,604,848	
Legally budgeted funds consolidated into the General				
Fund for reporting purposes (Note 1)			<u>208,965</u>	
Fund balance, end of year (Exhibit 4)			<u>\$ 2,813,813</u>	

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

	Enterprise Fund
	Landfill Fund
Assets:	
Current assets:	
Cash and investments	\$ 79,167
Accounts receivable, net	53,118
Total current assets	132,285
Non-current assets:	
Land	110,183
Depreciable capital assets, net	394,031
Total non-current assets	504,214
Total assets	636,499
Deferred Outflows of Resources	77,493
Liabilities, Deferred Inflows of Resources, and Net Position:	
Liabilities:	
Current liabilities:	
Accounts payable	56,575
Accrued wages and payroll liabilities	7,863
Current portion of compensated absences	6,000
Current portion of long-term debt	37,813
Total current liabilities	108,251
Long-term liabilities:	
Installment purchase notes	79,187
Landfill closure and post-closure care costs	19,283
Compensated absences	15,472
Total OPEB Liability	512,351
Net pension liability (LGERS)	83,791
Total long-term liabilities	710,084
Total liabilities	818,335
Deferred Inflows of Resources	58,557
Net Position:	
Net investment in capital assets	387,214
Unrestricted (deficit)	(550,114)
Total net position (deficit)	\$ (162,900)

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
	Landfill Fund
Operating Revenues:	
Charges for services	\$ 935,939
Miscellaneous	100
Total operating revenues	936,039
Operating Expenses:	
Landfill operations	939,909
Depreciation	47,854
Total operating expenses	987,763
Operating loss	(51,724)
Non-Operating Revenues:	
Restricted intergovernmental	3,186
Investment earnings	1,727
Total non-operating revenues	4,913
Loss before transfers	(46,811)
Transfer from general fund	115,000
Change in net position	68,189
Net position (deficit), beginning of year	(231,089)
Net position (deficit), end of year	\$ (162,900)

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Enterprise Fund
	Landfill Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 934,068
Cash paid for goods and services	(657,961)
Cash paid to employees for services	(363,890)
Net cash used by operating activities	<u>(87,783)</u>
Cash Flows from Non-Capital Financing Activities:	
Operating grants	3,186
Transfers	115,000
Net cash provided by non-capital financing activities	<u>118,186</u>
Cash Flows from Capital and Related Financing Activities:	
Long term debt issued	117,000
Acquisition of capital assets	(172,075)
Net cash used by capital and related financing activities	<u>(55,075)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>1,727</u>
Net decrease in cash and cash equivalents	(22,945)
Cash and investments, beginning of year	<u>102,112</u>
Cash and investments, end of year	<u>\$ 79,167</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (51,724)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	47,854
Landfill closure and post-closure care costs	(15,885)
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Increase in accounts receivable	(1,971)
Increase in deferred outflows of resources	(39,103)
Increase in accounts payable and accrued liabilities	1,119
Decrease in total OPEB liability	(70,448)
Increase in net pension liability (LGERS)	32,582
Increase in deferred inflows of resources	<u>9,793</u>
Net cash used by operating activities	<u>\$ (87,783)</u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Library Trust Fund	Agency Funds
Assets:		
Cash and cash equivalents	\$ 31,826	\$ 26,113
Liabilities:		
Accounts payable	44	26,113
Net Position:		
Held in trust	\$ 31,782	\$ -

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Library Trust Fund</u>
Additions:	
Contributions	\$ 2,090
Investment income	<u>130</u>
Total additions	<u>2,220</u>
Deductions:	
Library Memorial Book Fund	6,045
Library annex	<u>1,815</u>
Total deductions	<u>7,860</u>
Change in net position	(5,640)
Net position, beginning of year	<u>37,422</u>
Net position, end of year	<u>\$ 31,782</u>

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

ALLEGHANY COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies

The accounting policies of Alleghany County (the "County") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County.

Blended Component Unit

Alleghany County Industrial Facility and Pollution Control Financing Authority

Alleghany County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member Board of Commissioners, all of whom are appointed by the County Commissioners. The County can remove any Commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances. The Authority does not issue separate financial statements.

Discretely Presented Component Unit

Alleghany County Tourism Development Authority

The Alleghany County Tourism Development Authority (the "TDA") was established in January 2012. The County Commissioners appoint the TDA Board. The TDA is funded via a 6% occupancy tax levied pursuant to Session Law of the North Carolina General Assembly. The TDA has a June 30 year-end. The TDA does not issue separate financial statements.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the County) and its component units. 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 units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

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

Governmental funds are used to account for the County's general governmental activities. Governmental funds include the following fund types:

Major Funds:

General Fund. The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The Revaluation Fund and the Register of Deeds Fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

County Buildings Capital Project Fund. The County issued a \$900,000 direct borrowing installment note to be used for several county capital projects including a new senior center, a new courtroom at the previous senior center location, and a business development center. These projects are accounted for in the County Buildings Capital Project Fund.

Non-Major Funds:

Special Revenue Funds. Special revenue funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains the following special revenue funds: Transportation Fund, Fairgrounds Fund, Drug Fund, Emergency Telephone System Fund, and Soil and Water Fund.

Capital Project Funds. Capital project funds account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The County maintains the following capital project funds within its governmental fund types: Qualified Zone Academy Bonds (QZAB) School Improvement Capital Project Fund, School Capital Project Fund, Library Project Fund, and Outdoor Recreation Capital Project Fund.

Proprietary funds include the following fund types:

Enterprise Funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income are appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Alleghany County has one Enterprise Fund: the Landfill Fund.

Fiduciary Funds account for the assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County has one private purpose fund, the Library Trust Fund, established to account for donations to be used for the local library and one agency fund: the Social Services Trust Fund, which accounts for money deposited with the Social Services Department for the benefit of certain individuals.

C. Measurement Focus and 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 Fund are charges to customers for sales and services. 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, the State of North Carolina is responsible for billing and collecting the property taxes on all 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 and 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions 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.

D. 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, all Special Revenue Funds, the School Capital Project Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. All capital project funds except the School Capital Project Fund, adopted a project ordinance. Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, the Enterprise Fund, and at the object level for the capital project funds.

All budgets are prepared using the modified accrual basis of accounting. The Budget Officer is authorized by the budget ordinance to reallocate appropriations within a department without limit and effect transfers between departments in the same fund, not to exceed 10% of the departmental budget being reduced. Notation of all such transfers is made to the Board on the next succeeding financial report. Amendments are required for any revisions that alter total expenditures of any fund. The governing board must approve all amendments. During the year, several 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 the time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity**Deposits and Investments**

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

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

Cash and Cash Equivalents

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

Restricted Assets

Money in the Revaluation Fund is classified as restricted cash because its use is restricted per North Carolina General Statute 153A-150. Money in the Register of Deeds Fund is classified as restricted cash because its use is restricted per North Carolina General Statute 161-10. The unexpended debt proceeds are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued.

Governmental Activities:**General Fund**

Revaluation	\$	151,373
Register of Deeds		57,592

County Buildings Capital**Project Fund**

Unspent debt proceeds		779,788
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Other Governmental Funds

Forfeiture funds		12,910
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Total Governmental Activities	\$	<u>1,001,663</u>
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Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

Capital Assets

The County's capital assets are recorded at original cost. Donated assets purchased prior to June 30, 2015 are recorded at the estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. Certain items acquired before June 30, 1982 are recorded at an estimated original cost. Minimum capitalization costs are \$5,000 for all asset types. The total of such estimates is not considered large enough that the errors would be material when capital assets are considered as a whole. Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. 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 Alleghany County Board of Education properties which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Alleghany County Board of Education.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements	8-15 years
Equipment	3-20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion: contributions made to the OPEB and pension plans in the current fiscal year, and other OPEB-related and pension-related deferrals. In addition to liabilities, the Statement of Net 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 several items that meet this criterion: prepaid taxes, property taxes receivable, EMS receivable, and other OBEB-related or pension-related deferrals.

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) 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 accrual for sick leave has been made. The County accepts transfer of up to 500 hours of sick leave from other jurisdictions belonging to the North Carolina Local Governmental Employees' Retirement System, the Law Enforcement Officers' Benefit and Retirement Fund, the North Carolinas Teachers' and State Employees' Retirement System, or other affiliated North Carolina governmental retirement systems if approved by the County Manager.

Net Position/Fund Balances**Net Position**

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for Register of Deeds – portion of fund balance restricted by revenue source and to pay for the computer equipment and imaging technology for the Register of Deeds' office.

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

Restricted for Recreation – portion of fund balance restricted by donor stipulations to be used for County recreation projects.

Restricted for Capital Outlay – portion of fund balance relating to unspent debt proceeds which are restricted to the purpose for which the debt was issued.

Restricted fund balance, other at June 30, 2019 is as follows:

Purpose	County			Other Governmental Funds	Total
	General Fund	Buildings Project Fund	Capital		
Restricted, All Other:					
Register of Deeds	\$ 57,592	\$ -		\$ -	\$ 57,592
Public safety	-	-		109,099	109,099
Recreation	-	-		143,903	143,903
Capital outlay	-	777,166		-	777,166
Total	<u>\$ 57,592</u>	<u>\$ 777,166</u>		<u>\$ 253,002</u>	<u>\$ 1,087,760</u>

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Alleghany County's governing body (highest level of decision-making authority, the Board of Commissioners). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Committed fund balance at June 30, 2019 is as follows:

Purpose	General Fund
Revaluation	\$ 151,373

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that Alleghany County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Officer to make certain modifications without requiring Board approval.

Assigned for Economic and Physical Development – portion of fund balance budgeted by the Board for economic development incentives and projects.

Assigned for Environmental Protection – portion of fund balance budgeted by the Board to be used to support environmental protection initiatives, such as soil and water conservation.

Assigned for Capital Outlay – represents the portion of fund balance budgeted by the Board for future capital related activities.

Assigned fund balance at June 30, 2019 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Subsequent year's expenditures	\$ 404,788	\$ -	\$ 404,788
Economic and physical development	-	9,403	9,403
Environmental protection	-	19,593	19,593
Capital outlay	-	227,221	227,221
Total	<u>\$ 404,788</u>	<u>\$ 256,217</u>	<u>\$ 661,005</u>

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. Only the General Fund may report a positive unassigned fund balance.

Alleghany County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly,

Alleghany County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements. The County has not officially adopted a fund balance policy.

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

	<u>General</u>	<u>Trans- portation</u>	<u>Fairgrounds</u>	<u>Drug</u>	<u>Emergency Telephone System</u>	<u>Soil and Water</u>
Total fund balance	\$ 2,813,813	\$ 1,100	\$ 9,403	\$ 12,910	\$ 108,259	\$ 19,593
Less:						
Stabilization by State Statute	(894,321)	(54,373)	-	-	(12,070)	-
Total available fund balance	<u>\$ 1,919,492</u>	<u>\$ (53,273)</u>	<u>\$ 9,403</u>	<u>\$ 12,910</u>	<u>\$ 96,189</u>	<u>\$ 19,593</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual - General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds

A legally budgeted Tax Revaluation Fund and Register of Deeds Fund is consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit 4). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending (Exhibit 6)	\$ 2,604,848
Tax Revaluation Fund:	
Investment earnings	562
Transfer in - General Fund	40,000
Expenditures	(62,961)
Fund balance, beginning	173,772
Register of Deeds Fund:	
Investment earnings	163
Miscellaneous	1,895
Transfer in - General Fund	7,582
Expenditures	(3,967)
Fund balance, beginning	51,919
Fund balance, ending (Exhibit 4)	<u>\$ 2,813,813</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts, depreciation lives, and pension and OPEB liabilities.

Defined Benefit Cost-Sharing Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State-administered defined benefit pension plans and additions to/deductions from the State-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments for all plans are reported at fair value.

Note 2. Stewardship, Compliance, and Accountability**Fund Balance Appropriation**

Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year (NC G.S. 159-8(a)). The Transportation Fund's budget for the year ended June 30, 2019 included appropriated fund balance of \$33,243, which exceeded the available fund balance at June 30, 2018 of \$0.

Management's Corrective Action Plan: Management and staff were reviewing the budgetary information incorrectly by looking at total end of year fund balance rather than reviewing the assets/liabilities/fund balance including the stabilization by State statute. Since this occurrence staff have worked with a CPA and have learned the proper way to review fund balance numbers in the audit.

