

Swain County, North Carolina
Financial Statements
June 30, 2019

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

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June 30, 2019

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INTRODUCTORY INFORMATION

Swain County, North Carolina

List of Principal Officials

As of June 30, 2019

BOARD OF COUNTY COMMISSIONERS

Ben Bushyhead - Chairman

Danny Burns - Vice Chairman

Roger Parsons - Commissioner

Kenneth Parton - Commissioner

Kevin Seagle - Commissioner

COUNTY OFFICIALS

Kevin S. King - County Manager

Dean Kowal - Finance Officer

Cindi C. Woodard - Clerk to the Board

Diana Williamson Kirkland - Register of Deeds

Peggy Hyde - Tax Office Administrator

Curtis Cochran - Sheriff

Allison Cochran - Health Director

Sheila Sutton - Director of Social Services

Joan Weeks - Director of Elections

FINANCIAL SECTION

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report

To the Board of County Commissioners
Swain County, 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 Swain 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Swain County Tourist Development Authority. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swain County Tourist Development Authority, is based solely on the report of the other auditor. 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 of material misstatement. The financial statements of the Swain County Tourist Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, based on our audit and the report of the other auditor, 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 Swain County 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 3 through 10, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions, pages 56 through 57, the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions on pages 58 and 59, 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 pages 60 and 61, and the Other Post-Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 62, 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 the basic financial statements of Swain County, North Carolina. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of Swain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 Swain County's internal control over financial reporting and compliance.



Turner & Company CPAs P.A.
Murphy, North Carolina
January 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Swain County, North Carolina
Management's Discussion and Analysis
June 30, 2019

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

Financial Highlights

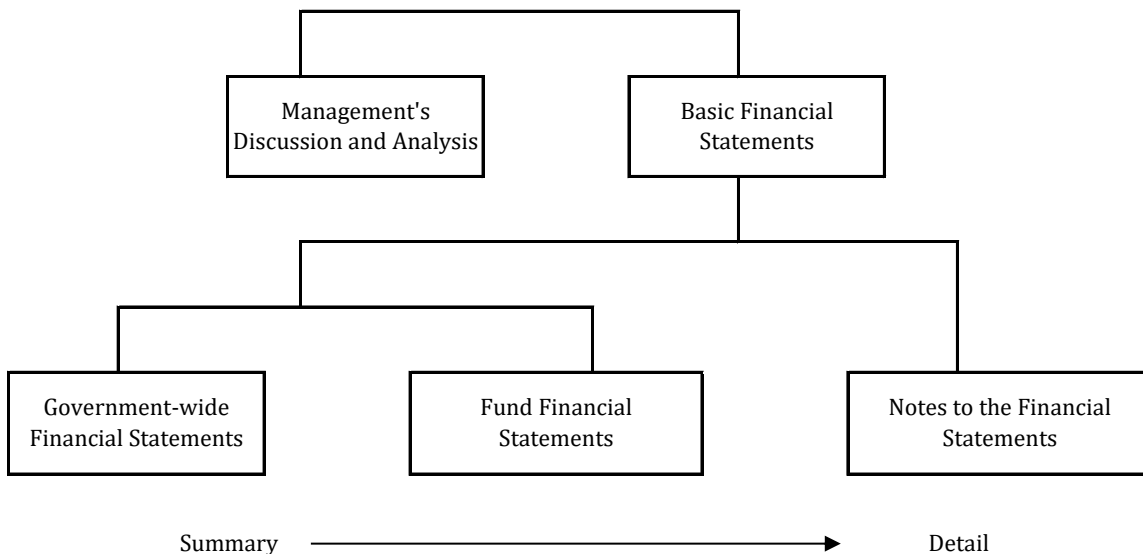
- The assets and deferred outflows of resources of Swain County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$64,852,104 (net position).
- The government's total net position increased by \$775,801, primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Swain County's governmental funds reported combined ending fund balances of \$63,765,812, after a net increase in fund balance of \$2,809,779. Approximately 87.93% of this total amount, or \$56,071,033, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,927,142, or 34.55% of total general fund expenditures for the fiscal year.
- Swain County's total debt increased by \$1,693,100 (10.24%) during the current fiscal year. The County entered into a direct placement contract dated June 19, 2019, in the amount of \$2,600,000 to finance improvements to Swain County High School. The County also entered into a direct placement contract dated November 29, 2018, in the amount of \$250,000 for the purchase of vehicles. Finally, the County entered into a direct placement contract dated November 29, 2018, in the amount of \$160,000 for the purchase of a backhoe for the Solid Waste Fund. The net change in debt was also affected by scheduled principal payments on debt outstanding.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements of Swain County: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's nonmajor governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains information about the County's pension plan and other post employment benefits.

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 it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes solid waste management. The final category is the component unit. The Swain County Tourist Development Authority, which was created to promote activities and programs, which encourage travel and tourism in the area, is a public authority under North Carolina Statutes and is governed by a 5-member appointed board of directors.

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. Swain 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 Swain 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.

Swain 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 – Swain 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. This fund is used to account for the solid waste operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Swain County, North Carolina has five agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Swain County's progress in funding its obligation to provide pension benefits to its employees. Supplementary information can be found beginning on page 55 of this report.

Government-Wide Financial Analysis

Swain County, North Carolina's Net Position

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 64,439,912	\$ 61,712,268	\$ 104,548	\$ 36,459	\$ 64,544,460	\$ 61,748,727
Internal balances	349,886	287,122	(349,886)	(287,122)	-	-
Capital assets	22,551,455	22,676,562	687,830	573,415	23,239,285	23,249,977
Total assets	87,341,253	84,675,952	442,492	322,752	87,783,745	84,998,704
Total deferred outflows of resources	1,991,434	1,301,201	80,001	52,752	2,071,435	1,353,953
Long-term liabilities outstanding	21,587,336	19,382,501	340,626	174,395	21,927,962	19,556,896
Other liabilities	2,575,008	2,315,972	79,540	60,182	2,654,548	2,376,154
Total liabilities	24,162,344	21,698,473	420,166	234,577	24,582,510	21,933,050
Total deferred inflows of resources	407,106	333,004	13,460	10,300	420,566	343,304
Net position:						
Net investment in capital assets	12,131,356	11,590,749	510,786	551,208	12,642,142	12,141,957
Restricted	56,122,254	55,470,564	-	-	56,122,254	55,470,564
Unrestricted	(3,490,373)	(3,115,637)	(421,919)	(420,581)	(3,912,292)	(3,536,218)
Total net position	\$ 64,763,237	\$ 63,945,676	\$ 88,867	\$ 130,627	\$ 64,852,104	\$ 64,076,303

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 Swain County exceeded liabilities by \$64,852,104 as of June 30, 2019. The County's net position increased by \$775,801 for the fiscal year ended June 30, 2019. One of the largest portions \$12,642,142 (19.49%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Swain County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Swain County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Swain County's net position \$56,122,254 (86.54%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position is a deficit of \$3,912,292 (6.03%). Unrestricted net position is negative primarily because under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using debt financing. The assets, funded by the County, are titled to and utilized by the school system. Since the County, as the issuing government, acquires no assets, the County has incurred a liability without a corresponding increase in assets.

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 96.08% (ad valorem), lower than the statewide average of 99.04%, and slightly lower than the county average of 97.13% for counties with populations below 25,000. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- The County has maintained stricter policies on spending and implemented cost savings measures despite a slight increase in overall expenditures.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

Swain County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,619,167	\$ 3,388,985	\$ 873,448	\$ 836,436	\$ 4,492,615	\$ 4,225,421
Operating grants and contributions	4,847,351	4,643,228	-	-	4,847,351	4,643,228
Capital grants and contributions	223,000	-	-	-	223,000	-
General revenues:						
Property taxes	6,148,589	6,070,708	-	-	6,148,589	6,070,708
Other taxes	4,061,285	3,776,746	-	-	4,061,285	3,776,746
Grants and contributions not restricted to specific programs	1,512,450	1,323,063	36,622	40,691	1,549,072	1,363,754
Interest earned on investments	447,229	868,138	5	-	447,234	868,138
Total revenues	20,859,071	20,070,868	910,075	877,127	21,769,146	20,947,995
Expenses:						
General government	3,497,904	4,318,897	-	-	3,497,904	4,318,897
Public safety	5,169,563	5,108,508	-	-	5,169,563	5,108,508
Economic and physical development	656,583	697,957	-	-	656,583	697,957
Environmental protection	122,118	103,488	-	-	122,118	103,488
Human services	7,543,093	7,694,532	-	-	7,543,093	7,694,532
Cultural and recreation	808,315	745,261	-	-	808,315	745,261
Education	1,623,280	1,176,536	-	-	1,623,280	1,176,536
Interest on long-term debt	550,922	591,023	-	-	550,922	591,023
Solid waste	-	-	1,021,567	1,034,784	1,021,567	1,034,784
Total expenses	19,971,778	20,436,202	1,021,567	1,034,784	20,993,345	21,470,986
Change in net position before transfers	887,293	(365,334)	(111,492)	(157,657)	775,801	(522,991)
Transfers	(69,732)	(99,732)	69,732	99,732	-	-
Extraordinary item	-	39,200,000	-	-	-	39,200,000
Change in net position after transfers	817,561	38,734,934	(41,760)	(57,925)	775,801	38,677,009
Net position, beginning, previously reported	63,989,505	26,201,223	132,454	234,783	64,121,959	26,436,006
Net position, beginning, restated	63,945,676	25,254,571	130,627	190,379	64,076,303	25,444,950
Net position, ending	\$ 64,763,237	\$ 63,989,505	\$ 88,867	\$ 132,454	\$ 64,852,104	\$ 64,121,959

Governmental activities. Governmental activities increased the County's net position by \$817,561 thereby accounting for 105.38% of the total growth in the net position of Swain County. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 95.83% (excluding motor vehicles).
- Property taxes provided 29.48% of funding at \$6,148,589.
- In the prior year the County received \$39,200,000 from the United States Department of the Interior from a monetary settlement of its obligation under a 1943 agreement with Swain County which resulted in an extraordinary item. There was no such item in the current fiscal year.
- Capital grants and contributions increased in the current fiscal year due to the receipt of \$223,000 from Public School Building Capital Fund - Lottery Proceeds.
- Other taxes increased due to an increase in PILT funds.
- Expenditures in General Government decreased in the current fiscal year due primarily to a decrease in capital outlay expenditures.
- Education expenditures increased in the current fiscal year due to funds spent on capital projects for the schools.
- The movement of investment funds from the Bond Index Fund (BIF) to the Short Term Investment Fund (STIF) resulted in a lower return on investment.

Business-type Activities. Business-type activities decreased the County's net position by \$41,760. Revenues of the County's business-type activities totaled \$910,075 with expenses totaling \$1,021,567. This produced a deficit before transfers of \$111,492. The deficit was in part due to the County not funding depreciation.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Swain County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Swain 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. Fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned.

The General Fund is the chief operating fund of Swain County. At the end of the current fiscal year, Swain County's fund balance available in the General Fund was \$8,549,225 while total fund balance reached \$10,731,718. The County currently has an available fund balance of 49.22% of general fund expenditures, while total fund balance represents 61.79% of the same amount.

The Permanent Fund's balance at year-end was \$52,945,627, a decrease of \$443,862 over the prior year. This was primarily due to transfers to the General Fund.

At June 30, 2019, the governmental funds of Swain County reported a combined fund balance of \$63,765,812, a 4.61% increase from last year. The primary reason for this increase was attributable to the extraordinary item reported in the Permanent Fund.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by \$1,524,677. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Proprietary Funds. Swain County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to a deficit of \$421,919. The total decrease in net position for the Solid Waste Fund was \$41,760. Other factors concerning the finances of these funds have already been addressed in the discussion of Swain County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Swain County, North Carolina's capital assets for its governmental and business-type activities as of June 30, 2019, totals \$23,239,285 (net of accumulated depreciation). These assets include land, construction in progress, buildings, other improvements, equipment, and vehicles.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Purchased equipment for use by the Data Processing Department.
- Purchased three vehicles and security equipment for the Sheriff's Department.
- Purchased a tractor and mower for the Buildings and Grounds Department.
- Purchased water heaters and security cameras for the Jail.
- Purchased a vehicle to be shared by Emergency Management Services, Emergency Communications, and EMS.
- Purchased a vehicle for the Inspections Department.
- Purchased two ambulances and two physio monitors for Health and Human Services.
- Purchased a mower and renovations for the Recreation Department.
- Purchased eleven vehicles for the Social Services Department.
- Purchased computer equipment to be shared by Data Processing Department, Social Services, and the Health Department.

Business-Type Activities.

- Purchased a backhoe for the Solid Waste Department.
- Purchased three compactors for the Solid Waste Department.
- Purchased a metal building for the Transfer Station.
- Purchased a trailer shed for the Transfer Station.

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Swain County High School Project	\$ 392,707	\$ 5,678,818
Total	\$ 392,707	\$ 5,678,818

**Swain County, North Carolina's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital Assets:						
Land	\$ 4,979,412	\$ 4,979,412	\$ -	\$ -	\$ 4,979,412	\$ 4,979,412
Buildings	14,610,481	15,158,483	369,629	328,830	14,980,110	15,487,313
Other improvements	188,869	187,687	-	-	188,869	187,687
Equipment	1,836,088	1,573,764	277,723	165,563	2,113,811	1,739,327
Vehicles & motorized equipment	936,605	777,216	40,478	79,022	977,083	856,238
Total capital assets	\$ 22,551,455	\$ 22,676,562	\$ 687,830	\$ 573,415	\$ 23,239,285	\$ 23,249,977

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

Long-Term Obligations. Debt totals include direct placement installment purchases, , installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2019, Swain County had total debt outstanding of \$18,224,453. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

Swain County, North Carolina's Long-Term Obligations

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchases	\$ 10,445,989	\$ 8,754,476	\$ 160,000	\$ -	\$ 10,605,989	\$ 8,754,476
USDA direct placement installment obligation	7,601,420	7,754,670	-	-	7,601,420	7,754,670
Capitalized leases	-	-	17,044	22,207	17,044	22,207
Total debt outstanding	18,047,409	16,509,146	177,044	22,207	18,224,453	16,531,353
Compensated absences	478,860	498,970	13,677	12,679	492,537	511,649
Net pension liability (LGERS)	2,475,587	1,662,260	103,149	69,261	2,578,736	1,731,521
Total pension liability (LEOSSA)	283,288	216,197	-	-	283,288	216,197
Total OPEB liability	2,184,910	2,073,666	91,037	86,402	2,275,947	2,160,068
Total long-term obligations	\$ 23,470,054	\$ 20,960,239	\$ 384,907	\$ 190,549	\$ 23,854,961	\$ 21,150,788

Swain County's total debt increased by \$1,693,100 (10.24%) during the current fiscal year. The County entered into a direct placement contract dated June 19, 2019, in the amount of \$2,600,000 to finance improvements to Swain County High School. The County also entered into a direct placement contract dated November 29, 2018, in the amount of \$250,000 for the purchase of vehicles. Finally, the County entered into a direct placement contract dated November 29, 2018, in the amount of \$160,000 for the purchase of a backhoe for the Solid Waste Fund. The net change in debt was also affected by scheduled principal payments on debt outstanding.

Under State law counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2019 the County had debt outstanding of \$7,627,310 for these activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Swain County is about \$116,081,147.

Additional information regarding Swain County, North Carolina's long-term debt can be found in Note III.B.6 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- At June 30, 2019, the County had an unemployment rate of 4.3%, slightly lower than the statewide rate (not seasonally adjusted) of 4.4%.
- The County has maintained stricter policies on spending and implemented cost savings measures.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The County's overall budget remains comparable with last year's allocations. The property tax rate was maintained at 36 cents per \$100 of valuation to maintain current tax revenue streams.

The County has chosen not to appropriate fund balance in the fiscal year 2020 budget. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-Type Activities: The County budgeted \$1,014,133 for the operation of the Solid Waste program which represents a minimal decrease compared to the prior year.

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, Swain County, P.O. Box 2321, Bryson City, NC 28713. You can also call (828) 488-9273, visit our website <http://www.swaincounty-nc.gov> for more information.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tourist Development Authority
ASSETS				
Cash and cash equivalents	\$ 3,879,410	\$ 62,996	\$ 3,942,406	\$ 195,182
Investments	5,370,776	-	5,370,776	-
Receivables (net)	565,272	41,552	606,824	-
Due from other governments	1,488,776	-	1,488,776	79,505
Internal balances	349,886	(349,886)	-	-
Restricted investments	53,084,457	-	53,084,457	-
Net pension asset	51,221	-	51,221	-
Capital assets:				
Land, improvements, construction in progress	4,979,412	-	4,979,412	-
Other capital assets, net of depreciation	17,572,043	687,830	18,259,873	38,603
Total capital assets	22,551,455	687,830	23,239,285	38,603
Total assets	87,341,253	442,492	87,783,745	313,290
DEFERRED OUTFLOWS OF RESOURCES				
	1,991,434	80,001	2,071,435	-
LIABILITIES				
Accounts payable and accrued expenses	603,621	35,259	638,880	40,000
Accrued interest payable	88,669	-	88,669	-
Current portion of long-term liabilities	1,882,718	44,281	1,926,999	-
Long-term liabilities:				
Due in more than one year	21,587,336	340,626	21,927,962	-
Total liabilities	24,162,344	420,166	24,582,510	40,000
DEFERRED INFLOWS OF RESOURCES				
	407,106	13,460	420,566	-
NET POSITION				
Net investment in capital assets	12,131,356	510,786	12,642,142	38,603
Restricted for:				
Debt service	1,084,457	-	1,084,457	-
USDA reserve	80,063	-	80,063	-
Public safety	47,845	-	47,845	-
Education	341,023	-	341,023	-
Register of Deeds' pension plan	51,221	-	51,221	-
Stabilization by State Statute	2,477,023	-	2,477,023	79,505
Human Services	40,622	-	40,622	-
Permanent Fund - 1943 settlement	52,000,000	-	52,000,000	-
Unrestricted (deficit)	(3,490,373)	(421,919)	(3,912,292)	155,182
Total net position	\$ 64,763,237	\$ 88,867	\$ 64,852,104	\$ 273,290

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Tourist Development Authority
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 3,497,904	\$ 690,384	\$ 71,722	\$ -	\$ (2,735,798)	\$ -	\$ (2,735,798)	
Public safety	5,169,563	2,411,412	24,858	-	(2,733,293)	-	(2,733,293)	
Economic and physical development	656,583	35,001	75,000	-	(546,582)	-	(546,582)	
Environmental protection	122,118	-	48,316	-	(73,802)	-	(73,802)	
Human services	7,543,093	133,763	4,332,925	-	(3,076,405)	-	(3,076,405)	
Cultural and recreation	808,315	348,607	-	-	(459,708)	-	(459,708)	
Education	1,623,280	-	294,530	223,000	(1,105,750)	-	(1,105,750)	
Interest on long-term debt	550,922	-	-	-	(550,922)	-	(550,922)	
Total governmental activities	19,971,778	3,619,167	4,847,351	223,000	(11,282,260)	-	(11,282,260)	
Business-type activities:								
Solid waste	1,021,567	873,448	-	-	-	(148,119)	(148,119)	
Total primary government	\$ 20,993,345	\$ 4,492,615	\$ 4,847,351	\$ 223,000	(11,282,260)	(148,119)	(11,430,379)	
Component unit:								
Tourist Development Authority	\$ 1,060,671	\$ -	\$ -	\$ -				\$ (1,060,671)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					6,148,589	-	6,148,589	-
Local option sales tax					3,869,926	-	3,869,926	-
Other taxes and licenses					191,359	-	191,359	979,416
Grants and contributions not restricted to specific programs					1,512,450	36,622	1,549,072	-
Investment earnings, unrestricted					447,229	5	447,234	-
Total general revenues excluding transfers					12,169,553	36,627	12,206,180	979,416
Transfers					(69,732)	69,732	-	-
Total general revenues and transfers					12,099,821	106,359	12,206,180	979,416
Change in net position					817,561	(41,760)	775,801	(81,255)
Net position, beginning as previously reported					63,989,505	132,454	64,121,959	354,545
Restatement					(43,829)	(1,827)	(45,656)	-
Net position, beginning as restated					63,945,676	130,627	64,076,303	354,545
Net position, ending					\$ 64,763,237	\$ 88,867	\$ 64,852,104	\$ 273,290

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

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

	Major		Nonmajor	
	General Fund	Permanent Fund	Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 3,768,733	\$ -	\$ 110,677	\$ 3,879,410
Investments	4,425,149	945,627	-	5,370,776
Restricted investments	1,084,457	52,000,000	-	53,084,457
Receivables, net				
Taxes	227,705	-	-	227,705
Accounts	325,290	-	-	325,290
Due from other governments	1,194,246	-	294,530	1,488,776
Due from other funds	746,758	-	-	746,758
Total assets	<u>\$ 11,772,338</u>	<u>\$ 52,945,627</u>	<u>\$ 405,207</u>	<u>\$ 65,123,172</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 601,528	\$ -	\$ 2,093	\$ 603,621
Due to other funds	82,225	-	314,647	396,872
Total liabilities	<u>683,753</u>	<u>-</u>	<u>316,740</u>	<u>1,000,493</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	227,705	-	-	227,705
Unavailable revenue - other receivables	83,801	-	-	83,801
Unearned revenue	45,361	-	-	45,361
Total deferred inflows of resources	<u>356,867</u>	<u>-</u>	<u>-</u>	<u>356,867</u>
Fund balances:				
Nonspendable:				
Permanent fund - 1943 settlement	-	52,000,000	-	52,000,000
Restricted:				
Stabilization by State Statute	2,182,493	-	294,530	2,477,023
Public safety	-	-	47,845	47,845
Human services	-	-	40,622	40,622
Debt service	1,084,457	-	-	1,084,457
Education	341,023	-	-	341,023
USDA reserve	80,063	-	-	80,063
Committed:				
Public safety	94,186	-	-	94,186
Economic and physical development	22,354	-	-	22,354
Assigned:				
General government	-	945,627	-	945,627
Unassigned:	6,927,142	-	(294,530)	6,632,612
Total fund balances	<u>10,731,718</u>	<u>52,945,627</u>	<u>88,467</u>	<u>63,765,812</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,772,338</u>	<u>\$ 52,945,627</u>	<u>\$ 405,207</u>	<u>\$ 65,123,172</u>

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

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

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

Total Fund Balances for Governmental Funds	\$ 63,765,812
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,551,455
Net pension asset	51,221
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	519,133
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	23,040
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	12,277
Net pension liability	(2,475,587)
Total OPEB liability	(2,184,910)
Total pension liability	(283,288)
Deferred inflows of resources for taxes and special assessments receivable	311,506
Pension related deferrals	1,322,072
OPEB related deferrals	(234,556)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(18,614,938)
Net position of governmental activities	<u><u>\$ 64,763,237</u></u>

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

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

	Major		Nonmajor	
	General	Permanent	Other	
	Fund	Fund	Governmental	Total
			Funds	
REVENUES				
Ad valorem taxes	\$ 6,130,436	\$ -	\$ -	\$ 6,130,436
Local option sales tax	3,869,926	-	-	3,869,926
Other taxes and licenses	191,359	-	-	191,359
Unrestricted intergovernmental	1,512,450	-	-	1,512,450
Restricted intergovernmental	4,640,503	-	648,431	5,288,934
Permits and fees	184,765	-	-	184,765
Sales and services	2,632,407	-	-	2,632,407
Investment earnings	134,604	312,625	-	447,229
Miscellaneous	574,543	-	-	574,543
Total revenues	19,870,993	312,625	648,431	20,832,049
EXPENDITURES				
Current:				
General government	3,322,388	-	-	3,322,388
Public safety	4,535,571	-	238,801	4,774,372
Environmental protection	115,486	-	-	115,486
Economic and physical development	585,108	-	121,127	706,235
Human services	7,689,074	-	-	7,689,074
Cultural and recreation	700,004	-	-	700,004
Education	1,230,573	-	392,707	1,623,280
Debt service:				
Principal	1,311,737	-	-	1,311,737
Interest	559,962	-	-	559,962
Total expenditures	20,049,903	-	752,635	20,802,538
Excess (deficiency) of revenues over expenditures	(178,910)	312,625	(104,204)	29,511
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	756,487	-	98,177	854,664
Transfers to other funds	(167,909)	(756,487)	-	(924,396)
Proceeds from long-term debt	2,850,000	-	-	2,850,000
Total other financing sources (uses)	3,438,578	(756,487)	98,177	2,780,268
Net change in fund balances	3,259,668	(443,862)	(6,027)	2,809,779
Fund balances, beginning	7,472,050	53,389,489	94,494	60,956,033
Fund balances, ending	\$ 10,731,718	\$ 52,945,627	\$ 88,467	\$ 63,765,812

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

Swain County, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$ 2,809,779
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	1,075,848
Depreciation expense for governmental assets	(1,200,955)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	519,133
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in unavailable revenue - property taxes	18,153
Change in unavailable revenue - other receivables	8,869
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	(2,850,000)
Principal payments on long-term debt	1,311,737
Change in accrued interest payable	9,040
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	20,110
Pension expense	(694,748)
Other postemployment benefits	(209,405)
Total changes in net position of governmental activities	<u>\$ 817,561</u>

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

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

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 6,141,501	\$ 6,141,501	\$ 6,130,436	\$ (11,065)
Local option sales tax	2,715,000	2,715,000	3,042,161	327,161
Other taxes and licenses	96,000	1,018,000	191,359	(826,641)
Unrestricted intergovernmental	1,343,000	1,348,000	1,512,450	164,450
Restricted intergovernmental	5,409,627	5,559,304	4,417,503	(1,141,801)
Permits and fees	154,900	154,900	184,765	29,865
Sales and services	2,280,159	2,745,159	2,632,407	(112,752)
Investment earnings	40,000	40,000	124,097	84,097
Miscellaneous	466,821	449,821	548,411	98,590
Total revenues	<u>18,647,008</u>	<u>20,171,685</u>	<u>18,783,589</u>	<u>(1,388,096)</u>
EXPENDITURES				
Current:				
General government	3,204,418	4,949,605	3,322,388	1,627,217
Public safety	4,239,015	4,801,681	4,535,571	266,110
Environmental protection	122,286	204,881	115,486	89,395
Economic and physical development	1,591,180	1,637,782	550,108	1,087,674
Human services	7,705,022	8,220,005	7,689,074	530,931
Cultural and recreation	737,841	747,841	700,004	47,837
Education	1,231,690	1,231,690	1,230,573	1,117
Debt service:				
Principal retirement	665,297	1,409,297	1,311,737	97,560
Interest and fees	560,000	560,000	559,962	38
Contingency	-	812	-	812
Total expenditures	<u>20,056,749</u>	<u>23,763,594</u>	<u>20,014,903</u>	<u>3,748,691</u>
Revenues over (under) expenditures	<u>(1,409,741)</u>	<u>(3,591,909)</u>	<u>(1,231,314)</u>	<u>2,360,595</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,045,055	1,986,000	1,944,726	(41,274)
Transfers to other funds	(35,314)	(1,755,195)	(247,620)	1,507,575
Proceeds from long-term debt issued	400,000	3,055,000	2,850,000	(205,000)
Total other financing sources (uses)	<u>1,409,741</u>	<u>3,285,805</u>	<u>4,547,106</u>	<u>1,261,301</u>
Fund balance appropriated	<u>-</u>	<u>306,104</u>	<u>-</u>	<u>(306,104)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,315,792</u>	<u>\$ 3,315,792</u>
Fund balances, beginning			<u>6,878,300</u>	
Fund balances, ending			<u><u>\$10,194,092</u></u>	