Excess Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures in the County's General Fund exceeded the authorized appropriations made by the governing board for the Dispatchers department by \$332,474, due to a lease purchase agreement that was executed but not budgeted for \$340,053.

Management's Corrective Action Plan: Our former County Manager obtained this lease without involvement of staff therefore the lease did not get appropriately budgeted. He is no longer employed by Alleghany County. Staff are aware that lease purchase agreements need to be budgeted like a capital loan.

Installment Finance Contract

During the year ended June 30, 2019, the County Manager obtained, without the approval or involvement of the Board of County Commissioners or the Finance Officer, a secured commercial loan from a local bank in order to finance the purchase of an ambulance and a truck. The installment agreement was not pre-audited by the County Finance Officer, nor did it contain the non-appropriation clause required for a local government installment finance contract.

Management's Corrective Action Plan: Our former County Manager obtained this capital loan without approval by the Board of Commissioners, and he is no longer employed by Alleghany County as a result of this action.

Note 3. Detail Notes On All Funds

A. Assets

Deposits

All of the County's and TDA'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 and TDA's agents in the County's and TDA's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and TDA, these deposits are considered to be held by its agent in the County's and TDA's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County and TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County and TDA 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 institutions. The County and TDA rely on the State Treasurer to monitor those financial institutions. The County and TDA analyze the financial soundness of any other financial institution used by the County and TDA. The County and TDA comply with the provisions of General Statute 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the County's deposits had a carrying amount of \$3,838,923 and a bank balance of \$4,128,007. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,878,007 was covered by collateral held under the Pooling Method. At June 30, 2019, the County had \$1,838 cash on hand and \$26,113 was held in the names of the beneficiaries within Social Service Trust Funds.

At June 30, 2019, the TDA's deposits had a carrying amount and bank balance of \$15,860. These funds are held by Alleghany County in a central depository account, and therefore, all balances are considered to be covered by collateral held under the pooling method.

The County and TDA have no policy regarding custodial credit risk for deposits.

Property Tax Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due

date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year			
Levied	Tax	Interest	Total
2016	\$ 1,813,979	\$ 145,118	\$ 1,959,097
2017	1,813,928	145,114	1,959,042
2018	1,811,978	144,958	1,956,936
2019	<u>2,111,147</u>	<u>168,892</u>	<u>2,280,039</u>
Total	<u>\$ 7,551,032</u>	<u>\$ 604,083</u>	<u>\$ 8,155,114</u>

Receivables - Allowances for Doubtful Accounts

The components of accounts receivable as reported in the government-wide statement of net position at June 30, 2019 were as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	\$ 3,351,046	\$ 293,567	\$ 851,898	\$ 4,496,511
Other governmental	<u>66,443</u>	<u>-</u>	<u>-</u>	<u>66,443</u>
Total receivables	3,417,489	293,567	851,898	4,562,954
Allowance for doubtful accounts	<u>(3,306,570)</u>	<u>(80,000)</u>	<u>-</u>	<u>(3,386,570)</u>
Total governmental activities	<u>\$ 110,919</u>	<u>\$ 213,567</u>	<u>\$ 851,898</u>	<u>\$ 1,176,384</u>
Business-Type Activities:				
Solid waste	\$ 56,727	\$ -	\$ -	\$ 56,727
Allowance for doubtful accounts	<u>(3,609)</u>	<u>-</u>	<u>-</u>	<u>(3,609)</u>
Total business-type activities	<u>\$ 53,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,118</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 400,423
Motor vehicle taxes	63,213
GCC grant	102,473
Sales tax refund	85,624
Other	<u>200,165</u>
	<u>\$ 851,898</u>

Capital Assets

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

	Restated				
	July 1, 2018	Additions	Disposals	Transfers	June 30, 2019
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 513,769	\$ -	\$ -	\$ -	\$ 513,769
Construction in progress	1,191,799	515,736	-	(1,375,068)	332,467
Total non-depreciable assets	<u>1,705,568</u>	<u>515,736</u>	<u>-</u>	<u>(1,375,068)</u>	<u>846,236</u>
Depreciable Assets:					
Buildings	21,886,989	55,426	(21,111)	1,375,068	23,296,372
Improvements	7,241,990	182,071	-	-	7,424,061
Equipment	<u>4,624,524</u>	<u>913,027</u>	<u>(3,835)</u>	<u>-</u>	<u>5,533,716</u>
Total depreciable assets	<u>33,753,503</u>	<u>1,150,524</u>	<u>(24,946)</u>	<u>1,375,068</u>	<u>36,254,149</u>
Less Accumulated Depreciation:					
Buildings	(7,718,401)	(566,784)	6,339	-	(8,278,846)
Improvements	(1,989,494)	(481,224)	-	-	(2,470,718)
Equipment	<u>(3,475,162)</u>	<u>(457,789)</u>	<u>3,835</u>	<u>-</u>	<u>(3,929,116)</u>
Total accumulated depreciation	<u>(13,183,057)</u>	<u>(1,505,797)</u>	<u>10,174</u>	<u>-</u>	<u>(14,678,680)</u>
Capital assets, net	<u>\$ 22,276,014</u>				<u>\$ 22,421,705</u>

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

Governmental Activities:

General government	\$ 1,050,442
Public safety	230,688
Economic and physical development	43,777
Human services	123,330
Cultural and recreation	<u>57,560</u>
Total	<u>\$ 1,505,797</u>

Summary of Proprietary Capital Assets

The capital assets of the Landfill Fund at June 30, 2019 were as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2019</u>
Business-Type Activity:				
Non-Depreciable Assets:				
Land	\$ 110,183	\$ -	\$ -	\$ 110,183
Depreciable Assets:				
Buildings	353,425	7,589	-	361,014
Equipment	529,870	107,315	(28,987)	608,198
Land improvements	51,073	57,171	-	108,244
Total assets	<u>934,368</u>	<u>172,075</u>	<u>(28,987)</u>	<u>1,077,456</u>
Less Accumulated Depreciation:				
Buildings	(256,406)	(8,493)	-	(264,899)
Equipment	(371,178)	(35,395)	28,987	(377,586)
Land improvements	<u>(36,974)</u>	<u>(3,966)</u>	<u>-</u>	<u>(40,940)</u>
Total accumulated depreciation	<u>(664,558)</u>	<u>(47,854)</u>	<u>28,987</u>	<u>(683,425)</u>
Capital assets, net	<u>\$ 379,993</u>			<u>\$ 504,214</u>

Net Investment in Capital Assets

The total net investment in capital assets, net of related debt, at June 30, 2019 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 22,421,705	\$ 504,214
Debt:		
Gross long-term debt	6,533,822	117,000
Less: School debt related to assets to which the County does not hold title	<u>(428,573)</u>	<u>-</u>
Total County related debt	<u>6,105,249</u>	<u>117,000</u>
Add: Unspent debt proceeds	<u>779,788</u>	<u>-</u>
Net investment in capital assets	<u>\$ 17,096,244</u>	<u>\$ 387,214</u>

Construction Commitments

The County had no active construction projects or commitments with contractors as of June 30, 2019.

B. Liabilities**Payables**

The components of accounts payable and accrued liabilities as reported in the government-wide statement of net position at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Accrued Payroll</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 193,849	\$ 227,120	\$ 51,957	\$ 472,926
Other governmental	36,154	-	-	36,154
Total governmental activities	<u>\$ 230,003</u>	<u>\$ 227,120</u>	<u>\$ 51,957</u>	<u>\$ 509,080</u>
Business-Type Activities:				
Landfill	<u>\$ 56,575</u>	<u>\$ 7,863</u>	<u>\$ -</u>	<u>\$ 64,438</u>
Total business-type activities	<u>\$ 56,575</u>	<u>\$ 7,863</u>	<u>\$ -</u>	<u>\$ 64,438</u>

Pension Plan Obligations**Local Governmental Employees' Retirement System**

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60.

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Alleghany County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Alleghany County's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.82% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Alleghany County were \$362,087 for the year ended June 30, 2019.

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

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

At June 30, 2019, the County reported a liability of \$1,675,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers. At June 30, 2019 the County's proportion was 0.07064% (measured as of June 30, 2018), which was an increase of .00360% from its proportion as of June 30, 2018 (measured as of June 30, 2017.)

For the year ended June 30, 2019, the County recognized pension expense of \$462,087. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 258,540	\$ 8,675
Changes of assumptions	444,699	-
Net difference between projected and actual earnings on pension plan investments	230,041	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,945	11,529
County contributions subsequent to the measurement date	362,087	-
Total	<u>\$ 1,297,312</u>	<u>\$ 20,204</u>

\$362,087 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Total
2020	\$ 444,329
2021	287,371
2022	51,275
2023	132,046
2024	-
Thereafter	-
Total	<u>\$ 915,021</u>

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

Inflation	3.00 percent
Salary increases	3.50 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are

based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

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

<u>Asset Class</u>	Long-Term	
	Target	Expected Real
	Allocation	Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of			
the net pension liability (asset)	\$ 4,025,471	\$ 1,675,822	\$ (287,580)

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

Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

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

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	18
Total	21

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

Actuarial Assumptions

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

Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent
Inflation rate	2.50 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Deaths after retirement (healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths before retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths after retirement (beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

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

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. There were no contributions made by employees. The County paid \$27,768 as benefits came due for the reporting period.

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

At June 30, 2019, the County reported a total pension liability of \$345,997. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the county recognized pension expense of \$21,715.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,360	\$ -
Changes of assumptions	13,165	16,036
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>10,687</u>	<u>-</u>
Total	<u><u>\$ 47,212</u></u>	<u><u>\$ 16,036</u></u>

\$10,687 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Total
2020	\$ 4,823
2021	4,823
2022	4,823
2023	5,919
2024	86
Thereafter	<u>15</u>
Total	<u><u>\$ 20,489</u></u>

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.64 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	<u><u>\$ 377,106</u></u>	<u><u>\$ 345,997</u></u>	<u><u>\$ 317,714</u></u>

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

Beginning balance	\$ 343,028
Service cost	19,805
Interest on the total pension liability	10,401
Changes of benefit terms	-
Differences between expected and actual experience	15,101
Changes of assumptions or other inputs	(14,570)
Benefit payments	<u>(27,768)</u>
Ending balance of the total pension liability	<u>\$ 345,997</u>

Supplemental Retirement Income Plan

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. All full-time employees of the County are eligible to participate in the plan after a predetermined waiting period of employment. Article 5 of General Statute 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 General Statute Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary. The County does not match any contributions made by employees not engaged in law enforcement. All employees may make voluntary contributions to the plan. All contributions are vested immediately.

Contributions for the year ended June 30, 2019 were \$77,061, which consisted of \$39,611 from the County for law enforcement officers, \$9,360 from the law enforcement officers, and \$28,090 from employees not involved in law enforcement. No amounts were forfeited.

Register of Deeds' Supplemental Pension Fund

Plan Description. Alleghany County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$1,481 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$24,851 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. The County's proportion was .15004%, as measured at June 30, 2018, which was an increase of .00327 % from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$4,835. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219	\$ 1,133
Changes of assumptions	1,169	-
Net difference between projected and actual earnings on pension plan investments	3,961	-
Changes in proportion and differences between County contributions and proportionate share of contributions	216	471
County contributions subsequent to the measurement date	1,481	-
Total	<u>\$ 7,046</u>	<u>\$ 1,604</u>

\$1,481 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 2,113
2021	63
2022	1,167
2023	618
2024	-
Thereafter	-
Total	<u>\$ 3,961</u>

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

Inflation	3.0 percent
Salary increase	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (19,594)	\$ (24,851)	\$ (29,285)

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

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

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension				
Liability (Asset)	\$ 1,675,822	\$ (24,851)	n/a	\$ 1,650,971
Proportion of the Net Pension				
Liability (Asset)	0.07064%	0.15004%	n/a	n/a
Total Pension Liability	-	-	\$ 345,997	345,997
Pension Expense	462,087	4,835	21,715	488,637

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 258,540	\$ 219	\$ 23,360	\$ 282,119
Changes of assumptions	444,699	1,169	13,165	459,033
Net difference between projected and actual earnings on pension plan investments	230,041	3,961	-	234,002
Changes in proportion and differences between County contributions and proportionate share of contributions	1,945	216	-	2,161
County contributions/benefit payments subsequent to the measurement date	<u>362,087</u>	<u>1,481</u>	<u>10,687</u>	<u>374,255</u>
Total	<u>\$ 1,297,312</u>	<u>\$ 7,046</u>	<u>\$ 47,212</u>	<u>\$ 1,351,570</u>

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 8,675	\$ 1,133	\$ -	\$ 9,808
Changes of assumptions	-	-	16,036	16,036
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>11,529</u>	<u>471</u>	<u>-</u>	<u>12,000</u>
Total	<u>\$ 20,204</u>	<u>\$ 1,604</u>	<u>\$ 16,036</u>	<u>\$ 37,844</u>

Other Post-Employment Benefits

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). This plan provides post-employment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System). A separate report was not issued for the plan.