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

Swain County, North Carolina
Statement of Net Position - Proprietary Fund
Solid Waste Fund
June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 62,996
Receivables, net	41,552
Total current assets	<u>104,548</u>

Noncurrent assets:

Capital assets:

Other capital assets, net of depreciation	687,830
Total capital assets	<u>687,830</u>
Total noncurrent assets	<u>687,830</u>
Total assets	<u>792,378</u>

DEFERRED OUTFLOWS OF RESOURCES

Total deferred outflows of resources	<u>80,001</u>
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LIABILITIES

Current liabilities:

Accounts payable	31,557
Accrued wages	3,702
Due to other funds	349,886
Compensated absences payable - current	9,000
Current portion of long term debt	35,281
Total current liabilities	<u>429,426</u>

Noncurrent liabilities:

Long term debt (less current portion)	141,763
Compensated absences	4,677
Net pension liability	103,149
Total OPEB liability	91,037
Total noncurrent liabilities	<u>340,626</u>

Total liabilities	<u>770,052</u>
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DEFERRED INFLOWS OF RESOURCES

Total deferred inflows of resources	<u>13,460</u>
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NET POSITION

Net investment in capital assets	510,786
Unrestricted	<u>(421,919)</u>
Total net position	<u>\$ 88,867</u>

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

Swain County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund
Solid Waste Fund
For the Year Ended June 30, 2019

OPERATING REVENUES

Charges for services	\$ 849,236
Miscellaneous	<u>24,212</u>
Total operating revenues	<u>873,448</u>

OPERATING EXPENSES

Waste management operations	923,170
Depreciation	<u>97,454</u>
Total operating expenses	<u>1,020,624</u>
Operating income (loss)	(147,176)

NONOPERATING REVENUES (EXPENSES)

Solid waste disposal tax	11,574
Scrap tire disposal tax	20,483
White goods disposal tax	4,565
Interest expense	(943)
Interest and investment revenue	<u>5</u>
Total nonoperating revenues (expenses)	<u>35,684</u>
Income (loss) before contributions and transfers	(111,492)

Transfers from other funds	<u>69,732</u>
Change in net position	(41,760)

Total net position, beginning	132,454
Net position, beginning, restated	<u>130,627</u>
Total net position, ending	<u><u>\$ 88,867</u></u>

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

Swain County, North Carolina
Statement of Cash Flows - Proprietary Fund
Solid Waste Fund
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 844,143
Cash paid for goods and services	(619,395)
Cash paid to employees for services	(297,112)
Other operating revenue	24,212
Net cash used by operating activities	<u>(48,152)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Intergovernmental non-operating revenues received	36,622
Decrease in amount due to General Fund	62,764
Transfers from other funds	69,732
Net cash provided (used) by noncapital financing activities	<u>169,118</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	(211,869)
Proceeds from capital debt	160,000
Capital debt principal payments	(5,163)
Interest paid on bond maturities and equipment contracts	(943)
Net cash provided (used) by capital and related financing activities	<u>(57,975)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends received	5
Net cash provided (used) by investing activities	<u>5</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

	62,996
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	<u>\$ 62,996</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	<u>(147,176)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	97,454
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Decrease (increase) in accounts receivable	(5,093)
Decrease (increase) in deferred outflows of resources for pensions	(27,249)
Increase (decrease) in accounts payable and accrued liabilities	(8,769)
Increase (decrease) in compensated absences payable	998
Increase (decrease) in net pension liability	33,888
Increase (decrease) in net OPEB liability	4,635
Increase (decrease) in deferred inflows of resources for pensions	(929)
Increase (decrease) in deferred inflows of resources - OPEB	4,089
Total adjustments	99,024
Net cash provided (used) by operating activities	<u>\$ (48,152)</u>

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 129,468</u>
LIABILITIES AND NET POSITION	
Accounts payable and accrued expenses	
Liabilities:	
Miscellaneous liabilities	128,631
Intergovernmental payables - State of North Carolina	<u>837</u>
Total liabilities	<u>129,468</u>
Net position	<u>\$ -</u>

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

Swain County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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Swain County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit is reported in a separate column of the County's financial statements in order to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Swain County Tourist Development Authority

The Swain County Tourist Development Authority (the "Authority") was created to promote activities and programs which encourage travel, tourism, and conventions in the area. The Authority is governed by a five-member board of directors, three of whom are appointed by the Swain County Board of Commissioners. The County is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget, designate its own management, and maintain its own accounting system. The Authority, which has a June 30 year-end, is presented as if it was a separate governmental fund of the County. Complete financial statements for the Authority may be obtained from the entity's administrative office in Bryson City, North Carolina.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type-activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity 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. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental 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, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Schools Capital Reserve Fund, the Economic Development Fund, the Public Safety Capital Reserve Fund, and the Law Enforcement Capital Reserve are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, they are consolidated in the General Fund.

Permanent Fund – This fund accounts for resources received from the partial Settlement of the 1943 Agreement with the U.S. Department of the Interior. The interest earned on the non-expendable trust principal is unrestricted.

The County reports the following major enterprise fund:

Solid Waste Fund – The Solid Waste Fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. This fund is used to account for solid waste management.

The County reports the following fund types:

Agency Funds: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Swain County Board of Education; the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County; the Deed of Trust Fees Fund, which accounts for the \$5 of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and is remitted to the State Treasurer on a monthly basis; the Inmate Trust Fund, which accounts for monies deposited with the Jail for the benefit of certain individuals; and the Social Services Trust Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals.

The County reports the following nonmajor governmental funds:

Special Revenue Funds:

Emergency Telephone System Fund – This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.

Family Preservation Grant Fund – This fund is established to account for the grant to serve families at risk or in crisis, to develop or expand and operate coordinated programs of community-based family support services, family preservation services, family reunification services, and adoption promotion and support services.

Capital Project Fund:

School Capital Project Fund – This fund is used to account for capital outlay for the Swain County school system.

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 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 nonoperating 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's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise fund 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 nonoperating 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 60 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 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 utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the following funds: the General Fund, special revenue funds, the Permanent Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the School Capital Projects Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for funds which adopt annual budgets and at the object level for funds which adopt project ordinances. The County Manager has authority, with subsequent approval by the Board, to transfer funds from one appropriation to another per the following guidelines: 1) the funds are not more than \$500, 2) the funds involve receipt and appropriation of grant funds or contracts which have been approved by the Board, or 3) the transfer allows for better accounting methods and does not involve a change in the purpose for which funds are spent. All budgets shown in the financial statements are the final June 30, 2019 budgets as amended. 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 that time until the annual ordinance can be adopted.

Pursuant to G.S. 159-26(d), the County is not required to maintain encumbrance accounts due to its small population. The County does use purchase orders but they are not reflected in expenditures until the item is received. At June 30, 2019, the County did not have any purchase orders outstanding.

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

1. Deposits and Investments

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

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

The majority of the County's investments are carried at fair value.

- The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.
- The County's Permanent Fund is invested in the State Treasurer's STIF investment funds. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2019 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The money being held in a sinking fund with the US Bank for the future payoff of \$1,500,000 of N.C. Qualified Zone Academy Bonds is classified as restricted. The Permanent Fund's restricted investments represent the non-expendable portion of the Swain Settlement funds. The following table illustrates the breakdown of Swain County's restricted cash.

Swain County Restricted Investments			
Governmental			
General Fund	Sinking fund for future QZAB payoff	\$	1,084,457
Permanent Fund	Non-expendable portion of settlement funds		52,000,000
Total Governmental Activities Restricted Investments		\$	<u>53,084,457</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets are defined by the County as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets of the County include land, buildings, building improvements, furniture and equipment, and vehicles. 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 Swain County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Swain County Board of Education.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15 - 40 years
Other improvements	15 - 40 years
Equipment	5 - 15 years
Vehicles and motorized equipment	5 - 10 years

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building	15 years
Infrastructure	50 years
Equipment	5 - 7 years

7. Deferred Outflows/Inflows of Resources

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

8. Long-Term Obligations

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

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

9. Compensated Absences

The vacation policies of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide and proprietary fund statements. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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 does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Permanent Fund - 1943 Settlement - principal amount derived from the 1943 agreement with the Department of the Interior is to remain in perpetuity.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally imposed 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 Public Safety - portion of fund balance that is restricted by revenue source to pay for the safety of the public.

Restricted for Human Services - portion of fund balance that is restricted by revenue source for social services.

Restricted for Debt Service - portion of fund balance that is restricted for the retirement of QZAB debt owed by the County.

Restricted for Education- portion of fund balance that can only be used for retirement of school debt and is restricted by revenue source.

Restricted for USDA reserve - portion of fund balance that is restricted to satisfy the conditions of a USDA loan.

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

Committed for Public Safety - portion of fund balance that can only be used for future law enforcement expenditures.

Committed for Economic and Physical Development - portion of fund balance that can only be used for economic development purposes.

Assigned Fund Balance - Portion of fund balance that the Swain County governing board has budgeted.

Assigned for General Government - portion of fund balance in the Permanent Fund that is not restricted and can be used for general government purposes by the governing board.

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

Swain County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: 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. The County has not adopted a minimum fund balance policy.

11. Defined Benefit Cost-Sharing Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Registers of Deeds' Supplemental Pension Fund (RODSPF), the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"). 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.

12. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Reconciliation of Government-wide and Fund Financial Statements**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$997,425 consists of the following:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 36,793,200
Less accumulated depreciation	(14,241,745)
Net capital assets	22,551,455
Net pension asset	51,221
Contributions to the pension plan in the current fiscal year	519,133
Contributions to the OPEB plan in the current fiscal year	23,040
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	12,277
Deferred inflows of resources for taxes and special assessments receivable	311,506
Pension related deferrals	1,322,072
OPEB related deferrals	(234,556)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(18,047,409)
Compensated absences	(478,860)
Total OPEB liability	(2,184,910)
Net pension liability	(2,475,587)
Total pension liability	(283,288)
Accrued interest payable	(88,669)
Total adjustment	\$ 997,425

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$(1,992,218) is comprised of the following:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,075,848
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(1,200,955)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(2,850,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements, but again affect only the statement of net position in the government-wide statements	1,311,737
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	519,133
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	9,040
Compensated absences	20,110
Pension expense	(694,748)
OPEB expense	(209,405)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in deferred inflows of resources - taxes receivable - at end of year	18,153
Change in deferred inflows of resources - other receivable - at end of year	8,869
Total adjustment	<u>\$ (1,992,218)</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

III. Detail Notes on All Funds**A. Assets****1. Deposits**

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

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

At June 30, 2019, the County's deposits had a carrying amount of \$4,071,709, a bank balance of \$4,173,622. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$3,673,622 in deposits was covered by collateral held under the Pooling method.

At June 30, 2019, Swain County had \$165 cash on hand.

Also, at June 30, 2019, the deposits of the Tourist Development Authority, a component unit of the County, had a carrying value of \$195,182 and a bank balance of \$195,182, all of which was covered by federal depository insurance or other sufficient collateral held under the pooling method.

2. Investments

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

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 - 12 Months	1 - 3 Years
Commercial Paper	Fair Value - Level 2	\$ 1,084,457	\$ -	\$ 1,084,457	\$ -
NC Capital Management Trust					
Government Portfolio	Fair Value - Level 1	4,425,149	4,425,149	-	-
State Treasurer's Short-Term					
Investment Fund (STIF)	Fair Value - Level 1	52,945,627	-	-	52,945,627
Total:		<u>\$ 58,455,233</u>	<u>\$ 4,425,149</u>	<u>\$ 1,084,457</u>	<u>\$ 52,945,627</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The County has no formal investment policy regarding interest rate risk.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2019, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2019. The County's investments in the State Treasurer's STIF investment fund was unrated and had a weighted average maturity at June 30, 2019 of 1.3 years.