Benefits. The County pays the full cost of coverage for these benefits for retirees who began working for the County on or before October 16, 2006. The cost of coverage is prorated for retirees who began working for the County on or after October 16, 2006. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates until the retiree reaches age sixty-five and then Medicare assumes coverage. All full-time employees whose effective start date is on or after July 1, 2015 that qualify for retiree health insurance in accordance with adopted policies will not receive County insurance benefits after becoming eligible for Medicare. The Board of Commissioners may amend the benefit provisions.

Effective January 1, 2016, all retirees upon reaching Medicare age or the age of 65 that were employed prior to October 16, 2006, shall have their insurance transferred to a Medicare gap plan that is substantially similar to the health insurance coverage offered at that time by the County.

County Contributions Based on Years of Creditable Service

Years of Creditable Service	Date Hired	
	On or Before October 16, 2006	After October 16, 2006
Less than 5	Not Eligible	Not Eligible
Less than 10	100%	Not Eligible
Between 10 and 14	100%	50%
Between 15 and 19	100%	75%
20 years or more	100%	100%

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

Inactive employees or beneficiaries	
currently receiving benefits	43
Active employees	<u>107</u>
Total	<u><u>150</u></u>

Total OPEB Liability

The County's total OPEB liability of \$10,247,021 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

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

Inflation	2.5 percent
Salary increases	3.50 -7.75 percent, including inflation
Discount rate	3.89 percent
Healthcare cost trends	Pre-Medicare – 7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023 Medicare – 5.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2020

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, adopted by the LGERS.

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

Schedule of Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2018	\$ 10,333,324
Changes for the year:	
Service cost	443,280
Interest	361,631
Changes of benefit terms	-
Differences between expected and actual experience	4,860
Changes in assumptions and other inputs	(542,706)
Benefit payments and implicit subsidy credit	(353,368)
Net changes	(86,303)
Total OPEB liability as of June 30, 2019	<u>\$ 10,247,021</u>

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

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

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 12,034,487	\$ 10,247,021	\$ 8,835,554

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

	1% Decrease (Pre-Medicare 6.5% Medicare 4.5%)	Discount Rate (Pre-Medicare 7.5% Medicare 5.5%)	1% Increase (Pre-Medicare 8.5% Medicare 6.5%)
Total OPEB liability	\$ 8,604,251	\$ 10,247,021	\$ 12,379,681

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

For the year ended June 30, 2019, the County recognized OPEB expense of \$568,982, including an implicit rate subsidy of \$80,000. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

\$248,181 reported as deferred outflows related to OPEB resulting from benefit payments and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,388	\$ -
Changes of assumptions and other inputs	-	1,150,945
Benefit payments and administrative costs made subsequent to the measurement date	248,181	-
Total	<u>\$ 252,569</u>	<u>\$ 1,150,945</u>

Year Ending June 30:	Amount
2020	\$ (218,084)
2021	(218,084)
2022	(218,084)
2023	(218,084)
2024	(204,069)
Thereafter	(70,152)
Total	<u>\$ (1,146,557)</u>

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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plans in the current fiscal year	\$ 363,568
Benefit payments/administration costs paid for LEOSSA	
subsequent to the measurement date	10,687
Benefit payments/administration costs paid for OPEB	
subsequent to the measurement date	248,181
Differences between expected and actual experience	286,507
Changes of assumptions	459,033
Net difference between expected and actual earnings	
on pension plan investments	234,002
Change in proportion and differences between County	
contributions and proportionate share of contributions	<u>2,161</u>
Total	<u>\$ 1,604,139</u>

Deferred inflows of resources at year-end are comprised of the following:

<u>Source</u>	Government- Governmental Wide Statement	
	<u>Funds</u>	<u>of Net Position</u>
Prepaid taxes not yet earned (General)	\$ 74,996	\$ 74,996
EMS receivable, net (General)	44,476	-
Taxes receivable, net (General)	200,962	-
Differences between expected and actual experience	-	9,808
Changes of assumptions	-	1,166,981
Changes in proportion and differences between County		
contributions and proportionate share of contributions	<u>-</u>	<u>12,000</u>
	<u>\$ 320,434</u>	<u>\$ 1,263,785</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence (some members purchase higher limits); auto physical damage for

owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and 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, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation.

Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$500,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$998 million purchased through a group of commercial carriers through the multi-state public entity captive.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through commercial crime coverage with a \$250,000 occurrence limit. Individuals holding positions requiring statutory bonds are covered elsewhere.

The County carries commercial coverage for 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.

Long-Term Obligations

Operating Leases

The County pays \$4,100 per month for rent of the Department of Social Services building. The lease expires June 30, 2029. The County also leases communications equipment for \$5,079 per month for sixty months, expiring in June 2022.

Lease expense for these leases for the year ended June 30, 2019 was \$110,148.

Future minimum rent payments are as follows:

Year Ending June 30	Amount
2020	\$ 110,148
2021	110,148
2022	110,148
2023	49,200
2024	49,200
2025-2029	196,800
Total	<u>\$ 625,644</u>

Direct Borrowing Installment Purchases**Governmental Activities - Serviced by Governmental Funds:**

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County financed a construction project for Alleghany County Board of Education during the fiscal year ended June 30, 1996 by installment purchase. The installment purchase was issued pursuant to a deed of trust which requires that legal title remain with the County as long as the debt is outstanding because the property is pledged as collateral for the debt. The County has entered into a lease with Alleghany County Board of Education which transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education.

All of the County's direct borrowing installment purchases are secured by pledges of collateral for the property acquired by the financing. At June 30, 2019, the County's direct borrowing installment purchases payable consist of the following:

Governmental Activities:

Admin. Bldg: 3.89% note payable in semi-annual installments ranging from \$62,435 to \$76,535, including interest, issued February 2005;
final payment due February 2020

\$ 96,667

Courthouse: 3.74% note payable in semi-annual installments ranging from \$69,611 to \$105,391, including interest, issued December 2005;
final payment due November 2020

204,999

QZAB: 0% note payable in annual installments of \$142,857, issued April 2008; final payment due April 2022

428,573

QSCB1: note payable in annual installments of \$222,639, plus interest, issued December 2009; final payment due December 2024

1,335,834

QSCB2: note payable in annual installments of \$29,874, plus interest, issued December 2010; final payment due December 2024

179,238

Safety Training & Glade Creek W&S: 2.51% note payable in annual installments with payment ranging from \$28,594 to \$38,871, including interest, issued April 2013; final payment due April 2028

508,308

Ambulance and police vehicles: 2.19% note payable in semi-annual installments of \$19,310, including interest, issued January 2017; final payment due June 2022

96,548

Blue Ridge Library Loan: 0% interest note payable in monthly installments of \$2,554.38, issued November 2016; final payment due October 2026

224,784

Administrative and public safety equipment: 2.29% interest note payable in annual installments of \$124,014, issued September 2017; final payment due September 2022	468,907
QZAB, Sparta Elementary School: 0% interest note payable in annual installments of \$91,667, issued October 2017, final payment due October 2032	1,283,333
Advance refunding of Sparta School Debt, original issue February 2006, refunded October 2017; 2.19% note payable in annual installments ranging from \$117,240 to \$124,777, including interest, issued October 2017; final payment due October 2021	344,183
Ambulance and EMS vehicle: 3.63% interest note payable in semi-annual installments of \$20,145, issued June 2019, final payment due March 2024	183,973
County buildings: 3.07% interest note payable in annual installments ranging from \$92,763 to \$119,549, issued June 2019, final payment due July 2029	900,000
Dispatch equipment: 4.97% interest note payable in annual installments of \$78,478, issued August 2017, final payment due August 2022	<u>278,475</u>
Total direct borrowing installment purchases - governmental activities	<u>6,533,822</u>
Business Type Activities:	
Transfer station scales: 3.09% interest note payable in annual installments of \$41,438, issued September 2018, final payment due September 2021	<u>117,000</u>
Total direct borrowing installment purchases - business type activities	<u>117,000</u>
Total installment purchase debt	<u><u>\$ 6,650,822</u></u>

For the County, the future minimum payments for installment purchase debt as of June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,156,806	\$ 93,531	\$ 37,813	\$ 3,626	\$ 1,194,619	\$ 97,157
2021	1,086,698	99,514	38,991	2,447	1,125,689	101,961
2022	1,005,394	76,475	40,196	1,242	1,045,590	77,717
2023	735,082	57,020	-	-	735,082	57,020
2024	539,392	40,071	-	-	539,392	40,071
2025-2029	1,553,783	74,851	-	-	1,553,783	74,851
2030-2034	456,667	2,763	-	-	456,667	2,763
Total	<u>\$ 6,533,822</u>	<u>\$ 444,225</u>	<u>\$ 117,000</u>	<u>\$ 7,315</u>	<u>\$ 6,650,822</u>	<u>\$ 451,540</u>

At June 30, 2019, the County had a legal debt margin of approximately \$127,000,000.

Long-Term Obligation Activity

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

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Governmental Activities:					
Direct borrowing installment purchases	\$ 6,242,962	\$ 1,424,026	\$ 1,133,166	\$ 6,533,822	\$ 1,156,806
Total pension liability (LEOSSA)	343,028	2,969	-	345,997	-
Net pension liability (LGERS)	972,976	619,055	-	1,592,031	-
Compensated absences	305,596	145,801	113,185	338,212	169,000
Total OPEB liability	<u>9,750,525</u>	<u>-</u>	<u>15,855</u>	<u>9,734,670</u>	<u>-</u>
Total governmental activities	<u>\$ 17,615,087</u>	<u>\$ 2,191,851</u>	<u>\$ 1,262,206</u>	<u>\$ 18,544,732</u>	<u>\$ 1,325,806</u>
Business-Type Activity:					
Direct borrowing installment purchases	\$ -	\$ 117,000	\$ -	\$ 117,000	\$ 37,813
Net pension liability (LGERS)	51,209	32,582	-	83,791	-
Compensated absences	16,168	9,947	4,643	21,472	6,000
Accrued landfill closure and post-closure care costs	35,168	-	15,885	19,283	-
Total OPEB liability	<u>582,799</u>	<u>-</u>	<u>70,448</u>	<u>512,351</u>	<u>-</u>
Total business-type activities	<u>\$ 685,344</u>	<u>\$ 159,529</u>	<u>\$ 90,976</u>	<u>\$ 753,897</u>	<u>\$ 43,813</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis, assuming that employees are taking leave time as it is earned.

Post-Closure Care Costs - Landfill Facility

Federal and State laws and regulations required the County to place a final cover on its landfill facility when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The \$19,283, reported as landfill post-closure care liability at June 30, 2019, represents an estimate of the present value of the costs to monitor and maintain the closed facility for the next 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects to fund post-closure care costs as they are incurred from the operations of the Landfill Fund. However, if operating results are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users or by future tax revenues.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements.

Interfund Balances and Activity

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Balances due to the General Fund from other funds at June 30, 2019 consist of

Transportation Fund	<u>\$ 42,423</u>
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Transfers to/from other funds at June 30, 2019 consist of the following:

<u>Purpose</u>	<u>Amount</u>
From the General Fund	
to the Landfill Fund for increased disposal costs	\$ 115,000
From General Fund	
to the Transportation Fund for increased maintenance and repairs	40,145
From General Fund	
to the School Capital Project Fund for future expenditures	<u>616,701</u>
Total transfers	<u>\$ 771,846</u>

Note 4. Joint Ventures

The County, in conjunction with the State of North Carolina, participates in a joint venture to operate the Alleghany Campus of Wilkes Community College. Alleghany County appoints two members of the 17 member Board of Trustees of the Community College. The Community College is included as a component unit of the State. The County provides some financial support for the Community College operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Alleghany Campus of Wilkes Community College facilities. The County contributed \$166,755 to the Community College for operating purposes during the fiscal year ended June 30, 2019. Alleghany County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2019. Complete financial statements for the Community College may be obtained from the Community College Administrative Offices at P.O. Box 120, Wilkesboro, North Carolina 28697.

The County also participates in a joint venture with two other local governments to operate Appalachian District Health Department. The County appoints four Board members to the 15-member Board of the Health Department. The County has an ongoing financial responsibility for the joint venture because the Health Department's continued existence depends on the participating governments' continued funding. None of the participating governments have an equity interest in the Health Department, so no equity interest has been reflected in the financial statements at June 30, 2019. The County contributed \$193,853 to the Health Department during the fiscal year ended June 30, 2018. Complete financial statements for the Health Department can be obtained from the Department's office at 126 Poplar Grove Connector, Boone, North Carolina 28607.

The County also participates in a joint venture with 16 other local governments to operate Northwest Regional Library. The County appoints one Board member to the 12-member 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 have an equity interest in the Library, so no equity interest has

been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$172,503 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 111 North Bridge Street, Elkin, North Carolina 28621.

The County also participates in a local management entity with twenty-two other local governments (Alexander, Ashe, Avery, Buncombe, Caldwell, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes and Yancey counties) to operate Vaya Health. The County has an ongoing financial responsibility for the joint venture because Vaya Health's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in Vaya Health, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$115,483 to Vaya Health to supplement its activities. Complete financial statements for Vaya Health can be obtained from the entity's office at 44 Bonnie Lane, Sylva, North Carolina 28779.

Note 5. Jointly Governed Organization

The County, in conjunction with six other counties and 19 municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$5,781 to the Council during the fiscal year ended June 30, 2019.

Note 6. Summary Disclosure of Significant Commitment 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 7. Prior Period Adjustment

The County made an adjustment to increase beginning net position of governmental activities by \$1,266,072 to correct an error in the balance of governmental capital assets. Errors occurred in the asset tracking program in prior years causing capital assets to be misstated in the financial statements. These errors were partially corrected during the prior fiscal year. However, an additional adjustment was required as of June 30, 2018 to properly report the depreciated value of capital assets of governmental activities.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPERATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS***

Schedule of Changes in Total Pension Liability

	2019	2018	2017
Beginning balance	\$ 343,028	\$ 308,408	\$ 317,365
Changes for the year:			
Service cost at end of year	19,805	15,191	15,532
Interest	10,401	11,369	10,834
Change in benefit terms	-	-	-
Difference between expected and actual experience	15,101	16,063	-
Changes of assumptions and other inputs	(14,570)	19,765	(7,555)
Benefit payments	(27,768)	(27,768)	(27,768)
Net changes	2,969	34,620	(8,957)
Ending balance of the total pension liability	<u>\$ 345,997</u>	<u>\$ 343,028</u>	<u>\$ 308,408</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total pension liability	\$ 345,997	\$ 343,028	\$ 308,408
Covered payroll	701,478	599,223	587,782
Total pension liability as a percentage of covered payroll	49.32%	57.25%	52.47%

Notes to the schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provide pay-related benefits.

Changes in Actuarial Assumptions

December 31, 2018 measurement date: The Municipal Bond Index Rate increased from 3.16% to 3.64%.

December 31, 2017 measurement date: The Municipal Bond Index Rate decreased from 3.86% to 3.16%.

December 31, 2016 measurement date: The Municipal Bond Index Rate increased from 3.57% to 3.86%.

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

**OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS***

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2019	2018
Service cost	\$ 443,280	\$ 492,027
Interest	361,631	320,613
Changes of benefit terms	-	-
Differences between expected and actual experience	4,860	326
Changes of assumptions and other inputs	(542,706)	(967,256)
Benefit payments and implicit subsidy credit	(353,368)	(325,585)
Net change in total OPEB liability	(86,303)	(479,875)
Total OPEB liability - beginning	10,333,324	10,813,199
Total OPEB liability - ending	<u>\$ 10,247,021</u>	<u>\$ 10,333,324</u>
Covered payroll	\$ 3,685,961	\$ 3,685,961
Total OPEB liability as a percentage of covered payroll	278.00%	280.34%

Notes to the schedule:

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

Fiscal year	Rate
2019	3.89%
2018	3.56%
2017	3.01%

* The amounts presented were determined as of the prior June 30.

ALLEGHANY COUNTY, NORTH CAROLINA

Schedule A-3

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS***

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.07064%	0.06704%	0.06400%	0.06249%	0.06033%	0.06280%
County's proportion of the net pension liability (asset) (\$)	\$ 1,675,822	\$ 1,024,185	\$ 1,358,294	\$ 280,451	\$ (355,794)	\$ 756,981
County's covered payroll	4,048,445	3,821,214	3,632,539	3,552,484	3,455,839	3,362,242
County's proportionate share of the net pension liability (asset) as a percentage of covered payroll	41.39%	26.80%	37.39%	7.89%	(10.30%)	22.51%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	94.18%	91.47%	98.09%	102.64%	94.35%

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

ALLEGHANY COUNTY, NORTH CAROLINA

Schedule A-4

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Schedule of County's Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 362,087	\$ 309,545	\$ 279,302	\$ 243,604	\$ 243,788	\$ 241,905
Contributions in relation to the contractually required contribution	<u>362,087</u>	<u>309,545</u>	<u>279,302</u>	<u>243,604</u>	<u>243,788</u>	<u>241,905</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 4,835,063	\$ 4,048,445	\$ 3,821,214	\$ 3,632,539	\$ 3,552,484	\$ 3,455,839
Contributions as a percentage of covered payroll	7.49%	7.65%	7.31%	6.71%	6.86%	7.00%

ALLEGHANY COUNTY, NORTH CAROLINA

Schedule A-5

**REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS***

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.15004%	0.14677%	0.14815%	0.15224%	0.15192%	0.14630%
County's proportionate share of the net pension liability (asset) (\$)	\$ (24,851)	\$ (25,052)	\$ (27,698)	\$ (35,280)	\$ (34,434)	\$ (31,250)
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

ALLEGHANY COUNTY, NORTH CAROLINA

Schedule A-6

**REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Schedule of County's Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,481	\$ 1,276	\$ 1,163	\$ 1,210	\$ 1,218	\$ 1,240
Contributions in relation to the contractually required contribution	<u>1,481</u>	<u>1,276</u>	<u>1,163</u>	<u>1,210</u>	<u>1,218</u>	<u>1,240</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Revaluation Fund	Register of Deeds Fund	Total General Fund Consolidated
Revenues:				
Ad valorem taxes	\$ 9,527,505	\$ -	\$ -	\$ 9,527,505
Other taxes and licenses	2,543,624	-	-	2,543,624
Unrestricted intergovernmental	71,272	-	-	71,272
Restricted intergovernmental	2,329,757	-	-	2,329,757
Permits and fees	167,538	-	-	167,538
Sales and services	809,375	-	-	809,375
Investment earnings	14,906	562	163	15,631
Miscellaneous	743,725	-	1,895	745,620
Total revenues	<u>16,207,702</u>	<u>562</u>	<u>2,058</u>	<u>16,210,322</u>
Expenditures:				
Current:				
General government	4,037,833	62,961	3,967	4,104,761
Public safety	4,715,111	-	-	4,715,111
Economic and physical development	590,861	-	-	590,861
Human services	2,837,433	-	-	2,837,433
Cultural and recreational	397,025	-	-	397,025
Education	2,948,506	-	-	2,948,506
Debt service:				
Principal repayments	1,133,166	-	-	1,133,166
Interest	116,640	-	-	116,640
Total expenditures	<u>16,776,575</u>	<u>62,961</u>	<u>3,967</u>	<u>16,843,503</u>
Revenues under expenditures	<u>(568,873)</u>	<u>(62,399)</u>	<u>(1,909)</u>	<u>(633,181)</u>
Other Financing Sources (Uses):				
Transfers out	(771,846)	-	-	(771,846)
Intrafund transfers	(47,582)	40,000	7,582	-
Long-term debt issued	524,026	-	-	524,026
Sale of fixed assets	65,249	-	-	65,249
Total other financing sources (uses)	<u>(230,153)</u>	<u>40,000</u>	<u>7,582</u>	<u>(182,571)</u>
Net change in fund balances	(799,026)	(22,399)	5,673	(815,752)
Fund balances, beginning of year	<u>3,403,874</u>	<u>173,772</u>	<u>51,919</u>	<u>3,629,565</u>
Fund balances, end of year	<u>\$ 2,604,848</u>	<u>\$ 151,373</u>	<u>\$ 57,592</u>	<u>\$ 2,813,813</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 9,200,000	\$ 9,460,529	\$ 260,529
Penalties and interest	60,000	66,976	6,976
Total	<u>9,260,000</u>	<u>9,527,505</u>	<u>267,505</u>
Other Taxes:			
Local option sales taxes	2,441,776	2,389,804	(51,972)
Deed stamp excise tax	150,000	153,820	3,820
Total	<u>2,591,776</u>	<u>2,543,624</u>	<u>(48,152)</u>
Unrestricted Intergovernmental:			
Beer and wine tax	44,000	41,398	(2,602)
Contribution from Alleghany Board of Education	40,936	29,874	(11,062)
Total	<u>84,936</u>	<u>71,272</u>	<u>(13,664)</u>
Restricted Intergovernmental:			
Federal and state grants	2,926,643	2,329,757	(596,886)
Total	<u>2,926,643</u>	<u>2,329,757</u>	<u>(596,886)</u>
Permits and Fees:			
Register of Deed's fees	65,000	75,373	10,373
Beer and wine permits	1,000	1,775	775
Building inspector fees	90,000	70,636	(19,364)
Fire inspector fees	7,500	3,997	(3,503)
Pistol permits	10,500	13,185	2,685
Other permits and fees	3,000	2,572	(428)
Total	<u>177,000</u>	<u>167,538</u>	<u>(9,462)</u>
Sales and Services:			
Boarding of prisoners	190,000	189,564	(436)
Facility fees	13,000	12,714	(286)
Officer fees	25,000	21,402	(3,598)
Jail fees	38,000	45,074	7,074
Fines and forfeitures	41,000	43,050	2,050
Rents and concessions	3,200	2,666	(534)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Over/(Under)
Sales and Services (continued):			
Tag office revenues	15,000	22,662	7,662
Recreation fees	18,710	19,497	787
Ambulance fees	410,000	452,746	42,746
Total	<u>753,910</u>	<u>809,375</u>	<u>55,465</u>
 Investment Earnings	 <u>4,800</u>	 <u>14,906</u>	 <u>10,106</u>
 Miscellaneous:			
ABC Store profit - regular	30,000	23,792	(6,208)
Reimbursements	319,905	314,991	(4,914)
Contributions	10,671	12,697	2,026
Miscellaneous	249,002	392,245	143,243
Total	<u>609,578</u>	<u>743,725</u>	<u>134,147</u>
 Total revenues	 <u>16,408,643</u>	 <u>16,207,702</u>	 <u>(200,941)</u>
 Expenditures:			
General Government:			
Governing Body:			
Fees paid to elected officials		45,345	
Other operating expenditures		<u>37,511</u>	
Total	<u>90,373</u>	<u>82,856</u>	<u>7,517</u>
 Administration:			
Salaries and employee benefits		127,412	
Other operating expenditures		<u>11,046</u>	
Total	<u>143,584</u>	<u>138,458</u>	<u>5,126</u>
 Finance:			
Salaries and employee benefits		165,349	
Other operating expenditures		<u>144,935</u>	
Total	<u>323,941</u>	<u>310,284</u>	<u>13,657</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Elections:			
Salaries and employee benefits		87,600	
Fees paid to elected officials		2,290	
Other operating expenditures		<u>30,700</u>	
Total	<u>169,412</u>	<u>120,590</u>	<u>48,822</u>
Planning/Economic Development:			
Salaries and employee benefits		6,053	
Other operating expenditures		<u>2,154</u>	
Total	<u>8,222</u>	<u>8,207</u>	<u>15</u>
Tax Administration:			
Salaries and employee benefits		298,692	
Other operating expenditures		109,640	
Capital outlay		<u>86,800</u>	
Total	<u>512,020</u>	<u>495,132</u>	<u>16,888</u>
Mapping:			
Salaries and employee benefits		106,919	
Other operating expenditures		<u>21,366</u>	
Total	<u>131,597</u>	<u>128,285</u>	<u>3,312</u>
Court Facilities:			
Maintenance	<u>5,250</u>	<u>4,686</u>	<u>564</u>
Total	<u>5,250</u>	<u>4,686</u>	<u>564</u>
Register of Deeds:			
Salaries and employee benefits		156,106	
Other operating expenditures		<u>153,241</u>	
Total	<u>322,313</u>	<u>309,347</u>	<u>12,966</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Public Buildings:			
Salaries and employee benefits		169,316	
Other operating expenditures		255,560	
Capital outlay		123,500	
Total	<u>552,001</u>	<u>548,376</u>	<u>3,625</u>
Transportation:			
Salaries and employee benefits		106,574	
Other operating expenditures		19,856	
Total	<u>154,260</u>	<u>126,430</u>	<u>27,830</u>
Tag Office:			
Salaries and employee benefits		29,987	
Other operating expenditures		20,806	
Total	<u>54,863</u>	<u>50,793</u>	<u>4,070</u>
Insurance	<u>1,619,907</u>	<u>1,484,891</u>	<u>135,016</u>
Other General Government:			
Other operating expenditures	<u>234,378</u>	<u>229,498</u>	<u>4,880</u>
Total	<u>234,378</u>	<u>229,498</u>	<u>4,880</u>
Total general government	<u>4,322,121</u>	<u>4,037,833</u>	<u>284,288</u>
Public Safety:			
Sheriff:			
Salaries and employee benefits		938,803	
Other operating expenditures		216,321	
Capital outlay		120,542	
Total	<u>1,364,396</u>	<u>1,275,666</u>	<u>88,730</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Roaring Gap Deputies:			
Salaries and employee benefits	101,594	100,889	705
Total	<u>101,594</u>	<u>100,889</u>	<u>705</u>
Jail:			
Salaries and employee benefits		450,201	
Other operating expenditures		534,109	
Total	<u>1,070,567</u>	<u>984,310</u>	<u>86,257</u>
Dispatchers:			
Salaries and employee benefits		213,702	
Other operating expenditures		11,437	
Capital outlay		340,053	
Total	<u>232,718</u>	<u>565,192</u>	<u>(332,474)</u>
Animal Control:			
Salaries and employee benefits		17,961	
Other operating expenditures		61,048	
Total	<u>79,505</u>	<u>79,009</u>	<u>496</u>
Fire and Rescue:			
Fire control		65,820	
Assistance to local fire departments		319,802	
Assistance to local rescue squad		51,173	
Fire commission		75,826	
Total	<u>563,441</u>	<u>512,621</u>	<u>50,820</u>
Emergency Management:			
Salaries and employee benefits		50,663	
Other operating expenditures		6,332	
Capital outlay		37,066	
Total	<u>133,171</u>	<u>94,061</u>	<u>39,110</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Ambulance Service:			
Salaries and employee benefits		713,298	
Other operating expenditures		86,801	
Capital outlay		167,136	
Total	984,020	967,235	16,785
Inspections:			
Salaries and employee benefits		94,936	
Other operating expenditures		14,015	
Capital outlay		27,177	
Total	148,111	136,128	11,983
Total public safety	4,677,523	4,715,111	(37,588)
Economic and Physical Development:			
Agricultural Extension:			
Salaries and employee benefits		152,710	
Other operating expenditures		14,340	
Total	178,495	167,050	11,445
Soil and Water Conservation:			
Salaries and employee benefits		115,039	
Other operating expenditures		9,727	
Total	147,177	124,766	22,411
Special Appropriations:			
Other operating expenditures	168,854	166,354	2,500
Total	168,854	166,354	2,500
Economic Development Grant:			
Building reuse grant	60,000	60,000	-
Total	60,000	60,000	-