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

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

Year Levied	Tax	Interest	Total
2016	\$ 144,827	\$ 14,842	\$ 159,669
2017	154,962	15,496	170,458
2018	152,912	15,291	168,203
2019	157,786	15,779	173,565
Total	<u>\$ 610,487</u>	<u>\$ 61,408</u>	<u>\$ 671,895</u>

4. Receivables

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

	Accounts Receivable	Taxes Receivable	Accrued Interest	Due From Other Governments	Total
Governmental Activities					
General	\$ 325,290	\$ 662,973	\$ 12,277	\$ 1,060,908	\$ 2,061,448
Other governmental	-	-	-	427,868	427,868
Total receivables	325,290	662,973	12,277	1,488,776	2,489,316
Allowance for doubtful accounts	-	(435,268)	-	-	(435,268)
Total - governmental activities	<u>\$ 325,290</u>	<u>\$ 227,705</u>	<u>\$ 12,277</u>	<u>\$ 1,488,776</u>	<u>\$ 2,054,048</u>
Business-type Activities:					
Solid waste facilities	\$ 129,851	\$ -	\$ -	\$ -	\$ 129,851
Allowance for doubtful accounts	(88,299)	-	-	-	(88,299)
Total - business-type activities	<u>\$ 41,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,552</u>

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

Local option sales taxes	\$ 672,661
DHHS programs	385,116
Sales tax refund receivables	101,469
Other receivables	329,530
Total	<u>\$ 1,488,776</u>

5. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 4,979,412	\$ -	\$ -	\$ -	\$ 4,979,412
Total capital assets not being depreciated	<u>4,979,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,979,412</u>
Capital assets being depreciated					
Buildings	22,167,415	6,547	-	-	22,173,962
Other improvements	195,000	6,265	-	-	201,265
Equipment	4,981,951	630,094	-	-	5,612,045
Vehicles & motorized equipment	3,393,574	432,942	-	-	3,826,516
Total capital assets being depreciated	<u>30,737,940</u>	<u>1,075,848</u>	<u>-</u>	<u>-</u>	<u>31,813,788</u>

Governmental Activities:	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Less accumulated depreciation for:					
Buildings	7,008,932	554,549	-	-	7,563,481
Other improvements	7,313	5,083	-	-	12,396
Equipment	3,408,187	367,770	-	-	3,775,957
Vehicles & motorized equipment	2,616,358	273,553	-	-	2,889,911
Total accumulated depreciation	13,040,790	1,200,955	-	-	14,241,745
Total capital assets being depreciated, net	17,697,150				17,572,043
Governmental activities capital assets, net	<u>\$ 22,676,562</u>				<u>\$ 22,551,455</u>

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

General government	\$ 197,038
Public safety	594,899
Economic and physical development	57,877
Human services	232,039
Environmental protection	3,179
Cultural and recreation	115,923
Total depreciation expense	<u>\$ 1,200,955</u>

Business-type activities:	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets being depreciated					
Buildings	\$ 711,610	\$ 62,000	\$ -	\$ -	\$ 773,610
Equipment	612,984	149,869	-	-	762,853
Vehicles & motorized equipment	878,418	-	-	-	878,418
Total capital assets being depreciated	2,203,012	211,869	-	-	2,414,881
Less accumulated depreciation for:					
Buildings	382,780	21,201	-	-	403,981
Equipment	447,421	37,709	-	-	485,130
Vehicles & motorized equipment	799,396	38,544	-	-	837,940
Total accumulated depreciation	1,629,597	97,454	-	-	1,727,051
Total capital assets being depreciated, net	573,415				687,830
Business-type capital assets, net	<u>\$ 573,415</u>				<u>\$ 687,830</u>

Construction commitments

The County has the following active construction commitments with contractors at June 30, 2019:

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Swain County High School Project	\$ 392,707	\$ 5,678,818
Total	<u>\$ 392,707</u>	<u>\$ 5,678,818</u>

Discretely presented component unit

Activity for the Swain County Tourist Development Authority for the year ended June 30, 2019, was as follows:

Discretely presented component unit:	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets being depreciated					
Building	\$ -	\$ 12,000	\$ -	\$ -	\$ 12,000
Infrastructure	7,044	5,557	-	-	12,601
Equipment	97,853	-	-	-	97,853
Total capital assets being depreciated	104,897	17,557	-	-	122,454
Less accumulated depreciation for					
Building	-	400	-	-	400
Infrastructure	70	191	-	-	261
Equipment	73,795	9,395	-	-	83,190
Total accumulated depreciation	73,865	9,986	-	-	83,851
TDA capital assets, net	\$ 31,032				\$ 38,603

B. Liabilities**1. Payables**

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

	Vendors	Salaries and Benefits	IBNR	Interest Payable	Total
Governmental Activities:					
General	\$ 240,238	\$ 271,990	\$ 89,300	\$ 88,669	\$ 690,197
Other governmental	-	2,093	-	-	2,093
Total governmental activities	\$ 240,238	\$ 274,083	\$ 89,300	\$ 88,669	\$ 692,290
Business-type Activities:					
Solid waste	\$ 31,557	\$ 3,702	\$ -	\$ -	\$ 35,259

2. Pension Plan and Other Postemployment Obligations**a. Local Governmental Employees' Retirement System**

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$537,665 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, and Deferred Outflows of Resources
and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the County reported a liability of \$2,578,736 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, actuarially determined. At June 30, 2018, the County's proportion was .109%, which was a decrease of .005% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$680,462. 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	\$ 397,838	\$ 13,349
Changes of assumptions	684,297	-
Net difference between projected and actual earnings on pension plan investments	353,983	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,231	78,824
County contributions subsequent to the measurement date	537,665	-
Total	<u>\$ 1,976,014</u>	<u>\$ 92,173</u>

\$537,665 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	657,202
2021		430,413
2022		62,935
2023		195,626
2024		-
Thereafter		-

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 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 for the period January 1, 2010 through 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, 2018 are summarized in the following table:

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 6,194,347	\$ 2,578,736	\$ (442,525)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Swain County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Inactive members currently receiving benefits	-
Active plan members	<u>25</u>
Total membership	<u><u>25</u></u>
A separate report was not issued for	

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

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

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality Rate

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.

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County did not pay any benefits 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 \$283,288. 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 \$33,857.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,399	\$ 20,508
Changes of assumptions	15,004	14,869
Total	<u>\$ 57,403</u>	<u>\$ 35,377</u>

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

Year ended June 30:

2020	\$ 3,334
2021	3,334
2022	3,334
2023	3,334
2024	4,384
Thereafter	4,306

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	\$ 331,305	\$ 283,288	\$ 257,679

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

Total pension liability as of December 31, 2017	\$ 216,197
Changes for the year:	
Service Cost	23,691
Interest on the total pension liability	6,832
Differences between expected and actual experience in the measurement of the total pension liability	49,709
Changes of assumptions or other inputs	<u>(13,141)</u>
Net changes	<u>67,091</u>
Total pension liability as of December 31, 2018	<u>\$ 283,288</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.16% to 3.64% due to a change in the Municipal Bond Rate.

Changes in Benefit Terms. There are no changes in benefit terms since the prior Measurement Date.

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

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

c. Supplement Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The County contributed \$59,978 for the year ended June 30, 2019. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Swain County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which 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 \$2,975 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$51,221 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2018, the County's proportion was 0.31%, which was an increase of .00013% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$7,647. 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	\$ 452	\$ 2,338
Changes of assumptions	2,409	-
Net difference between projected and actual earnings on pension plan investments	8,164	-
Changes in proportion and differences between County contributions and proportionate share of contributions	18	988
County contributions subsequent to the measurement date	2,975	-
Total	<u>\$ 14,018</u>	<u>\$ 3,326</u>

\$2,975 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 3,418
2021	624
2022	2,406
2023	1,269
2024	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 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 for the period January 1, 2010 through 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, 2018 is 1.4%.

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 3.00%. 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)	\$ 40,385	\$ 51,221	\$ 60,359

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

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

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

	LGERS	RODSPF	LEOSSA	Total
Proportionate share of the net pension liability (asset)	\$ 2,578,736	\$ 51,221	\$ -	\$ 2,629,957
Proportion of the net pension liability (asset)	0.10870%	0.30925%	n/a	n/a
Total pension liability	n/a	n/a	\$ 283,288	\$ 283,288
Pension expense	\$ 680,462	\$ 7,647	\$ 33,857	\$ 721,966

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

	LGERS	RODSPF	LEOSSA	Total
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 397,838	\$ 452	\$ 42,399	\$ 440,689
Changes of assumptions	684,297	2,409	15,004	701,710
Net difference between projected and actual earnings on pension plan investments	353,983	8,164	-	362,147
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,231	18	-	2,249
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	537,665	2,975	-	540,640
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 13,349	\$ 2,338	\$ 20,508	\$ 36,195
Changes of assumptions	-	-	14,869	14,869
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	78,824	988	-	79,812

f. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Thus the County's Deferred Compensation Plan is not reported within the County's agency funds.

g. Other Postemployment Benefit**Healthcare Benefits**

Plan Description. Under a County resolution, Swain County administers the Healthcare Benefits Plan (HCB Plan), single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten continuous years of creditable service with the County, depending on date of hire. The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Retirees who qualify for coverage receive the same benefits as active employees. The County pays the full cost of coverage for employees' benefits as incurred, on a pay-as-you-go basis and employees have the option of purchasing dependent coverage at the County's group rates. No new dependents may be added following retirement. Spousal and dependent coverage ends once the spouse or retiree is eligible for Medicare. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The County Council may amend the benefit provisions. A separate report was not issued for the plan.

Employees are eligible to participate in the County's health plan if they retire with one of the following conditions:

- 30 years of service with the County, or
- Are at least 55 years of age with 25 years of service with the County, or
- Are at least 62 years of age and have 10 years of service with the County.

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	5
Inactive members entitled to but not yet receiving benefits	-
Active employees	201
Total membership	<u>206</u>

Total OPEB Liability

The County's total OPEB liability of \$2,275,947 was measured as of June 30, 2018 and was determined by a biennial actuarial valuation as of June 30, 2017.

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

Inflation	2.50 percent
Real wage growth	1.00 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor (General Employees) 3.50 to 7.35 percent, including inflation and productivity factor (Law Enforcement Officers)
Discount rate	3.89 percent
Healthcare cost trend rates	7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

The County selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2017	\$2,160,068
Changes for the year:	
Service Cost at the end of the year	183,276
Interest	76,832
Difference between expected and actual experience	(61,202)
Changes of assumptions or other inputs	(79,263)
Net benefit payments	(3,764)
Net changes	<u>115,879</u>
Total OPEB Liability as of June 30, 2018	<u>\$2,275,947</u>

Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89% due to a change in the Municipal Bond Rate.

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 - December 31, 2014, adopted by the LGERS.

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 1-percentage-point lower (2.89 percent) or 1-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	\$ 2,525,991	\$ 2,275,947	\$ 2,054,170

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 1,973,932	\$ 2,275,947	\$ 2,643,183

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 \$221,893. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 80,752
Changes of assumptions	-	163,577
County benefit payments and administrative expenses subsequent to the measurement date	24,000	-
Total	<u>\$ 24,000</u>	<u>\$ 244,329</u>

\$24,000 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ (38,215)
2021	(38,215)
2022	(38,215)
2023	(38,215)
2024	(38,215)
Thereafter	(53,254)

h. 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 may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience (Pensions, OPEB)	\$ 440,689	\$ 116,947
Net difference between projected and actual investment earnings (Pensions, OPEB)	362,147	-
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	2,249	79,812
Change in assumptions (Pensions, OPEB)	701,710	178,446
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	540,640	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	24,000	-
Prepaid taxes not yet earned (General)	-	45,361
Taxes receivable, net (General), less penalties	-	227,705
Other receivable, (General)	-	83,801
Total	<u>\$2,071,435</u>	<u>\$ 732,072</u>

4. 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 three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$46 million for any one occurrence. The County also purchases general, auto, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the North Carolina statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage, and \$600,000 of each loss in excess of a \$50,000 per occurrence retention for property, auto physical damage, and crime coverage. For workers' compensation there is a per occurrence retention of \$350,000. The County provides employee medical and dental benefits through a self-insured plan reinsured through the Pool. Claims are administered and paid through a third party. Specific stop loss is set at \$50,000 per individual health insurance claim and aggregate annual stop loss is set at the level of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100,000.

The County pays claims and administrative costs of the program from the General Fund as they become due. All full-time employees of the County participate in the program. The claims liability of \$89,300 reported in the fund at June 30, 2019, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County expects all claims to be paid within the next twelve months; therefore, the entire amount is presented as current.

Changes in the balances of claims liabilities during the past fiscal year are as follows:

	2019	2018
Unpaid claims - beginning	\$ 67,754	\$ 82,086
Incurred claims	1,616,065	1,334,890
Claim payments	(1,594,519)	(1,349,222)
Unpaid claims - ending	<u>\$ 89,300</u>	<u>\$ 67,754</u>

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer and the County Manager are each individually bonded for \$50,000. The Sheriff, Register of Deeds, and Tax Collector are each individually bonded for \$20,000. The remaining employees who have access to funds are bonded under a blanket bond.

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

The County does not carry flood insurance.

Discretely presented component unit

Swain County Tourist Development Authority

In accordance with G.S. 159-29, the Director of Finance of Swain County Tourist Development Authority is performance bonded through a commercial surety bond for \$50,000. This bond is a separate individual bond to protect the Authority and that names the Authority as obligee or beneficiary. This bond is in addition to the bond on the Finance Director that names the County as obligee.

5. Contingent Liabilities

At June 30, 2019, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

6. Long-Term Obligations

a. Capital Leases

Serviced by the County's Solid Waste Fund

The County entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The lease agreement was executed on July 1, 2017 for the lease of a forklift and requires 60 monthly payments of \$509. Under the terms of the agreement, title passes to the County at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

Classes of property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 27,132	\$ 5,814	\$ 21,318
	<u>\$ 27,132</u>	<u>\$ 5,814</u>	<u>\$ 21,318</u>

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

Year Ending June 30,	
2020	\$ 6,107
2021	6,107
2022	<u>6,107</u>
Total minimum lease payments	18,321
Less: amount representing interest	<u>1,277</u>
Present value of the net minimum lease payments	<u>\$ 17,044</u>

b. Installment Purchases**Serviced by the County's General Fund**

As authorized by State law (G.S. 160A-20), the County financed the renovation of Swain County High School for use by the Swain County Board of Education by entering into a Qualified Zone Academy Bond direct placement contract dated December 18, 2006, in the amount of \$1,500,000, including interest at zero percent. The direct placement contract was issued pursuant to a Deed of Trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Swain County Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation. The transaction requires 16 annual payments of \$77,930 to a sinking fund with Bank of America. The Sinking Fund yields a projected investment return of 5.36%. The payments began December 18, 2007. If investment earnings do not result as projected, the County will pay the required amount for the total funds to equal \$1,500,000 on December 18, 2022. The property is pledged as collateral for the debt while the debt is outstanding.	\$	1,500,000
The County entered into a direct placement contract (QSCB) dated January 5, 2011, in the amount of \$1,825,000 for school construction. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in fifteen (15) annual principal installments of \$121,667, plus interest of 5.43% per annum, and matures on December 31, 2025.		851,667
The County entered into a direct placement contract dated August 27, 2015, in the amount of \$500,000 for three (3) vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in seven (7) annual installments of \$77,137, including interest at 1.96% per annum, and matures on August 27, 2022.		294,003
The County entered into a direct placement contract dated December 14, 2011, in the amount of \$600,000 for the museum project. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in one hundred and twenty (120) monthly installments of \$5,000, plus interest of 2.63% per annum, and matures on December 14, 2021.		150,000
The County entered into a direct placement contract dated September 27, 2013, in the amount of \$200,000 for the rehabilitation of a steam engine. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in ten (10) annual principal installments of \$20,000, plus interest of 3.36% per annum, and matures on September 27, 2023.		100,000
The County entered into a direct placement contract dated September 27, 2013, in the amount of \$164,500 for a turn-around table and land. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in fifteen (15) annual principal installments of \$33,333, plus interest of 4.09% per annum, and matures on September 27, 2028.		333,333
The County entered into a direct placement contract (QSCB) dated June 1, 2015, in the amount of \$2,400,000 for school construction. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in fifteen (15) annual principal installments of \$160,000, plus interest of 4.44% per annum, and matures on June 9, 2030.		1,760,000
The County entered into a direct placement contract dated June 1, 2015, in the amount of \$800,000 for school construction. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in fifteen (15) annual principal installments of \$53,333 plus interest of 2.89% per annum, and matures on June 9, 2030.		586,667
The County entered into a direct placement contract dated October 19, 2016, in the amount of \$1,889,744 for land, building, and a parking lot. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires five (5) annual principal payments of \$303,815, one (1) annual principal payment of \$252,000, and a final principal payment of \$118,667. Each payment will include the required principal plus interest at 1.94%, and matures on October 19, 2022.		978,298
The County entered into a direct placement contract dated October 19, 2016, in the amount of \$620,000 for two parcels of land. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in ten (10) annual principal installments of \$62,000, plus interest at 2.28% per annum, and matures on October 19, 2026.		496,000

The County entered into a direct placement contract dated August 9, 2016, in the amount of 217,045 \$640,000 for various vehicle purchases. The vehicles are pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in three (3) annual principal installments of \$220,843, including interest at 1.75% per annum, and matures on August 9, 2019.

The County entered into a direct placement contract dated July 19, 2017, in the amount of 328,976 \$390,000 for HVAC improvements at Swain West Elementary School and camera installations at the law enforcement center. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in six (6) annual installments of \$70,852, including interest at 2.52% per annum, and matures on July 12, 2023.

The County entered into a direct placement contract dated June 19, 2019, in the amount of 2,600,000 \$2,600,000 to finance improvements to Swain County High School. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in fifteen (15) annual principal installments of \$173,333, plus interest of 3.38% per annum, and matures on June 19, 2030.

The County entered into a direct placement contract dated November 29, 2018, in the amount of \$250,000 to purchase vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in three (3) annual principal installments of \$88,808, including interest at 3.25% per annum, and matures on November 29, 2021.

	250,000
\$	10,445,989

The annual debt service requirements to maturity for the County are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 1,419,147	\$ 305,701
2021	1,207,699	264,276
2022	1,131,635	226,658
2023	885,397	190,996
2024	2,192,776	161,030
2025 - 2029	2,529,335	455,932
2030 - 2034	1,080,000	96,525
Total	\$ 10,445,989	\$ 1,701,118

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$10,420,099 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2019.

Serviced by the County's Solid Waste Fund

The County entered into a direct placement contract dated November 29, 2018, in the amount of \$160,000 for equipment purchases. The equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract is payable in five (5) annual installments of \$35,387, including interest at 3.45% per annum, and matures on November 29, 2023.

\$	160,000
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The annual debt service requirements to maturity for the County are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2020	\$ 29,867	\$ 5,520
2021	30,897	4,490
2022	31,963	3,424
2023	33,066	2,321
2024	34,207	1,180
Total	\$ 160,000	\$ 16,935

c. USDA Installment Obligation

On June 27, 2006, the County entered into a \$9,000,000 direct placement installment obligation with the United States Department of Agriculture for the construction of a jail building. The property is pledged as collateral for the debt while the debt is outstanding. The installment obligation requires thirty-eight (38) installments of \$473,130, including interest at 4.13%, and matures on June 27, 2046.

\$ 7,601,420

The annual debt service requirements to maturity for the USDA installment obligation are as follows:

	Principal	Interest
Year Ending June 30,		
2020	\$ 159,571	\$ 313,559
2021	166,154	306,976
2022	173,008	300,122
2023	180,144	292,986
2024	187,575	285,555
2025-2029	1,060,521	1,305,128
2030-2034	1,298,059	1,067,590
2035-2039	1,588,802	776,848
2040-2044	1,944,665	420,985
2045-2046	842,921	103,339
Total	<u>\$ 7,601,420</u>	<u>\$ 5,173,088</u>

At June 30, 2019, Swain County had a legal debt margin of \$116,081,147.

d. Long-term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Direct placement installment purchases	\$ 8,754,476	\$2,850,000	\$1,158,487	\$ 10,445,989	\$1,419,147
USDA direct placement installment obligation	7,754,670	-	153,250	7,601,420	159,571
Compensated absences	498,970	283,276	303,386	478,860	304,000
Total OPEB liability	2,073,666	111,244	-	2,184,910	-
Net pension liability (LERS)	1,662,260	813,327	-	2,475,587	-
Total pension liability (LEOSSA)	216,197	67,091	-	283,288	-
Total Government activities	<u>\$ 20,960,239</u>	<u>\$4,124,938</u>	<u>\$1,615,123</u>	<u>\$ 23,470,054</u>	<u>\$1,882,718</u>
Business-type activities:					
Capitalized leases	\$ 22,207	\$ -	\$ 5,163	\$ 17,044	\$ 5,414
Direct placement installment purchases	-	160,000	-	160,000	29,867
Compensated absences	12,679	10,231	9,233	13,677	9,000
Net pension liability (LERS)	69,261	33,888	-	103,149	-
Total OPEB liability	86,402	4,635	-	91,037	-
Total business-type activities	<u>\$ 190,549</u>	<u>208,754</u>	<u>14,396</u>	<u>\$ 384,907</u>	<u>\$ 44,281</u>

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

No interest was capitalized during 2019; interest incurred and charged to expense totaled \$550,922.

C. Interfund Balances and Activity

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

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Solid Waste Fund	\$ 349,886	Working capital loan
General Fund	Schools Capital Reserve Fund	82,225	Reimbursable expenditures
General Fund	Emergency Telephone System Fund	11,205	Reimbursable expenditures
General Fund	Family Preservation Grant Fund	8,912	Reimbursable expenditures
General Fund	School Capital Projects Fund	294,530	Reimbursable expenditures
		<u>\$ 746,758</u>	

The interfund balances resulted 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.

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

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

	Transfers		Purpose
	From	To	
Swain Settlement Trust Fund	\$ 756,487		Unrestricted earnings
General Fund		\$ 756,487	
General Fund	69,732		Resources for solid waste
Solid Waste Fund		69,732	
General Fund	98,177		Matching funds for project
School Capital Projects Fund		98,177	
	<u>\$ 924,396</u>	<u>\$ 924,396</u>	

Interfund transfers at June 30, 2019, consist of the following:

	Transfers		Purpose
	From	To	
Schools Capital Reserve Fund	\$ 1,188,239		Debt service
General Fund		\$ 1,188,239	
General Fund	39,711		Unused local funds
Public Safety Capital Reserve		39,711	
General Fund	40,000		USDA debt reserve
Law Enforcement Capital Reserve		40,000	
	<u>\$ 1,267,950</u>	<u>\$ 1,267,950</u>	

D. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2019, is computed as follows:

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	<u>\$ 22,551,455</u>	<u>\$ 687,830</u>
Less capital debt:		
Total debt, gross	18,047,409	177,044
Less:		
School debt for assets to which the county does not hold title	<u>(7,627,310)</u>	<u>-</u>
Net capital debt	<u>10,420,099</u>	<u>177,044</u>
Net investment in capital assets	<u>\$ 12,131,356</u>	<u>\$ 510,786</u>

E. Fund Balance

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

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

Total fund balance - General Fund	\$ 10,731,718
Stabilization by State Statute	2,182,493
Debt service	1,084,457
Education	341,023
USDA reserve	80,063
Public safety	94,186
Economic and physical development	22,354
Remaining fund balance	6,927,142

Swain County has not adopted a minimum fund balance policy.

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

<i>Encumbrances</i>	<i>General Fund</i>	<i>Nonmajor Funds</i>
	\$ -	\$ -

F. Prior Period Adjustment

During the fiscal year ended June 30, 2019, the County determined that certain transactions were recorded incorrectly in the prior year.

Governmental Activities: During the fiscal year ended June 30, 2019, the County discovered that deferred outflows of resources related to pensions was overstated by \$43,289. The effect of this adjustment resulted in an overstatement of net position.

Governmental Activities Net position, beginning as previously reported	\$ 63,989,505
Deferred outflows of resources related to pension	<u>(43,829)</u>
Net prior period adjustment	<u>(43,829)</u>
Governmental Activities Net position, beginning as restated	<u>\$ 63,945,676</u>

Business-type Activities: During the fiscal year ended June 30, 2019, the County discovered that deferred outflows of resources related to pensions was overstated by \$1,827. The effect of this adjustment resulted in an overstatement of net position.

Business-type Activities Net position, beginning as previously reported	\$ 132,454
Deferred outflows of resources related to pension	<u>(1,827)</u>
Net prior period adjustment	<u>(1,827)</u>
Business-type Activities Net position, beginning as restated	<u>\$ 130,627</u>

IV. Joint Ventures

1. Swain County Board of Education - The County, in conjunction with the State of North Carolina and the Swain County Board of Education, participates in a joint venture to operate the Southwestern Community College. Each of the three participants appoints four board members to the thirteen-member Board of the Trustees of the community college. The President of the community college's student government serves as an ex officio non-voting member of the community college's Board of the Trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$128,000 to the community college during the fiscal year ended June 30, 2019.

The participating governments do 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's administrative offices in Sylva, North Carolina.

2. Marianna Black Regional Library - The County participates in a joint venture to operate the Marianna Black Regional Library with two other local governments. Each participating government appoints two board members to the six-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 government's continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$210,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office in Bryson City, North Carolina.

3. Fontana Regional Library - Swain County supports the Fontana Regional Library by providing building space in the Marianna Black Regional Library. The County has no responsibility in appointing Board members. The County has no equity interest in the library, thus no equity interest has been reflected in the County's financial statements at June 30, 2019.

V. Jointly Governed Organizations

1. The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$10,006 to the Commission during the fiscal year ended June 30, 2019.

2. The County, in conjunction with seven other counties, established Vaya Health, formerly Smoky Mountain Mental Health Center. The participating governments established Vaya Health to provide mental health services to the western region of North Carolina. The County designates a commissioner they wish to serve on the County Commissioner Advisory Board of Vaya Health. The County Commissioner Advisory Board serves solely in an advisory capacity and does not have authority over budgeting, personnel matters, governance or policy making. The County contributed \$20,000 to Vaya Health during the fiscal year ended June 30, 2019.

VI. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

VII. New Accounting Pronouncements

Pronouncements effective for the 2019 Financial Statements:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. This pronouncement did not impact the County.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The County has implemented GASB No. 88 and modified the note disclosures related to debt.

Pronouncements issued, but not yet effective, which will be adopted by the County in future years. As of the date of this report, the County has not determined the financial impact of implementing the following Statements:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Most provisions will be applied on a retroactive basis; however, provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest will be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

VIII. Significant Effects of Subsequent Events

Swain County has evaluated events and transactions that occurred between June 30, 2019 and January 21, 2020, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No events have occurred which would have a material effect on the financial on the financial statements of the County as of that date.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

Local Governmental Employees' Retirement System

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Register of Deeds' Supplemental Pension Fund

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Law Enforcement Officers' Special Separation Allowance

- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Other Postemployment Benefits

- Schedule of Changes in the Total OPEB Liability and Related Ratios

Swain County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Local Governmental Employees' Retirement System
Last Six Fiscal Years*

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.1087%	0.1133%	0.1179%	0.1084%	0.1144%	0.1150%
County's proportionate share of the net pension liability (asset) \$	\$ 2,578,736	\$ 1,731,521	\$ 2,502,870	\$ 486,582	\$ (678,503)	\$1,378,959
County's covered-employee payroll	\$ 6,904,112	\$ 6,949,607	\$ 6,351,819	\$ 5,460,155	\$ 6,073,036	\$5,537,736
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.35%	24.92%	39.40%	8.91%	(11.17%)	24.90%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

Swain County, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Local Governmental Employees' Retirement System
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 537,665	\$ 569,589	\$ 517,516	\$ 433,276	\$ 464,754	\$ 430,925
Contributions in relation to the contractually required contribution	<u>537,665</u>	<u>569,589</u>	<u>517,516</u>	<u>433,276</u>	<u>464,754</u>	<u>430,925</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 6,826,196	\$ 6,904,112	\$ 6,949,607	\$ 6,351,819	\$ 5,460,155	\$ 6,073,036
Contributions as a percentage of covered-employee payroll	7.88%	8.25%	7.45%	6.82%	8.51%	7.10%

Swain County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Register of Deeds' Supplemental Pension Fund
Last Six Fiscal Years*

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.3093%	0.3093%	0.3040%	0.2824%	0.2822%	0.4368%
County's proportionate share of the net pension liability (asset) \$	\$ (51,221)	\$ (52,808)	\$ (56,841)	\$ (65,450)	\$ (63,966)	\$ (98,995)
Plan fiduciary net position as a percentage of the total pension liability **	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

** This will be the same percentage for all participant employers in the Register of Deeds' Supplemental Pension Fund plan.