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Economic Development:			
Other operating expenditures	101,562	72,691	28,871
Total	<u>101,562</u>	<u>72,691</u>	<u>28,871</u>
 Total economic and physical development	 <u>656,088</u>	 <u>590,861</u>	 <u>65,227</u>
 Human Services:			
Health:			
Operating expenditures		20,139	
Contributions to other agencies		193,853	
Total	<u>219,156</u>	<u>213,992</u>	<u>5,164</u>
 Mental Health:			
Contributions to other agency	<u>268,986</u>	<u>268,986</u>	<u>-</u>
Total	<u>268,986</u>	<u>268,986</u>	<u>-</u>
 Social Services Administration:			
Salaries and employee benefits		1,129,508	
Other operating expenditures		246,758	
Total	<u>1,735,599</u>	<u>1,376,266</u>	<u>359,333</u>
 Other Social Services:			
In-home aide salaries and employee benefits		5,741	
Medicaid operating expenditures		7,532	
Other operating expenditures		922,787	
Total	<u>954,029</u>	<u>936,060</u>	<u>17,969</u>
 Total social services	 <u>2,689,628</u>	 <u>2,312,326</u>	 <u>377,302</u>
 Veterans Administration:			
Salaries and employee benefits		37,358	
Other operating expenditures		2,520	
Total	<u>42,894</u>	<u>39,878</u>	<u>3,016</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Contributions to Other Agencies	<u>2,251</u>	<u>2,251</u>	<u>-</u>
Total human services	<u>3,222,915</u>	<u>2,837,433</u>	<u>385,482</u>
Cultural and Recreational:			
Recreation:			
Salaries and employee benefits		107,728	
Other operating expenditures		80,044	
Capital outlay		<u>23,750</u>	
Total	<u>230,201</u>	<u>211,522</u>	<u>18,679</u>
Libraries	<u>172,503</u>	<u>172,503</u>	<u>-</u>
Other Cultural and Recreational	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Total cultural and recreational	<u>415,704</u>	<u>397,025</u>	<u>18,679</u>
Education:			
Public schools - current expense		2,713,791	
Community-based alternatives		67,960	
Wilkes Community College		<u>166,755</u>	
Total education	<u>2,948,545</u>	<u>2,948,506</u>	<u>39</u>
Debt Service:			
Principal retirement		1,133,166	
Interest and fees		<u>116,640</u>	
Total debt service	<u>1,256,470</u>	<u>1,249,806</u>	<u>6,664</u>
Total expenditures	<u>17,499,366</u>	<u>16,776,575</u>	<u>722,791</u>
Revenues under expenditures	<u>(1,090,723)</u>	<u>(568,873)</u>	<u>521,850</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds:			
To Transportation Fund	(40,145)	(40,145)	-
To School Capital Project Fund	(616,840)	(616,701)	139
To Landfill Fund	(115,000)	(115,000)	-
Intrafund transfers out	(48,000)	(47,582)	418
Installment purchase obligations issued	520,277	524,026	3,749
Sale of capital assets	-	65,249	65,249
Appropriated fund balance	<u>1,390,431</u>	<u>-</u>	<u>(1,390,431)</u>
Total other financing sources (uses)	<u>1,090,723</u>	<u>(230,153)</u>	<u>(1,320,876)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>(799,026)</u>	 <u>\$ (799,026)</u>
 Fund balance, beginning of year		 <u>3,403,874</u>	
 Fund balance, end of year		 <u>\$ 2,604,848</u>	

**REVALUATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Investment earnings	\$ 75	\$ 562	\$ 487
Total revenues	<u>75</u>	<u>562</u>	<u>487</u>
Expenditures:			
General government:			
Tax listing	52,613	37,720	14,893
Capital outlay	<u>25,250</u>	<u>25,241</u>	<u>9</u>
Total expenditures	<u>77,863</u>	<u>62,961</u>	<u>14,902</u>
Revenues under expenditures	<u>(77,788)</u>	<u>(62,399)</u>	<u>15,389</u>
Other Financing Sources:			
Transfers (intrafund)	40,000	40,000	-
Appropriated fund balance	<u>37,788</u>	<u>-</u>	<u>(37,788)</u>
Total other financing sources	<u>77,788</u>	<u>40,000</u>	<u>(37,788)</u>
Net change in fund balance	<u>\$ -</u>	(22,399)	<u>\$ (22,399)</u>
Fund balance, beginning of year		<u>173,772</u>	
Fund balance, end of year		<u>\$ 151,373</u>	

REGISTER OF DEEDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Investment earnings	\$ 15	\$ 163	\$ 148
Miscellaneous	<u>-</u>	<u>1,895</u>	<u>1,895</u>
Total revenues	<u>15</u>	<u>2,058</u>	<u>2,043</u>
Expenditures:			
Register of Deeds' expenditures	<u>54,329</u>	<u>3,967</u>	<u>50,362</u>
Total expenditures	<u>54,329</u>	<u>3,967</u>	<u>50,362</u>
Revenues under expenditures	<u>(54,314)</u>	<u>(1,909)</u>	<u>52,405</u>
Other Financing Sources:			
Transfers (intrafund)	8,000	7,582	(418)
Appropriated fund balance	<u>46,314</u>	<u>-</u>	<u>(46,314)</u>
Total other financing sources	<u>54,314</u>	<u>7,582</u>	<u>(46,732)</u>
Net change in fund balance	<u>\$ -</u>	<u>5,673</u>	<u>\$ 5,673</u>
Fund balance, beginning of year		<u>51,919</u>	
Fund balance, end of year		<u>\$ 57,592</u>	

**MAJOR - COUNTY BUILDINGS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project to Date</u>	<u>Variance Over/(Under)</u>
Revenues:					
Investment earnings	\$ -	\$ -	\$ 3	\$ 3	\$ 3
Total revenues	-	-	3	3	3
Expenditures:					
Capital outlay:					
New senior center	275,000	-	-	-	275,000
New courtroom	170,000	-	-	-	170,000
Business development center	307,566	-	105,815	105,815	201,751
County offices	34,852	-	-	-	34,852
Professional fees	29,900	-	17,022	17,022	12,878
Contingency	82,682	-	-	-	82,682
Total expenditures	900,000	-	122,837	122,837	777,163
Revenues under expenditures	(900,000)	-	(122,834)	(122,834)	777,166
Other Financing Sources:					
Installment obligations issued	900,000	-	900,000	900,000	-
Total other financing sources	900,000	-	900,000	900,000	-
Net change in fund balance	\$ -	\$ -	\$ 777,166	\$ 777,166	\$ 777,166

NONMAJOR GOVERNMENTAL FUNDS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019**

	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash and investments	\$ 126,906	\$ 394,707	\$ 521,613
Restricted cash and investments	12,910	-	12,910
Accounts receivable, net	66,443	-	66,443
Total assets	<u>\$ 206,259</u>	<u>\$ 394,707</u>	<u>\$ 600,966</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 12,571	\$ 23,583	\$ 36,154
Due to other funds	42,423	-	42,423
Total liabilities	<u>54,994</u>	<u>23,583</u>	<u>78,577</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	66,443	-	66,443
Restricted, all other	109,099	143,903	253,002
Assigned	28,996	227,221	256,217
Unassigned	(53,273)	-	(53,273)
Total fund balances	<u>151,265</u>	<u>371,124</u>	<u>522,389</u>
Total liabilities and fund balances	<u>\$ 206,259</u>	<u>\$ 394,707</u>	<u>\$ 600,966</u>

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Restricted intergovernmental revenues	\$ 413,034	\$ -	\$ 413,034
Services and fees	10,258	-	10,258
Investment earnings	369	1,142	1,511
Miscellaneous	20,151	-	20,151
Total revenues	<u>443,812</u>	<u>1,142</u>	<u>444,954</u>
Expenditures:			
Current:			
Public safety	200,679	-	200,679
Economic and physical development	23,446	-	23,446
Environmental protection	5,126	-	5,126
Human services	351,549	-	351,549
Education	-	99	99
Capital outlay	-	1,002,858	1,002,858
Total expenditures	<u>580,800</u>	<u>1,002,957</u>	<u>1,583,757</u>
Revenues under expenditures	<u>(136,988)</u>	<u>(1,001,815)</u>	<u>(1,138,803)</u>
Other Financing Sources:			
Transfers in	40,145	616,701	656,846
Total other financing sources	<u>40,145</u>	<u>616,701</u>	<u>656,846</u>
Net change in fund balances	(96,843)	(385,114)	(481,957)
Fund balances, beginning of year	<u>248,108</u>	<u>756,238</u>	<u>1,004,346</u>
Fund balances, end of year	<u>\$ 151,265</u>	<u>\$ 371,124</u>	<u>\$ 522,389</u>

ALLEGHANY COUNTY, NORTH CAROLINA

Schedule C-3

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2019**

	Transportation Fund	Fairgrounds Fund	Drug Fund	Emergency Telephone System Fund	Soil and Water Fund	Total
Assets:						
Cash and investments	\$ -	\$ 9,436	\$ -	\$ 97,798	\$ 19,672	\$ 126,906
Restricted cash and investments	-	-	12,910	-	-	12,910
Accounts receivable, net	54,373	-	-	12,070	-	66,443
Total assets	<u>\$ 54,373</u>	<u>\$ 9,436</u>	<u>\$ 12,910</u>	<u>\$ 109,868</u>	<u>\$ 19,672</u>	<u>\$ 206,259</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 3,430	\$ 33	\$ -	\$ 1,609	\$ 79	\$ 5,151
Accrued wages and payroll liabilities	7,420	-	-	-	-	7,420
Due to other funds	42,423	-	-	-	-	42,423
Total liabilities	<u>53,273</u>	<u>33</u>	<u>-</u>	<u>1,609</u>	<u>79</u>	<u>54,994</u>
Fund Balances:						
Restricted:						
Stabilization by State statute	54,373	-	-	12,070	-	66,443
Restricted, other	-	-	12,910	96,189	-	109,099
Assigned	-	9,403	-	-	19,593	28,996
Unassigned (deficit)	(53,273)	-	-	-	-	(53,273)
Total fund balances	<u>1,100</u>	<u>9,403</u>	<u>12,910</u>	<u>108,259</u>	<u>19,593</u>	<u>151,265</u>
Total liabilities and fund balances	<u>\$ 54,373</u>	<u>\$ 9,436</u>	<u>\$ 12,910</u>	<u>\$ 109,868</u>	<u>\$ 19,672</u>	<u>\$ 206,259</u>

ALLEGHANY COUNTY, NORTH CAROLINA

Schedule C-4

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Transportation Fund	Fairgrounds Fund	Drug Fund	Emergency Telephone System Fund	Soil and Water Fund	Total
Revenues:						
Restricted intergovernmental	\$ 262,560	\$ -	\$ 2,036	\$ 144,838	\$ 3,600	\$ 413,034
Services and fees	-	10,258	-	-	-	10,258
Investment earnings	-	76	86	36	171	369
Miscellaneous	16,701	3,050	-	-	400	20,151
Total revenues	<u>279,261</u>	<u>13,384</u>	<u>2,122</u>	<u>144,874</u>	<u>4,171</u>	<u>443,812</u>
Expenditures:						
Public safety	-	-	20,014	180,665	-	200,679
Economic and physical development	-	23,446	-	-	-	23,446
Environmental protection	-	-	-	-	5,126	5,126
Human services	351,549	-	-	-	-	351,549
Total expenditures	<u>351,549</u>	<u>23,446</u>	<u>20,014</u>	<u>180,665</u>	<u>5,126</u>	<u>580,800</u>
Revenues under expenditures	<u>(72,288)</u>	<u>(10,062)</u>	<u>(17,892)</u>	<u>(35,791)</u>	<u>(955)</u>	<u>(136,988)</u>
Other Financing Sources:						
Transfers from other funds	40,145	-	-	-	-	40,145
Total other financing sources	<u>40,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,145</u>
Net change in fund balances	(32,143)	(10,062)	(17,892)	(35,791)	(955)	(96,843)
Fund balances, beginning of year	<u>33,243</u>	<u>19,465</u>	<u>30,802</u>	<u>144,050</u>	<u>20,548</u>	<u>248,108</u>
Fund balances, end of year	<u>\$ 1,100</u>	<u>\$ 9,403</u>	<u>\$ 12,910</u>	<u>\$ 108,259</u>	<u>\$ 19,593</u>	<u>\$ 151,265</u>

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Restricted intergovernmental	\$ 300,668	\$ 262,560	\$ (38,108)
Miscellaneous	13,756	16,701	2,945
Total revenues	<u>314,424</u>	<u>279,261</u>	<u>(35,163)</u>
Expenditures:			
Human Services:			
Salaries and employee benefits	230,453	223,463	6,990
Other operating expenditures	89,466	74,964	14,502
Capital outlay	67,893	53,122	14,771
Total expenditures	<u>387,812</u>	<u>351,549</u>	<u>36,263</u>
Revenues under expenditures	<u>(73,388)</u>	<u>(72,288)</u>	<u>1,100</u>
Other Financing Sources:			
Transfers from other funds:			
From General Fund	40,145	40,145	-
Appropriated fund balance	33,243	-	(33,243)
Total other financing sources	<u>73,388</u>	<u>40,145</u>	<u>(33,243)</u>
Net change in fund balance	<u>\$ -</u>	(32,143)	<u>\$ (32,143)</u>
Fund balance, beginning of year		<u>33,243</u>	
Fund balance, end of year		<u>\$ 1,100</u>	

FAIRGROUNDS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Service and fees	\$ 6,000	\$ 10,258	\$ 4,258
Investment earnings	10	76	66
Miscellaneous	<u>2,500</u>	<u>3,050</u>	<u>550</u>
Total revenues	<u>8,510</u>	<u>13,384</u>	<u>4,874</u>
Expenditures:			
Economic and Physical Development:			
General expenditures	<u>23,683</u>	<u>23,446</u>	<u>237</u>
Total expenditures	<u>23,683</u>	<u>23,446</u>	<u>237</u>
Revenues under expenditures	<u>(15,173)</u>	<u>(10,062)</u>	<u>5,111</u>
Other Financing Sources:			
Appropriated fund balance	<u>15,173</u>	<u>-</u>	<u>(15,173)</u>
Total other financing sources	<u>15,173</u>	<u>-</u>	<u>(15,173)</u>
Net change in fund balance	<u>\$ -</u>	<u>(10,062)</u>	<u>\$ (10,062)</u>
Fund balance, beginning of year		<u>19,465</u>	
Fund balance, end of year		<u>\$ 9,403</u>	

DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Restricted Intergovernmental:			
Drug crime prevention revenues	\$ 2,500	\$ 2,036	\$ (464)
Investment earnings	<u>15</u>	<u>86</u>	<u>71</u>
Total revenues	<u>2,515</u>	<u>2,122</u>	<u>(393)</u>
Expenditures:			
Public Safety:			
Miscellaneous	27,217	13,914	13,303
Capital outlay	<u>6,100</u>	<u>6,100</u>	<u>-</u>
Total expenditures	<u>33,317</u>	<u>20,014</u>	<u>13,303</u>
Revenues under expenditures	<u>(30,802)</u>	<u>(17,892)</u>	<u>12,910</u>
Other Financing Sources:			
Appropriated fund balance	<u>30,802</u>	<u>-</u>	<u>(30,802)</u>
Total other financing sources	<u>30,802</u>	<u>-</u>	<u>(30,802)</u>
Net change in fund balance	<u>\$ -</u>	<u>(17,892)</u>	<u>\$ (17,892)</u>
Fund balance, beginning of year		<u>30,802</u>	
Fund balance, end of year		<u><u>\$ 12,910</u></u>	

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Restricted intergovernmental	\$ 144,838	\$ 144,838	\$ -
Investment earnings	-	36	36
Total revenues	<u>144,838</u>	<u>144,874</u>	<u>36</u>
Expenditures:			
Public Safety:			
Implemental functions		31,999	
Telephone		97,442	
Software and software maintenance		24,742	
Hardware and hardware maintenance		25,907	
Other		575	
Total expenditures	<u>201,514</u>	<u>180,665</u>	<u>20,849</u>
Revenues under expenditures	<u>(56,676)</u>	<u>(35,791)</u>	<u>20,885</u>
Other Financing Sources:			
Appropriated fund balance	<u>56,676</u>	-	<u>(56,676)</u>
Total other financing sources	<u>56,676</u>	-	<u>(56,676)</u>
Net change in fund balance	<u>\$ -</u>	<u>(35,791)</u>	<u>\$ (35,791)</u>
Fund balance, beginning of year		<u>144,050</u>	
Fund balance, end of year		<u>\$ 108,259</u>	

**SOIL AND WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Restricted intergovernmental:			
Co-op and farmland grant	\$ 3,600	\$ 3,600	\$ -
Investment earnings	15	171	156
Miscellaneous	<u>33,700</u>	<u>400</u>	<u>(33,300)</u>
Total revenues	<u>37,315</u>	<u>4,171</u>	<u>(33,144)</u>
Expenditures:			
Environmental Protection:			
General expenditures	<u>55,029</u>	<u>5,126</u>	<u>49,903</u>
Total expenditures	<u>55,029</u>	<u>5,126</u>	<u>49,903</u>
Revenues under expenditures	<u>(17,714)</u>	<u>(955)</u>	<u>16,759</u>
Other Financing Sources:			
Appropriated fund balance	<u>17,714</u>	<u>-</u>	<u>(17,714)</u>
Total other financing sources	<u>17,714</u>	<u>-</u>	<u>(17,714)</u>
Net change in fund balance	<u>\$ -</u>	<u>(955)</u>	<u>\$ (955)</u>
Fund balance, beginning of year		<u>20,548</u>	
Fund balance, end of year		<u>\$ 19,593</u>	

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	School Capital Project Fund	Outdoor Recreation Capital Project Fund	Total
Assets:			
Cash and investments	\$ 227,221	\$ 167,486	\$ 394,707
Total assets	<u>\$ 227,221</u>	<u>\$ 167,486</u>	<u>\$ 394,707</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 23,583	\$ 23,583
Total liabilities	<u>-</u>	<u>23,583</u>	<u>23,583</u>
Fund Balances:			
Restricted:			
Restricted for recreation	-	143,903	143,903
Assigned	<u>227,221</u>	<u>-</u>	<u>227,221</u>
Total fund balances	<u>227,221</u>	<u>143,903</u>	<u>371,124</u>
 Total liabilities and fund balances	 <u>\$ 227,221</u>	 <u>\$ 167,486</u>	 <u>\$ 394,707</u>

**NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	QZAB School Improvement Capital Project Fund	School Capital Project Fund	Library Project Fund	Outdoor Recreation Capital Project Fund	Total
Revenues:					
Investment earnings	\$ 2	\$ 1,140	\$ -	\$ -	\$ 1,142
Total revenues	<u>2</u>	<u>1,140</u>	<u>-</u>	<u>-</u>	<u>1,142</u>
Expenditures:					
Operating expenditures	-	99	-	-	99
Capital outlay	183,270	609,958	58,438	151,192	1,002,858
Total expenditures	<u>183,270</u>	<u>610,057</u>	<u>58,438</u>	<u>151,192</u>	<u>1,002,957</u>
Revenues under expenditures	<u>(183,268)</u>	<u>(608,917)</u>	<u>(58,438)</u>	<u>(151,192)</u>	<u>(1,001,815)</u>
Other Financing Sources:					
Transfers from other funds	-	616,701	-	-	616,701
Total other financing sources	<u>-</u>	<u>616,701</u>	<u>-</u>	<u>-</u>	<u>616,701</u>
Net change in fund balances	(183,268)	7,784	(58,438)	(151,192)	(385,114)
Fund balances, beginning of year	<u>183,268</u>	<u>219,437</u>	<u>58,438</u>	<u>295,095</u>	<u>756,238</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 227,221</u>	<u>\$ -</u>	<u>\$ 143,903</u>	<u>\$ 371,124</u>