Swain County, North Carolina
Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund
Register of Deeds' Supplemental Pension Fund
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,975	\$ 2,595	\$ 4,580	\$ 3,890	\$ 2,901	\$ 2,304
Contributions in relation to the contractually required contribution	<u>2,975</u>	<u>2,595</u>	<u>4,580</u>	<u>3,890</u>	<u>2,901</u>	<u>2,304</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 216,197	\$ 194,947	\$ 172,729
Service cost	23,691	21,603	22,281
Interest on the total pension liability	6,832	7,525	6,166
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	49,709	(29,348)	-
Changes of assumptions or other inputs	(13,141)	21,470	(6,229)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 283,288</u>	<u>\$ 216,197</u>	<u>\$ 194,947</u>

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 283,288	\$ 216,197	\$ 194,947
Covered payroll	1,047,919	1,065,628	1,055,662
Total pension liability as a percentage of covered payroll	27.03%	20.29%	18.47%

Notes to the schedules:

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

Swain County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Other Postemployment Benefits
For the Year Ended June 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	183,276	197,360
Interest	76,832	62,448
Differences between expected and actual experience	(61,202)	(36,464)
Changes of assumptions	(79,263)	(126,117)
Net benefit payments	(3,764)	(23,520)
Net change in total OPEB liability	115,879	73,707
Total OPEB liability - beginning	2,160,068	2,086,361
Total OPEB liability - ending	2,275,947	2,160,068
Covered payroll	6,250,370	6,250,370
Total OPEB liability as a percentage of covered payroll	36.41%	34.56%

Notes to Schedule

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

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

Combining and Individual Fund Statements and Schedules

MAJOR GOVERNMENTAL FUNDS

The County has the following major governmental funds:

- **General Fund** – This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **The Schools Capital Reserve Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Schools Capital Reserve Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.
- **The Economic Development Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Economic Development Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.
- **The Public Safety Capital Reserve Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Public Safety Capital Reserve Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.
- **The Law Enforcement Capital Reserve Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Law Enforcement Capital Reserve Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.

Swain County, North Carolina
General Fund - Consolidated
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	General Fund	Schools Capital Reserve Fund	Economic Development Fund	Public Safety Capital Reserve	Law Enforcement Center Capital Reserve	Eliminations	Total
REVENUES							
Ad valorem taxes	\$ 6,130,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,130,436
Local option sales tax	3,042,161	827,765	-	-	-	-	3,869,926
Other taxes and licenses	191,359	-	-	-	-	-	191,359
Unrestricted intergovernmental	1,512,450	-	-	-	-	-	1,512,450
Restricted intergovernmental	4,417,503	223,000	-	-	-	-	4,640,503
Permits and fees	184,765	-	-	-	-	-	184,765
Sales and services	2,632,407	-	-	-	-	-	2,632,407
Investment earnings	124,097	9,687	652	116	52	-	134,604
Miscellaneous	548,411	-	26,132	-	-	-	574,543
Total revenues	18,783,589	1,060,452	26,784	116	52	-	19,870,993
EXPENDITURES							
Current:							
General government	3,322,388	-	-	-	-	-	3,322,388
Public safety	4,535,571	-	-	-	-	-	4,535,571
Environmental protection	115,486	-	-	-	-	-	115,486
Economic and physical development	550,108	-	35,000	-	-	-	585,108
Human services	7,689,074	-	-	-	-	-	7,689,074
Cultural and recreation	700,004	-	-	-	-	-	700,004
Education	1,230,573	-	-	-	-	-	1,230,573
Debt service:							
Principal retirement	1,311,737	-	-	-	-	-	1,311,737
Interest and fees	559,962	-	-	-	-	-	559,962
Total expenditures	20,014,903	-	35,000	-	-	-	20,049,903
Revenues over (under) expenditures	(1,231,314)	1,060,452	(8,216)	116	52	-	(178,910)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	1,944,726	-	-	39,711	40,000	(1,267,950)	756,487
Transfers to other funds	(247,620)	(1,188,239)	-	-	-	1,267,950	(167,909)
Total net transfers	1,697,106	(1,188,239)	-	39,711	40,000	-	588,578
Proceeds from long-term debt issued	2,850,000	-	-	-	-	-	2,850,000
Total other financing sources (uses)	4,547,106	(1,188,239)	-	39,711	40,000	-	3,438,578
Fund balance appropriated	-	-	-	-	-	-	-
Net change in fund balances	3,315,792	(127,787)	(8,216)	39,827	40,052	\$ -	3,259,668
FUND BALANCES							
Fund balance, beginning	6,878,300	468,810	30,570	54,359	40,011		7,472,050
Fund balance, ending	\$ 10,194,092	\$ 341,023	\$ 22,354	\$ 94,186	\$ 80,063		\$ 10,731,718

Exhibit 4

The Schools Capital Reserve Fund, the Economic Development Fund, the Public Safety Capital Reserve Fund, and the Law Enforcement Capital Reserve are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, they are consolidated in the General Fund.

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes		\$ 6,039,801	
Penalties and interest		90,635	
Total	<u>\$ 6,141,501</u>	<u>6,130,436</u>	<u>\$ (11,065)</u>
Local option sales taxes:			
Article 39 one percent		1,457,391	
Article 40 one-half of one percent		713,360	
Article 42 one-half of one percent		283,197	
Article 44 one-half of one percent		336,678	
Medicaid hold harmless		251,535	
Total	<u>2,715,000</u>	<u>3,042,161</u>	<u>327,161</u>
Other taxes and licenses:			
Register of deeds - excise tax		152,804	
Local room occupancy tax		30,095	
Marriage licenses		8,460	
Total	<u>1,018,000</u>	<u>191,359</u>	<u>(826,641)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes - outside sources		1,473,073	
ABC profit distribution		6,687	
Utility franchise tax		32,690	
Total	<u>1,348,000</u>	<u>1,512,450</u>	<u>164,450</u>
Restricted intergovernmental:			
Federal and state grants		4,395,164	
Court facility fees		22,339	
Total	<u>5,559,304</u>	<u>4,417,503</u>	<u>(1,141,801)</u>
Permits and fees:			
Inspection fees		113,971	
Register of deeds		69,099	
Safe driving		1,695	
Total	<u>154,900</u>	<u>184,765</u>	<u>29,865</u>
Sales and services:			
Tag office		66,384	
Officer fees		14,369	
Jail fees		755,515	
Ambulance fees		1,015,028	
Recreation fees		74,640	
Town contribution - recreation		21,000	
Town contribution - fire marshal		18,250	
Town dispatcher and PIN		36,497	
Building lease		156,694	
Chamber salary reimbursement		61,985	
Sheriff fees		278,720	
Health department fees and reimbursements		133,325	
Total	<u>2,745,159</u>	<u>2,632,407</u>	<u>(112,752)</u>

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment earnings	40,000	124,097	84,097
Miscellaneous:			
Insurance refunds		7,831	
Interest payback		129,538	
Sales tax refund		39,534	
Other		371,508	
Total	449,821	548,411	98,590
Total revenues	20,171,685	18,783,589	(1,388,096)
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		72,742	
Operating expenditures		11,003	
Travel		20,370	
Total	108,666	104,115	4,551
Administration:			
Salaries and employee benefits		250,821	
Operating expenditures		316,265	
Capital outlay		22,600	
Legal services		28,345	
Total	1,947,082	618,031	1,329,051
Board of Elections:			
Salaries and employee benefits		106,671	
Operating expenditures		66,977	
Total	180,278	173,648	6,630
Finance:			
Salaries and employee benefits		224,831	
Operating expenditures		24,854	
Professional services		77,950	
Total	340,611	327,635	12,976
Tax and mapping:			
Salaries and employee benefits		249,001	
Operating expenditures		185,481	
Total	459,384	434,482	24,902
Register of deeds:			
Salaries and employee benefits		157,975	
Operating expenditures		49,406	
Recording fees		58,222	
Total	307,280	265,603	41,677

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Salaries and employee benefits		579,223	
Operating expenditures		123,131	
Capital outlay		30,578	
Maintenance and repairs		181,067	
Utilities and fuel		153,448	
Insurance		16,000	
Total	<u>1,252,369</u>	<u>1,083,447</u>	<u>168,922</u>
Court facilities:			
Salaries and employee benefits			
Operating expenditures		27,250	
Total	<u>40,000</u>	<u>27,250</u>	<u>12,750</u>
Data processing:			
Salaries and employee benefits		102,161	
Operating expenditures		54,688	
Capital outlay		47,264	
Total	<u>225,965</u>	<u>204,113</u>	<u>21,852</u>
Tag office:			
Salaries and employee benefits		81,623	
Operating expenditures		2,441	
Total	<u>87,970</u>	<u>84,064</u>	<u>3,906</u>
Total general government	<u>4,949,605</u>	<u>3,322,388</u>	<u>1,627,217</u>
Public safety:			
Sheriff's department:			
Salaries and employee benefits		1,673,421	
Operating expenditures		411,535	
Capital outlay		148,427	
Total	<u>2,299,437</u>	<u>2,233,383</u>	<u>66,054</u>
Jail:			
Salaries and employee benefits		756,033	
Operating expenditures		228,985	
Capital outlay		93,585	
Food		166,694	
Medical expenditures		187,505	
Total	<u>1,552,707</u>	<u>1,432,802</u>	<u>119,905</u>
Emergency management:			
Salaries and employee benefits		89,509	
Operating expenditures		25,258	
Capital outlay		14,722	
Total	<u>142,456</u>	<u>129,489</u>	<u>12,967</u>

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Emergency communications:			
Salaries and employee benefits		366,403	
Operating expenditures		26,059	
Capital outlay		12,467	
Total	<u>444,823</u>	<u>404,929</u>	<u>39,894</u>
Inspections:			
Salaries and employee benefits		113,296	
Operating expenditures		23,698	
Capital outlay		23,000	
Total	<u>168,258</u>	<u>159,994</u>	<u>8,264</u>
Medical examiner:			
Professional services		1,400	
Total	<u>14,000</u>	<u>1,400</u>	<u>12,600</u>
Special appropriations:			
Fire departments		132,498	
Rescue squad		40,401	
Task force		675	
Total	<u>180,000</u>	<u>173,574</u>	<u>6,426</u>
Total public safety	<u>4,801,681</u>	<u>4,535,571</u>	<u>266,110</u>
Environmental protection:			
Soil and water:			
Salaries and employee benefits		87,224	
Operating expenditures		28,262	
Total	<u>204,881</u>	<u>115,486</u>	<u>89,395</u>
Total environmental protection	<u>204,881</u>	<u>115,486</u>	<u>89,395</u>
Economic and physical development:			
Agriculture extension:			
Salaries and employee benefits		300,191	
Operating expenditures		34,329	
Total	<u>373,878</u>	<u>334,520</u>	<u>39,358</u>
Community development:			
SW Commission - CBA		69,368	
SW Commission - CBA Match		6,287	
JCPC		2,248	
Total	<u>82,500</u>	<u>77,903</u>	<u>4,597</u>
Economic development:			
Salaries and employee benefits		61,917	
Operating expenditures		3,411	
Contract services		2,379	
Total	<u>1,051,895</u>	<u>67,707</u>	<u>984,188</u>

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Chamber of commerce:			
Salaries and employee benefits		69,978	
Total	<u>129,509</u>	<u>69,978</u>	<u>59,531</u>
Total economic and physical development	<u>1,637,782</u>	<u>550,108</u>	<u>1,087,674</u>
Human services:			
Social services:			
Administration:			
Salaries and employee benefits		2,015,873	
Operating expenses		380,334	
Travel		13,687	
Capital outlay		288,317	
Total		<u>2,698,211</u>	
Programs:			
TANF		103,174	
Medical transportation		73,675	
Foster care		417,019	
Special assistance		79,067	
Child support		19,568	
Crisis intervention		48,473	
Daycare		80,002	
Blind		1,747	
Total		<u>822,725</u>	
Total Social services	<u>3,873,337</u>	<u>3,520,936</u>	<u>352,401</u>
Health functions:			
Emergency medical services:			
Salaries and employee benefits		1,036,866	
Operating expenditures		230,254	
Capital outlay		354,648	
Total		<u>1,621,768</u>	
Veterans service officer:			
Salaries and employee benefits		4,045	
Total		<u>4,045</u>	
Health department:			
General:			
Salaries and employee benefits		948,206	
Operating expenses		148,642	
Capital outlay		4,681	
Total		<u>1,101,529</u>	
Immunization action plan:			
Salaries and employee benefits		576	
Total		<u>576</u>	

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Breast and cervical cancer:			
Salaries and employee benefits		1,678	
Operating expenses		7,114	
Total		<u>8,792</u>	
Wise women:			
Salaries and employee benefits		242	
Operating expenses		109	
Total		<u>351</u>	
Child services coordination:			
Salaries and employee benefits		2,850	
Operating expenses		2,179	
Total		<u>5,029</u>	
Adult health:			
Salaries and employee benefits		9,947	
Operating expenses		33,536	
Total		<u>43,483</u>	
Health promotion:			
Salaries and employee benefits		3,339	
Operating expenses		2,301	
Total		<u>5,640</u>	
Environmental health:			
Salaries and employee benefits		14,098	
Operating expenses		20,184	
Total		<u>34,282</u>	
Maternal health:			
Operating expenses		5,865	
Total		<u>5,865</u>	
Child health:			
Salaries and employee benefits		2,426	
Operating expenses		27,327	
Total		<u>29,753</u>	
Well program:			
Salaries and employee benefits		46	
Total		<u>46</u>	
HIPPA:			
Salaries and employee benefits		1,655	
Operating expenses		1,564	
Total		<u>3,219</u>	

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Women, infants, and children:			
WIC Client services:			
Salaries and employee benefits		2,854	
Operating expenses		4,099	
Total		<u>6,953</u>	
WIC Nutritional education:			
Salaries and employee benefits		803	
Total		<u>803</u>	
WIC Breastfeeding promotion:			
Salaries and employee benefits		632	
Operating expenses		945	
Total		<u>1,577</u>	
WIC General administration:			
Salaries and employee benefits		544	
Total		<u>544</u>	
Total women, infants, and children		<u>9,877</u>	
MCC:			
Salaries and employee benefits		2,664	
Operating expenses		1,257	
Total		<u>3,921</u>	
Food and lodging:			
Salaries and employee benefits		75	
Total		<u>75</u>	
Family planning:			
Salaries and employee benefits		4,909	
Operating expenses		26,215	
Total		<u>31,124</u>	
In-home aid:			
Salaries and employee benefits		252,159	
Operating expenses		7,972	
Total		<u>260,131</u>	
Communicable disease:			
Salaries and employee benefits		2,000	
Operating expenses		5,871	
Total		<u>7,871</u>	
CAP program:			
Salaries and employee benefits		106,416	
Operating expenses		27,810	
Total		<u>134,226</u>	

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Chore:			
Salaries and employee benefits		76,270	
Operating expenses		3,602	
Total		<u>79,872</u>	
Total health department		<u>1,765,662</u>	
Special appropriations:			
Safe program		31,939	
Elderly transportation		117,208	
Smoky Mountain Mental Health		35,087	
Other		592,429	
Total		<u>776,663</u>	
Total health functions	<u>4,346,668</u>	<u>4,168,138</u>	<u>178,530</u>
Total human services	<u>8,220,005</u>	<u>7,689,074</u>	<u>530,931</u>
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		250,469	
Operating expenditures		140,436	
Repairs and maintenance		37,374	
Capital outlay		17,847	
Total	<u>468,074</u>	<u>446,126</u>	<u>21,948</u>
Cultural:			
NC Forestry		36,878	
TVA		7,000	
Marianna Black Library		210,000	
Total	<u>279,767</u>	<u>253,878</u>	<u>25,889</u>
Total cultural and recreation	<u>747,841</u>	<u>700,004</u>	<u>47,837</u>
Education:			
Public schools:			
Public schools - current		875,000	
Public schools - SRS USFS Timber		49,383	
Public schools - capital outlay		178,190	
Community college:			
Community college - current		128,000	
Total education	<u>1,231,690</u>	<u>1,230,573</u>	<u>1,117</u>
Debt service:			
Principal retirements	1,409,297	1,311,737	97,560
Interest and fees	560,000	559,962	38
Total debt service	<u>1,969,297</u>	<u>1,871,699</u>	<u>97,598</u>
Contingency	<u>812</u>	<u>-</u>	<u>812</u>
Total expenditures	<u>23,763,594</u>	<u>20,014,903</u>	<u>3,748,691</u>
Revenues over (under) expenditures	(3,591,909)	(1,231,314)	2,360,595

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Schools Capital Reserve Fund	1,223,000	1,188,239	(34,761)
Swain Settlement Trust Fund	763,000	756,487	(6,513)
Total	<u>1,986,000</u>	<u>1,944,726</u>	<u>(41,274)</u>
Transfers to other funds:			
Capital Projects - School Capital Projects Fund	(1,517,881)	(98,177)	1,419,704
Law Enforcement Capital Reserve Fund	(40,000)	(40,000)	-
Public Safety Capital Reserve Fund	(40,000)	(39,711)	289
Solid Waste Fund	(157,314)	(69,732)	87,582
Total	<u>(1,755,195)</u>	<u>(247,620)</u>	<u>1,507,575</u>
Total net transfers	<u>230,805</u>	<u>1,697,106</u>	<u>1,466,301</u>
Proceeds from long-term debt issued	3,055,000	2,850,000	(205,000)
Total other financing sources (uses)	<u>3,285,805</u>	<u>4,547,106</u>	<u>1,261,301</u>
Revenues and other sources over (under) expenditures	(306,104)	3,315,792	3,621,896
Appropriated fund balance	<u>306,104</u>	<u>-</u>	<u>(306,104)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,315,792</u>	<u>\$ 3,315,792</u>
FUND BALANCE			
Fund balance, beginning		<u>6,878,300</u>	
Fund balance, ending		<u>\$ 10,194,092</u>	

**Swain County, North Carolina
Schools Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local option sales taxes:			
Article 40 one-half of one percent		\$ 338,194	
Article 42 one-half of one percent		489,571	
Total		<u>827,765</u>	
 Public School Building Capital Fund - Lottery Proceeds		223,000	
 Investment earnings		9,687	
Total revenues	<u>\$ 1,223,000</u>	<u>1,060,452</u>	<u>\$ (162,548)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other funds:			
General Fund	(1,223,000)	(1,188,239)	34,761
Total other financing sources (uses)	<u>(1,223,000)</u>	<u>(1,188,239)</u>	<u>34,761</u>
Revenues and other sources over (under) expenditures	-	(127,787)	(127,787)
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(127,787)</u>	<u><u>\$ (127,787)</u></u>
FUND BALANCE			
Fund balance, beginning		468,810	
Fund balances, ending		<u><u>\$ 341,023</u></u>	

Swain County, North Carolina
Economic Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Revolving loan payback		\$ 26,132	
Investment earnings		652	
Total revenues	\$ 100,000	26,784	\$ (73,216)
EXPENDITURES			
Economic redevelopment		35,000	
Total expenditures	100,000	35,000	65,000
Revenues and other sources over (under) expenditures	-	(8,216)	(8,216)
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	(8,216)	\$ (8,216)
FUND BALANCE			
Fund balance, beginning		30,570	
Fund balances, ending		\$ 22,354	

Swain County, North Carolina
Public Safety Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings		\$ 116	
Total revenues	\$ -	116	\$ 116
EXPENDITURES			
Current:			
Public safety:			
Contingency	40,000	-	40,000
Total expenditures	40,000	-	40,000
Revenues over (under) expenditures	(40,000)	116	40,116
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	40,000	39,711	(289)
Total other financing sources (uses)	40,000	39,711	(289)
Revenues and other sources over (under) expenditures	-	39,827	39,827
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	39,827	\$ 39,827
FUND BALANCE			
Fund balance, beginning		54,359	
Fund balances, ending		\$ 94,186	

Swain County, North Carolina
Law Enforcement Center Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings		\$ 52	
Total revenues	\$ -	52	\$ 52
EXPENDITURES			
Current:			
Public safety:			
Contingency	40,000	-	40,000
Total expenditures	40,000	-	40,000
Revenues over (under) expenditures	(40,000)	52	40,052
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	40,000	40,000	-
Total other financing sources (uses)	40,000	40,000	-
Revenues and other sources over (under) expenditures	-	40,052	40,052
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	40,052	\$ 40,052
FUND BALANCE			
Fund balance, beginning		40,011	
Fund balances, ending		\$ 80,063	

PERMANENT FUND

The County has one major governmental permanent fund.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

- **Swain Settlement Trust Fund** – This fund accounts for the resources received from the partial Settlement of the 1943 Agreement with the U.S. Department of the Interior. The interest earned on the non-expendable trust principal is unrestricted.

Swain County, North Carolina
Swain Settlement Trust Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings:			
Interest earned		\$ 312,625	
Total revenues	\$ 763,000	312,625	\$ (450,375)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds			
General fund	(763,000)	(756,487)	6,513
Total other financing sources (uses)	(763,000)	(756,487)	6,513
Revenues and other sources over (under) expenditures	-	(443,862)	(443,862)
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	(443,862)	\$ (443,862)
FUND BALANCE			
Fund balance, beginning		53,389,489	
Fund balance, ending		\$ 52,945,627	

NONMAJOR GOVERNMENTAL FUNDS

The County has the following nonmajor governmental funds:

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- **Emergency Telephone System Fund** – This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.
- **Family Preservation Grant Fund** - This fund is established to account for the grant to serve families at risk or in crisis, to develop or expand and operate coordinated programs of community-based family support services, family preservation services, family reunification services, and adoption promotion and support services.

Capital Project Fund:

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- **School Capital Project Fund** – This fund is used to account for capital outlay for the Swain County school system.

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

	Special Revenue Funds			Capital Project Funds		
	Total			Total		
	Emergency	Family	Nonmajor	School	Nonmajor	Total
	Telephone	Preservation	Nonmajor	Capital	Capital	Nonmajor
	System Fund	Grant Fund	Special	Projects Fund	Projects Fund	Governmental
			Revenue Funds			Funds
ASSETS						
Cash and cash equivalents	\$ 61,143	\$ 49,534	\$ 110,677	\$ -	\$ -	\$ 110,677
Due from other governments	-	-	-	294,530	294,530	294,530
Total assets	<u>\$ 61,143</u>	<u>\$ 49,534</u>	<u>\$ 110,677</u>	<u>\$ 294,530</u>	<u>\$ 294,530</u>	<u>\$ 405,207</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,093	\$ -	\$ 2,093	\$ -	\$ -	\$ 2,093
Due to other funds	11,205	8,912	20,117	294,530	294,530	314,647
Total liabilities	<u>13,298</u>	<u>8,912</u>	<u>22,210</u>	<u>294,530</u>	<u>294,530</u>	<u>316,740</u>
DEFERRED INFLOWS OF RESOURCES						
Fund balances:						
Restricted:						-
Stabilization by state statute	-	-	-	294,530	294,530	294,530
Public safety	47,845	-	47,845	-	-	47,845
Human services	-	40,622	40,622	-	-	40,622
Unassigned	-	-	-	(294,530)	(294,530)	(294,530)
Total fund balances	<u>47,845</u>	<u>40,622</u>	<u>88,467</u>	<u>-</u>	<u>-</u>	<u>88,467</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,143</u>	<u>\$ 49,534</u>	<u>\$ 110,677</u>	<u>\$ 294,530</u>	<u>\$ 294,530</u>	<u>\$ 405,207</u>

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

	Special Revenue Funds			Capital Project Funds		
	Emergency Telephone System Fund	Family Preservation Grant Fund	Total Nonmajor Special Revenue Funds	School Capital Projects Fund	Total Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES						
Restricted intergovernmental	\$ 218,583	\$ 135,318	\$ 353,901	\$ 294,530	\$ 294,530	\$ 648,431
Total revenues	218,583	135,318	353,901	294,530	294,530	648,431
EXPENDITURES						
Current:						
Public safety	238,801	-	238,801	-	-	238,801
Human services	-	121,127	121,127	-	-	121,127
Intergovernmental - education	-	-	-	392,707	392,707	392,707
Total expenditures	238,801	121,127	359,928	392,707	392,707	752,635
Excess (deficiency) of revenues over expenditures	(20,218)	14,191	(6,027)	(98,177)	(98,177)	(104,204)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	-	98,177	98,177	98,177
Transfers to other funds	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	98,177	98,177	98,177
Net change in fund balances	(20,218)	14,191	(6,027)	-	-	(6,027)
Fund balances, beginning	68,063	26,431	94,494	-	-	94,494
Fund balances, ending	\$ 47,845	\$ 40,622	\$ 88,467	\$ -	\$ -	\$ 88,467

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

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental			
Fees charged		\$ 218,583	
Total revenues	\$ 329,010	218,583	\$ (110,427)
EXPENDITURES			
Public safety			
Implemental functions		84,318	
Telephone		19,622	
Hardware maintenance		93,517	
Training		1,657	
Other		2,460	
Capital outlay		37,227	
Total expenditures	329,010	238,801	90,209
Revenues over (under) expenditures	-	(20,218)	(20,218)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	(20,218)	(20,218)
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	(20,218)	\$ (20,218)
FUND BALANCE			
Fund balance, beginning		68,063	
Fund balance, ending		\$ 47,845	

Swain County, North Carolina
Family Preservation Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental			
Family Preservation Grant		\$ 135,318	
Total revenues	\$ 150,000	135,318	\$ (14,682)
EXPENDITURES			
Human Services			
Contract labor		96,591	
Staff development and training		3,100	
Communications and telephone		4,150	
Travel		2,738	
Supplies		14,548	
Total expenditures	150,000	121,127	28,873
Revenues over (under) expenditures	-	14,191	14,191
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	14,191	14,191
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	14,191	\$ 14,191
FUND BALANCE			
Fund balance, beginning		26,431	
Fund balance, ending		\$ 40,622	

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

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES					
Restricted intergovernmental:					
Needs-Based Public School Capital Fund	\$ 4,553,644	\$ -	\$ 294,530	\$ 294,530	\$ (4,259,114)
Total revenues	<u>4,553,644</u>	<u>-</u>	<u>294,530</u>	<u>294,530</u>	<u>(4,259,114)</u>
EXPENDITURES					
Intergovernmental - education					
Planning and design	462,525	-	392,707	392,707	69,818
Construction	<u>5,609,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,609,000</u>
Total expenditures	<u>6,071,525</u>	<u>-</u>	<u>392,707</u>	<u>392,707</u>	<u>5,678,818</u>
Revenues over (under) expenditures	(1,517,881)	-	(98,177)	(98,177)	(1,419,704)
OTHER FINANCING SOURCES (USES)					
Transfer from General Fund	<u>1,517,881</u>	<u>-</u>	<u>98,177</u>	<u>98,177</u>	<u>1,419,704</u>
Total other financing sources (uses)	<u>1,517,881</u>	<u>-</u>	<u>98,177</u>	<u>98,177</u>	<u>1,419,704</u>
Revenues and other sources over (under) expenditures	-	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

ENTERPRISE FUND

Solid Waste Fund - This fund is used to account for the operations of the County's collection and disposal of solid waste.