**QZAB SCHOOL IMPROVEMENT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Project to Date	Variance Over/(Under)
Revenues:					
Investment earnings	\$ 68	\$ 66	\$ 2	\$ 68	\$ -
Total revenues	<u>68</u>	<u>66</u>	<u>2</u>	<u>68</u>	<u>-</u>
Expenditures:					
Capital outlay:					
Education expenditures	<u>1,375,068</u>	<u>1,191,798</u>	<u>183,270</u>	<u>1,375,068</u>	<u>-</u>
Total expenditures	<u>1,375,068</u>	<u>1,191,798</u>	<u>183,270</u>	<u>1,375,068</u>	<u>-</u>
Revenues under expenditures	<u>(1,375,000)</u>	<u>(1,191,732)</u>	<u>(183,268)</u>	<u>(1,375,000)</u>	<u>-</u>
Other Financing Sources:					
Installment obligations issued	<u>1,375,000</u>	<u>1,375,000</u>	<u>-</u>	<u>1,375,000</u>	<u>-</u>
Total other financing sources	<u>1,375,000</u>	<u>1,375,000</u>	<u>-</u>	<u>1,375,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 183,268</u>	<u>\$ (183,268)</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHOOL CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Investment earnings	\$ 550	\$ 1,140	\$ 590
Total revenues	<u>550</u>	<u>1,140</u>	<u>590</u>
Expenditures:			
Education:			
Other operating expenditures	405	99	306
Capital outlay	<u>737,296</u>	<u>609,958</u>	<u>127,338</u>
Total expenditures	<u>737,701</u>	<u>610,057</u>	<u>127,644</u>
Revenues under expenditures	<u>(737,151)</u>	<u>(608,917)</u>	<u>128,234</u>
Other Financing Sources:			
Transfers from other funds	517,714	616,701	98,987
Appropriated fund balance	<u>219,437</u>	<u>-</u>	<u>(219,437)</u>
Total other financing sources	<u>737,151</u>	<u>616,701</u>	<u>(120,450)</u>
Net change in fund balance	<u>\$ -</u>	<u>7,784</u>	<u>\$ 7,784</u>
Fund balance, beginning of year		<u>219,437</u>	
Fund balance, end of year		<u>\$ 227,221</u>	

LIBRARY PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project	Actual			Variance
	Authorization	Prior	Current	Project to	Over/(Under)
		Years	Year	Date	
Revenues:					
Restricted intergovernmental	\$ 330,000	\$ 330,000	\$ -	\$ 330,000	\$ -
Miscellaneous	363,158	363,158	-	363,158	-
Total revenues	693,158	693,158	-	693,158	-
Expenditures:					
Capital outlay:					
Cultural and recreational	999,683	941,245	58,438	999,683	-
Total expenditures	999,683	941,245	58,438	999,683	-
Revenues under expenditures	(306,525)	(248,087)	(58,438)	(306,525)	-
Other Financing Sources:					
Installment obligations issued	306,525	306,525	-	306,525	-
Net change in fund balance	\$ -	\$ 58,438	\$ (58,438)	\$ -	\$ -

**OUTDOOR RECREATION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Project to Date</u>	<u>Variance Over/(Under)</u>
Expenditures:					
Capital outlay:					
Cultural and recreational	\$ 295,269	\$ 175	\$ 151,192	\$ 151,367	\$ 143,902
Total expenditures	<u>295,269</u>	<u>175</u>	<u>151,192</u>	<u>151,367</u>	<u>143,902</u>
Other Financing Sources:					
Sale of capital assets	295,269	295,270	-	295,270	1
Total other financing sources	<u>295,269</u>	<u>295,270</u>	<u>-</u>	<u>295,270</u>	<u>1</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 295,095</u>	<u>\$ (151,192)</u>	<u>\$ 143,903</u>	<u>\$ 143,903</u>

PROPRIETARY FUNDS

LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Operating revenues:			
Solid waste charges	\$ 891,105	\$ 935,939	\$ 44,834
Miscellaneous	-	100	100
Total operating revenues	<u>891,105</u>	<u>936,039</u>	<u>44,934</u>
Non-operating revenues:			
Restricted intergovernmental	4,000	3,186	(814)
Investment earnings	<u>750</u>	<u>1,727</u>	<u>977</u>
Total non-operating revenues	<u>4,750</u>	<u>4,913</u>	<u>163</u>
Total revenues	<u>895,855</u>	<u>940,952</u>	<u>45,097</u>
Expenditures:			
Landfill operations:			
Salaries and employee benefits	303,906	299,531	4,375
Disposal costs	597,850	602,042	(4,192)
Maintenance	39,881	39,978	(97)
Other operating expenditures	87,134	76,115	11,019
Capital outlay	<u>172,076</u>	<u>172,075</u>	<u>1</u>
Total expenditures	<u>1,200,847</u>	<u>1,189,741</u>	<u>11,106</u>
Revenues under expenditures	<u>(304,992)</u>	<u>(248,789)</u>	<u>56,203</u>
Other Financing Sources:			
Transfers from other funds:			
From General Fund	115,000	115,000	-
Installment purchase obligations issued	117,000	117,000	-
Appropriated fund balance	<u>72,992</u>	<u>-</u>	<u>(72,992)</u>
Total other financing sources	<u>304,992</u>	<u>232,000</u>	<u>(72,992)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (16,789)</u>	<u>\$ (16,789)</u>

ALLEGHANY COUNTY, NORTH CAROLINA

Schedule D-1

Page 2 of 2

**LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources under expenditures		\$ (16,789)	
Reconciling items:			
Capital outlay		172,075	
Depreciation		(47,854)	
Contributions to pension plan in current year		18,104	
Contributions to OPEB plan in the current year		12,409	
Decrease in compensated absences		(5,304)	
Installment purchase obligations issued		(117,000)	
Decrease in accrued landfill post-closure care costs		15,885	
Pension expense		(23,104)	
OPEB benefit		<u>59,767</u>	
Change in net position		<u>\$ 68,189</u>	

AGENCY FUNDS

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Social Services Trust Funds:				
Assets:				
Cash and cash equivalents	\$ 27,936	\$ 70,376	\$ 72,199	\$ 26,113
Liabilities:				
Accounts payable	\$ 27,936	\$ 70,376	\$ 72,199	\$ 26,113

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

Fiscal Year	Balance July 1, 2018	Additions	Collections and Credits	Balance June 30, 2019
2018-2019	\$ -	\$ 9,436,081	\$ 9,271,394	\$ 164,687
2017-2018	174,198	-	122,907	51,291
2016-2017	36,491	-	21,947	14,544
2015-2016	17,314	-	10,911	6,403
2014-2015	15,148	-	8,717	6,431
2013-2014	17,401	-	8,183	9,218
2012-2013	25,046	-	9,579	15,467
2011-2012	11,153	-	5,052	6,101
2010-2011	7,201	-	3,338	3,863
2009-2010 and Prior	<u>11,886</u>	<u>-</u>	<u>8,929</u>	<u>2,957</u>
Total	<u>\$ 315,838</u>	<u>\$ 9,436,081</u>	<u>\$ 9,470,957</u>	280,962
Less: Allowance for uncollectible accounts - General Fund				<u>(80,000)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ 200,962</u>
Reconcilement with Revenues:				
Ad valorem taxes - General Fund				\$ 9,527,505
Reconciling items:				
Interest and penalties collected				(66,976)
Other adjustments				<u>10,428</u>
Total collections and credits				<u>\$ 9,470,957</u>

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	County-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,691,253,160	\$ 0.5475	\$ 9,259,611	\$ 8,571,285	\$ 688,326
Penalties	-		4,552	4,552	-
Total	<u>1,691,253,160</u>		<u>9,264,163</u>	<u>8,575,837</u>	<u>688,326</u>
Discoveries:					
Current year taxes	<u>53,406,027</u>	0.5475	<u>292,398</u>	<u>292,398</u>	<u>-</u>
Abatements	<u>(22,005,479)</u>	0.5475	<u>(120,480)</u>	<u>(120,480)</u>	<u>-</u>
Total property valuation	<u>\$ 1,722,653,708</u>				
Net Levy			9,436,081	8,747,755	688,326
Uncollected taxes at June 30, 2019			<u>164,687</u>	<u>164,687</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 9,271,394</u>	<u>\$ 8,583,068</u>	<u>\$ 688,326</u>
Current Levy Collection Percentage			<u>98.25%</u>	<u>98.12%</u>	<u>100.00%</u>

COMPONENT UNIT TOURISM DEVELOPMENT AUTHORITY

TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF ALLEGHANY COUNTY, NORTH CAROLINA)

BALANCE SHEET
June 30, 2019

	<u>Tourism Development Authority</u>
Assets:	
Cash and investments	\$ 15,860
Total assets	<u>\$ 15,860</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 585
Total liabilities	<u>585</u>
Fund Balance:	
Unassigned	<u>15,275</u>
Total fund balance	<u>15,275</u>
Total liabilities and fund balance	<u>\$ 15,860</u>

TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF ALLEGHANY COUNTY, NORTH CAROLINA)

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Occupancy tax	\$ 80,000	\$ 77,556	\$ (2,444)
Investment earnings	15	110	95
Total revenues	<u>80,015</u>	<u>77,666</u>	<u>(2,349)</u>
Expenditures:			
Economic and Physical Development:			
Tourism development	<u>86,015</u>	<u>75,897</u>	<u>10,118</u>
Total expenditures	<u>86,015</u>	<u>75,897</u>	<u>10,118</u>
Revenues over (under) expenditures	<u>(6,000)</u>	<u>1,769</u>	<u>7,769</u>
Other Financing Sources:			
Appropriated fund balance	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Total other financing sources	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,769</u>	<u>\$ 1,769</u>

COMPLIANCE SECTION

The compliance section contains other reporting required by *Government Auditing Standards*.



**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 Auditors' Report

To the Board of County Commissioners
Alleghany County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, each major fund, and the aggregate remaining fund information of Alleghany County, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Alleghany County's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alleghany 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alleghany County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of the internal control was for the 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 questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004 to be a material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alleghany County's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other

matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003.

Alleghany County's Responses to Findings

Alleghany County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 25, 2019



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**Report On Compliance For Each Major Federal Program; Report
On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance
And The State Single Audit Implementation Act**

Independent Auditors' Report

To the Board of Commissioners
Alleghany County, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alleghany County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we 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 Alleghany County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Alleghany County's compliance.

Opinion on Each Major Federal Program

In our opinion, Alleghany County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Alleghany 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 our audit of compliance, we considered Alleghany 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alleghany 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 25, 2019



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**Report On Compliance For Each Major State Program; Report
On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance
And The State Single Audit Implementation Act**

Independent Auditors' Report

To the Board of Commissioners
Alleghany County, North Carolina

Report on Compliance for Each Major State Program

We have audited the County of Alleghany, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Alleghany County's major state programs for the year ended June 30, 2019. Alleghany 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alleghany County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*.² Those standards, Uniform Guidance, and the *State Single Audit Implementation Act* require that we 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 Alleghany County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Alleghany County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

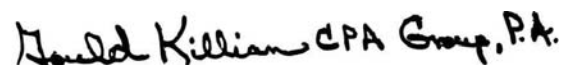
Report on Internal Control Over Compliance

Management of Alleghany 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 our audit of compliance, we considered Alleghany 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 our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alleghany 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 25, 2019

ALLEGHANY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? Yes

Noncompliance material to financial statements noted Yes

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Medical Assistance Program	
(Title XIX - Medicaid)	93.778
Foster Care Title IV-E	93.658

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

Alleghany County qualified as low-risk auditee? No

ALLEGHANY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

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

Unmodified

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

No

Identification of major state programs:

Program Name

Child Welfare/CPS/CS

Public School Building Capital Fund - Lottery Proceeds

Building Reuse and Restoration Grant

ALLEGHANY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

II. Financial Statement Findings

Finding: 2019-001 Fund Balance Appropriation
MATERIAL NONCOMPLIANCE
SIGNIFICANT DEFICIENCY

Criteria: G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation in each annually budgeted fund. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.

Condition: The County's Transportation Fund budget for fiscal year 2018-2019 included appropriated fund balance of \$33,243, which exceeded the available fund balance of \$0 as calculated at June 30, 2018.

Effect: The County is not in compliance with G.S. 159-8 because fund balance was appropriated in excess of the amount statutorily available for appropriation at the close of the 2018 fiscal year. Funds may not have been available to pay for related expenses when incurred.

Cause: Management and staff were reviewing the budgetary information incorrectly by looking at total end of year fund balance rather than calculating available fund balance as required by the general statute.

Recommendation: When determining how much fund balance is available for appropriation in the annual budget, management should refer to the prior year's available fund balance calculated as the total fund balance less the amount of nonspendable and restricted for stabilization by state statute for each annually budgeted fund as reported at the close of the prior fiscal year, rather than total fund balance.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Please refer to the corrective action plan on page 116.

Finding: 2019-002 Excess of Expenditures over Appropriations
MATERIAL NONCOMPLIANCE
SIGNIFICANT DEFICIENCY

Criteria: In accordance with the Local Government Budget and Fiscal Control Act, management should have a system in place to ensure that no obligations are incurred unless they are included in the budget ordinance.

Condition: For the fiscal year ended June 30, 2019, the expenditures in the County's General Fund exceeded the authorized appropriations made by the governing board for the Dispatchers department by \$332,474, due to a lease purchase agreement that was executed but not budgeted for \$340,053.

Effect: The County is not in compliance with general statutes relating to budgetary controls.

Cause: The former County Manager obtained this lease purchase agreement without involvement of staff. Therefore, the purchase did not get appropriately budgeted.

Recommendation: The County should develop a system of contract management, including written guidelines on the requirements for entering into any type of commitment or contract by the County, including prior authorizations, approvals, accounting, and budgeting considerations.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Please refer to the corrective action plan on page 116.

ALLEGHANY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

Finding: 2019-003 Installment Finance Contract
MATERIAL NONCOMPLIANCE
MATERIAL WEAKNESS

Criteria: Management should have a system in place to pre-audit written agreements entered into by the County in accordance with G.S. 159-28(a), and ensure that all installment finance contracts are in compliance with G.S. 160A-20.

Condition: During the year ended June 30, 2019, the former County Manager obtained, without the approval or involvement of the Board of County Commissioners or the Finance Officer, a secured commercial loan from a local bank in order to finance the purchase of an ambulance and a truck. The installment agreement was not pre-audited by the County Finance Officer, nor did it contain the non-appropriation clause required for a local government installment finance contract.

Effect: The County is not in compliance with the general statutes. The County has entered into a loan agreement without the approval of the governing body or the required pre-audit certificate, and the contract may not be legally valid. The absence of the non-appropriation clause could mean the County has made an inadvertent pledge of the unit's taxing power.

Cause: The former County Manager acted beyond his authority by not seeking approval of the Board of Commissioners or consulting the County's legal advisors or Finance Officer before entering into a commercial loan agreement with a local bank.

Recommendation: As also noted in finding 2019-002, the County should develop a system of contract management, including written guidelines on the requirements for entering into any type of commitment or contract by the County, including prior authorizations, approvals, accounting, and budgeting considerations. Although the former County Manager acted without board approval, there were no written policies in place that would have directed him to the appropriate procedures in the circumstances.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Please refer to the corrective action plan on page 116.

Finding: 2019-004 Significant Audit Adjustments
MATERIAL WEAKNESS

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Significant audit adjustments, including a material prior period adjustment, were required to fairly state the financial statements at June 30, 2019. A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect: Errors could occur in financial reporting, causing users of the financial statements to rely on inaccurate information for decision making.

Cause: The County's capital assets have been materially overstated due to a software reporting error that had previously gone undetected. The auditors also assisted management in making several year-end closing adjustments, some of which were material to the financial statements. Most of these adjustments were necessary to correct the balances of accrual accounts on the balance sheet due to differences that had accumulated over time or due to year-end cut-off issues.

This is a repeat of finding 2018-001. However, we commend management's efforts and noted significant progress during the current year to correct this finding.

ALLEGHANY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

Recommendation: We recommend that management perform a rollforward analysis of capital assets during year-end close procedures that is reconciled to the amounts reported in the annual financial statements, to prevent material errors from going undetected. Other balance sheet accounts such as receivables and related allowances, payroll liabilities, and other accrued expenses should be analyzed and adjusted periodically, at least annually during year-end close procedures. Expenditures should be recorded in the period when the liability was incurred, so a cut-off analysis should be performed for all disbursements made during the two months following year-end to ensure accounts payable have been properly stated. Management should monitor the budgetary appropriations near year-end closely to ensure the budget is sufficient to allow for year-end accruals based on when liabilities are incurred, and that other transactions such as capital leases and interfund transfers are properly budgeted.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Please refer to the corrective action plan on page 117.

ALLEGHANY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

ALLEGHANY COUNTY FINANCE OFFICE

Karen L. Evans, Finance Officer

April L. Hamm, Human Resource Officer

Jennifer Boyer, Assistant/Deputy Finance Officer



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Sparta, NC 28675
(336) 372-2826-voice
(336) 372-6242-fax

CORRECTIVE ACTION PLAN

For the year ended June 30, 2019

Finding 2019-001

Transportation Fund

Name of contact person: Mark Evans, Interim County Manager and Karen Evans, Finance Officer

Corrective action/management's response: Management and staff were reviewing the budgetary information incorrectly by looking at fund balance, end of year rather than reviewing the assets/ liabilities/fund balance including the stabilization by State statute. Since this occurrence staff has worked with a CPA and has learned the proper way to review fund balance numbers in the audit.

Proposed completion date: Immediately

Finding 2019-002

Dispatch budget for lease/purchase

Name of contact person: Mark Evans, Interim County Manager and Karen Evans, Finance Officer

Corrective action/management's response: Our former County Manager obtained this lease without involvement of staff therefore the lease did not get appropriately budgeted. He is no longer employed by Alleghany County. Staff is aware that capital leases need to be budgeted like a capital loan. Written guidelines will be established for any type of commitment or contract.

Proposed completion date: Immediately

Finding 2019-003

Skyline Loan

Name of contact person: Mark Evans, Interim County Manager and Karen Evans, Finance Officer

Corrective action/management's response: Our former County Manager obtained this capital loan without approval by the Board of Commissioners and he is no longer employed by Alleghany County as a result of this action.

Proposed completion date: Immediately

ALLEGHANY COUNTY FINANCE OFFICE

Karen L. Evans, Finance Officer

April L. Hamm, Human Resource Officer

Jennifer Boyer, Assistant/Deputy Finance Officer



Post Office Box 366
348 South Main Street, LL70
Sparta, NC 28675
(336) 372-2826-voice
(336) 372-6242-fax

Finding 2019-004

Material Audit Adjustments

Name of contact person: Mark Evans, Interim County Manager and Karen Evans, Finance Officer

Corrective action/management's response: Management will review the rollforward analysis of capital assets during year-end closure and ensure they are reconciled to the financial statements. All accounts will be analyzed and adjusted periodically as needed. Management will closely monitor budget appropriations near year end to ensure the budget will allow any year-end accruals.

Proposed completion date: Immediately

ALLEGHANY COUNTY FINANCE OFFICE

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SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

For the year ended June 30, 2019

Finding 2018-001

Status: This finding is repeated as 2019-004.

Finding 2018-002

Status: This finding was corrected in fiscal year 2019.

Finding 2018-003

Status: This finding was corrected in fiscal year 2019.

Finding 2018-004

Status: This finding was corrected in fiscal year 2019.

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-Through N.C. Department of Health & Human Services:					
<u>Division of Social Services:</u>					
Administration:					
<u>Supplemental Nutrition Assistance Program (SNAP) Cluster</u>					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	195NC406S2514	\$ 133,346	\$ -	\$ -
Total SNAP Cluster			133,346	-	-
<u>U.S. Department of Justice</u>					
Passed-Through N.C. Department of Public Safety					
Governor's Crime Commission-Violence Against Women	16.588	2019-WF-AX-0021	111,854	37,285	-
Total U.S. Department of Justice			111,854	37,285	-
<u>U.S. Department of Transportation Federal Transit Administration (FTA)</u>					
Passed-Through N.C. Department of Transportation					
Administration	20.509	36233.4.19.1	118,448	7,461	-
Capital	20.509	36233.4.19.3	43,615	2,784	-
<u>Transit Services Program Cluster:</u>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.13.7.2	5,893	105	-
Total Transit Services Cluster					
Total U.S. Department of Transportation Federal Transit Administration (FTA)			167,956	10,350	-
<u>U.S. Department of Health and Human Services</u>					
<u>Administration for Children and Families</u>					
Passed-Through the N.C. Department of Health and Human Services:					
<u>Division of Social Services:</u>					
Permanency Planning					
	93.645	1901NCPERP	7,905	-	-
<u>Temporary Assistance for Needy Families Cluster:</u>					
Temporary Assistance for Needy Families - Administration	93.558	1901NCTANF	12,292	-	-
Temporary Assistance for Needy Families - Work First Service	93.558	1901NCTANF	77,150	-	-
Temporary Assistance for Needy Families - Payments & Penalties	93.558	1901NCTANF	-	407	-
Total TANF Cluster			89,442	407	-
Child Support Enforcement	93.563	1904NC4005	112,762	-	-
Low-Income Home Energy Assistance:					
Administration	93.568	G19B1NCLIEA	80,128	-	-
Crisis Intervention Program	93.568	G19B1NCLIEA	58,627	-	-
			138,755	-	-
<u>Foster Care Title IV-E and Adoption Cluster (Note 3):</u>					
Foster Care Title IV-E- Administration	93.658	19021NCFOST	185,780	5,973	-
Foster Care Title IV-E - Direct Benefit Payments	93.658	19021NCFOST	223,889	81,415	-
Adoption Assistance	93.659	1901NCADPT	426	-	-
Total Foster Care and Adoption Cluster			410,095	87,388	-
Social Services Block Grant	93.667	G1901NCSOSR	55,583	-	-
CPS TANF to SSBG	93.667	G1901NCSOSR	50,097	-	-
Promoting Safe and Stable Families	93.556	1901NCFPSS	22,593	-	-
Division of Child Development					
Subsidized Child Care (Note 3)					
<u>Child Care Development Fund Cluster:</u>					
<u>Division of Social Services:</u>					
CCDF- Administration					
	93.596	G1901NCCCDF	79,572	-	-
Total Child Care Development Fund Cluster			79,572	-	-
<u>U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services</u>					
Passed-Through the N.C. Department of Health and Human Services:					
<u>Medicaid Cluster:</u>					
<u>Division of Medical Assistance:</u>					
Administration:					
Medical Assistance Program	93.778	XIX-MAP19	358,947	61	-
Total Medicaid Cluster			358,947	61	-
<u>Division of Social Services:</u>					
Children's Health Insurance Program					
	93.767	CHIP19	11,440	-	-
Total U.S. Department of Health and Human Services			1,337,191	87,856	-
<u>U.S. Department of Homeland Security</u>					
Passed-Through N.C. Department of Crime Control and Public Safety					
Emergency Management Performance Grants	97.042	EMPG	19,262	19,262	-
Emergency Management Security Grants	97.067	HSGP	10,000	-	-
Total Department of Homeland Security			29,262	19,262	-
Total Federal Awards			1,779,609	154,753	-

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
State Awards:					
<u>U.S. Election Assistance Commission</u>					
<u>Division of Veterans Affairs</u>					
County Veterans Service Program		Veterans 2019	-	2,216	-
Total U.S. Election Assistance Commission			-	2,216	-
<u>N.C. Department of Health and Human Services</u>					
Administration:					
Child Welfare/CPS/CS		Child 2019	-	49,026	-
<u>Direct Benefit Payments:</u>					
State Foster Home		Foster Home 2019	-	56,567	-
Total N.C. Department of Health and Human Services			-	105,593	-
<u>N.C. Department of Environmental Quality</u>					
Scrap Tire Program		Scrap Tire 2019	-	3,186	-
Electronic Recycling Management		Electronic Rec 2019	-	711	-
<u>Division of Water Resources</u>					
Bio-Retention Project - Storm Water Drain		Drain 2019	-	75,000	-
<u>Division of Soil and Water Conservation:</u>					
Soil and Water		Soil/Water 2019	-	3,600	-
S & W Conservation-Wetland Cost Share		Soil/Water Tech 2019	-	31,356	-
Total N.C. Department of Environmental Quality			-	113,853	-
<u>N.C. Department of Transportation</u>					
<u>Rural Operating Assistance Program (ROAP) Cluster:</u>					
ROAP - Elderly and Disabled Transportation Assistance Program		36220.10.8.1	-	46,121	-
ROAP - Rural General Public Program		36228.22.8.1	-	36,577	-
ROAP Work First Transitional - Employment		36236.11.7.1	-	4,788	-
Total ROAP Cluster			-	87,486	-
Total N.C. Department of Transportation			-	87,486	-
<u>N.C. Department of Public Safety</u>					
Juvenile Crime Prevention Programs		JCPC 2019	-	57,665	57,665
Local Emergency Planning Committee Grant		LCPC 2019	-	905	-
Total N.C. Department of Public Safety			-	58,570	57,665
N.C. Rural Economic Development Center, Inc.					
Building Reuse and Restoration Grant		2018-111-3201-2587	-	60,000	-
Total N.C. Rural Economic Development Center, Inc.			-	60,000	-
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds		Lottery 2019	-	74,139	-
Total N.C. Department of Public Instruction			-	74,139	-
Total State awards			-	501,857	57,665
Total Federal and State Awards			\$ 1,779,609	\$ 656,610	\$ 57,665

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

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Alleghany County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

- Foster Care and Adoption
- Child Care Development