Swain County, North Carolina
Solid Waste Fund
Schedule of Revenues, Expenditures - Budget and Actual (non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Solid waste charges		\$ 747,470	
Landfill use fee		75,090	
Recycling		26,676	
Cardboard fee		24,212	
Total operating revenues	\$ 916,420	873,448	\$ (42,972)
Nonoperating revenues:			
Solid waste disposal tax		11,574	
Scrap tire disposal tax		20,483	
White goods disposal tax		4,565	
Investment earnings		5	
Total nonoperating revenues	14,000	36,627	22,627
Total revenues	930,420	910,075	(20,345)
EXPENDITURES			
Solid waste disposal:			
Salaries		214,811	
Social security		15,996	
Group insurance		52,000	
Retirement		14,063	
Telephone		1,584	
Utilities		6,884	
Insurance - workers' comp		20,000	
Maintenance and repairs		14,331	
Supplies and materials		9,538	
Fuel		15,894	
Contracted service		9,025	
Uniforms		5,008	
Disposal		491,241	
Insurance - vehicles		20,000	
Use tax		16,559	
Travel		477	
Miscellaneous		327	
Total solid waste disposal	1,006,152	907,738	98,414
Capital outlay	225,000	211,869	13,131
Debt service:			
Principal	6,000	5,164	836
Interest	1,000	943	57
Total debt service	7,000	6,107	893
Total expenditures	1,238,152	1,125,714	112,438
Revenues over (under) expenditures	(307,732)	(215,639)	92,093
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	307,732	69,732	(238,000)
Total other financing sources (uses)	307,732	69,732	(238,000)
Revenues and other sources over (under) expenditures	\$ -	\$ (145,907)	\$ (145,907)

Reconciliation from Budgetary Basis**(modified accrual) to Full accrual:**

Revenues and other financing sources over (under) expenditures and other uses	<u>\$ (145,907)</u>
--	---------------------

Reconciling items:

Principal retirement	5,164
Capital outlay	211,869
Increase (decrease) in deferred outflows of resources - pensions	27,249
Decrease (increase) in net pension liability	(33,888)
Decrease (increase) in net OPEB liability	(4,635)
Decrease (increase) in accrued vacation pay	(998)
Decrease (increase) in deferred inflows of resources - pensions	929
Decrease (increase) in deferred inflows of resources - OPEB	(4,089)
Depreciation	<u>(97,454)</u>
Total reconciling items	<u>104,147</u>
Change in net position	<u><u>\$ (41,760)</u></u>

AGENCY FUNDS

Agency Funds are used to account for assets held by the county as an agent for individuals and/or other governments.

- **Fines and Forfeitures Fund** – This fund accounts for legal fines and forfeitures collected by the County that are required to be remitted to the Swain County Board of Education.
- **Municipal Tax Fund** - which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.
- **Deed of Trust Fee Fund** – This fund accounts for five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.
- **Inmate Trust Fund** – This fund accounts for monies held by the Jail for the benefit of inmates while they are incarcerated and for funds held for the Clerk of the Court.
- **Social Services Fund** - This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.

Swain County, North Carolina
Combining Statement of Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
Fines and Forfeitures Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 137,086	\$ 137,086	\$ -
Liabilities:				
Intergovernmental payable - Swain County Board of Education	\$ -	\$ 137,086	\$ 137,086	\$ -
Municipal Tax Fund				
Assets:				
Cash and cash equivalents	\$ 3,212	\$ 36,333	\$ 36,458	\$ 3,087
Liabilities:				
Miscellaneous liabilities	\$ 3,212	\$ 36,333	\$ 36,458	\$ 3,087
Deed of Trust Fees Fund				
Assets:				
Cash and cash equivalents	\$ 112	\$ 10,385	\$ 9,660	\$ 837
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 112	\$ 10,385	\$ 9,660	\$ 837
Inmate Trust Fund				
Assets:				
Cash and cash equivalents	\$ 38,356	\$ 102,417	\$ 38,356	\$ 102,417
Liabilities:				
Miscellaneous liabilities	\$ 38,356	\$ 102,417	\$ 38,356	\$ 102,417
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 21,145	\$ 156,617	\$ 154,635	\$ 23,127
Liabilities:				
Miscellaneous liabilities	\$ 21,145	\$ 156,617	\$ 154,635	\$ 23,127
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 62,825	\$ 442,838	\$ 376,195	\$ 129,468
Liabilities:				
Miscellaneous liabilities	\$ 62,713	\$ 295,367	\$ 229,449	\$ 128,631
Intergovernmental payable - Swain County Board of Education	-	137,086	137,086	-
Intergovernmental payable - State of North Carolina	112	10,385	9,660	837
Total liabilities	\$ 62,825	\$ 442,838	\$ 376,195	\$ 129,468

OTHER SCHEDULES

This section contains additional information required on property taxes and transfers.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy – County-Wide Levy
- Schedule of Transfers

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

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2018-2019	\$ -	\$ 6,046,541	\$ 5,809,773	\$ 236,768
2017-2018	228,330	-	123,575	104,755
2016-2017	118,857	-	40,064	78,793
2015-2016	97,905	-	24,398	73,507
2014-2015	69,642	-	15,090	54,552
2013-2014	59,111	-	14,415	44,696
2012-2013	37,779	-	9,029	28,750
2011-2012	25,003	-	6,210	18,793
2010-2011	15,014	-	2,367	12,647
2009-2010	11,767	-	2,055	9,712
2008-2009	11,688	-	11,688	-
	<u>\$ 675,096</u>	<u>\$ 6,046,541</u>	<u>\$ 6,058,664</u>	<u>662,973</u>
Less: allowance for uncollectible accounts:				
General fund				<u>(435,268)</u>
Ad valorem taxes receivable - net:				
General fund				<u>\$ 227,705</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				\$ 6,130,436
Reconciling items:				
Interest collected				(90,635)
Release and adjustments				7,450
Taxes written off				<u>11,413</u>
Total reconciling items				<u>(71,772)</u>
Total collections and credits				<u>\$ 6,058,664</u>

Swain County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2019

	County - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,604,807,500	0.36	\$ 5,777,307	\$ 5,404,832	\$ 372,475
Penalties			-		
Total	<u>1,604,807,500</u>		<u>5,777,307</u>	<u>5,404,832</u>	<u>372,475</u>
Discoveries:					
Current year taxes	<u>77,561,944</u>	0.36	<u>279,223</u>	<u>279,223</u>	-
Total	<u>77,561,944</u>		<u>279,223</u>	<u>279,223</u>	-
Abatements					
Taxes	<u>(2,774,722)</u>		<u>(9,989)</u>	<u>(9,989)</u>	-
Total property valuation	<u><u>\$ 1,679,594,722</u></u>		<u><u>(9,989)</u></u>	<u><u>(9,989)</u></u>	-
Net levy			6,046,541	5,674,066	372,475
Uncollected taxes at June 30, 2019			<u>(236,768)</u>	<u>(236,768)</u>	-
Current year's taxes collected			<u>\$ 5,809,773</u>	<u>\$ 5,437,298</u>	<u>\$ 372,475</u>
Current levy collection percentage			<u>96.08%</u>	<u>95.83%</u>	<u>100.00%</u>

Swain County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2019

Operating Transfers From/To Other Funds	Transfers	
	From	To
Schools Capital Reserve Fund	\$ 1,188,239	
General Fund		\$ 1,188,239
Swain Settlement Trust Fund	756,487	
General Fund		756,487
General Fund	98,177	
Capital Projects - School Capital Projects Fund		98,177
General Fund	40,000	
Law Enforcement Capital Reserve		40,000
General Fund	39,711	
Public Safety Capital Reserve Fund		39,711
General Fund	69,732	
Solid Waste Fund		69,732
	<u>\$ 2,192,346</u>	<u>\$ 2,192,346</u>

COMPLIANCE SECTION

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' 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*

To the Board of County Commissioners
Swain County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises Swain County's basic financial statements, and have issued our report thereon dated January 21, 2020. Our report includes a reference to another auditor who audited the financial statements of the Swain County Tourist Development Authority, as described in our report on Swain County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by this auditor. The financial statements of the Swain County Tourist Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Swain County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Swain County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs, as item 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swain County's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Swain County's Response to Findings

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

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.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
January 21, 2020

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of County Commissioners
Swain County, North Carolina

Report on Compliance for Each Major Federal Program

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Swain 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 Swain 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 Swain County's compliance.

Opinion on Each Major Federal Program

In our opinion, Swain 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 Swain 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 Swain 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 the County's internal control over compliance.

A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
January 21, 2020

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of County Commissioners
Swain County, North Carolina

Report on Compliance for Each Major State Program

We have audited Swain County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Swain County's major state programs for the year ended June 30, 2019. Swain County's major state programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Swain 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 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the *State Single Audit Implementation Act* require that 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 Swain 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 Swain County's compliance.

Opinion on Each Major State Program

In our opinion, Swain 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 Swain 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 Swain 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 the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 a 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
January 21, 2020

Swain County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material Weakness(es) identified yes X no
- Significant Deficiency(s) X yes none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness(es) identified yes X no
- Significant Deficiency(s) yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified.

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

Identification of major Federal Programs:

Name of Federal Program or Cluster	CFDA#
Medical Assistance Program (Title XIX Medicaid)	93.778
Supplemental Nutrition Assistance Program	10.561
Foster Care and Adoption Cluster	93.658, 93.659

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

Auditee qualified as low-risk auditee yes X no

State Awards

Internal control over major State programs:

- Material Weakness(es) identified yes X no
- Significant Deficiency(s) yes X none reported

Type of auditors' 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 yes X no

Identification of major State Programs (Dollar threshold over \$500,000):

Program Name
Medical Assistance Program (Medicaid; Title XIX)
Supplemental Nutrition Assistance Program
Public School Building Capital Fund - Lottery Proceeds
Foster Care and Adoption Cluster

**Swain County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019**

II. Financial Statement Findings

Finding: 2019-001

SIGNIFICANT DEFICIENCY

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

Condition: Controls over some accounting functions have been designed but not properly implemented. It appears that progress has been made from the prior fiscal year.

Effect: Lack of proper implementation of control policies greatly increases the risk of an error or irregularity going undetected and can result in improper financial reporting.

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

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-001.

Recommendation: The County should strengthen existing internal controls and implement additional controls to ensure that required reporting is completed timely and accurately.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 105 in this audit report.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

**Board of Commissioners**

Ben Bushyhead, Chair
Danny Burns, Vice-Chair
Roger Parsons, Member
Kenneth Parton, Member
Kevin Seagle, Member

Clerk to the Board
Cindi C. Woodard
c_woodard@swaincountync.gov

50 Main Street
P.O. Box 2321
Bryson City, NC 28713

County Manager

Kevin S. King
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Corrective Action Plan For the Fiscal Year Ended June 30, 2019

II. Financial Statement Findings**Finding 2019-001**

Name of contact person: Kevin King, County Manager and Dean Kowal, Finance Officer

Corrective Action: The County is still in the process of examining the systems and processes in place regarding financial reporting. Management is continuing to implement policies to strengthen existing controls. County Management and the Board are working to develop and incorporate measures to ensure that the data is collected, reconciled, reviewed and reported accurately. Accounting personnel continue to receive training in governmental accounting. Management is confident this finding will be corrected by the end of the next fiscal year.

Proposed Completion Date: Ongoing

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

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Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2019

Finding 2018-001

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation.

Finding 2018-002

Status: Corrected

Finding 2018-003

Status: Corrected

Finding 2018-004

Status: Corrected

Swain County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal 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	Local Expenditures
Federal Awards:						
<u>U.S. Department of Agriculture</u>						
<u>Food and Nutrition Service</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	\$ 223,778	\$ 44,173	\$ -	\$ 175,899
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children (Note 5)	10.557	XXXX	79,405	-	-	-
Total U.S. Department of Agriculture			303,183	44,173	-	175,899
<u>U.S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety:						
Division of Emergency Management						
Assistance to Firefighters Grant	97.044	EMW-2017-F0-01095	24,858	-	-	-
Homeland Security Grant	97.067	EMW-2017-SS-000085-S01	10,474	-	-	-
Emergency Management Performance Grant	97.042	EMA-2018-EP-00005-18086	20,625	17,899	-	-
Total U. S. Department of Homeland Security			55,957	17,899	-	-
<u>U.S. Department of Health & Human Services</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
<u>Temporary Assistance for Needy Families (TANF) Cluster</u>						
TANF - Work First	93.558	XXXX	207,324	-	-	47,407
Total TANF Cluster			207,324	-	-	47,407
<u>Foster Care and Adoption Cluster (Note 5)</u>						
Foster Care - Title IV-E	93.658	XXXX	251,923	55,111	-	168,262
Adoption Assistance	93.659	XXXX	4,824	272	-	4,552
Total Foster Care and Adoption Cluster (Note 5)			256,747	55,383	-	172,814
Promoting Safe and Stable Families	93.556	XXXX	22,835	-	-	304
Child Support Enforcement	93.563	XXXX	184,216	1,629	-	94,899
Low-Income Home Energy Assistance:						
Administration	93.568	XXXX	10,903	-	-	-
Energy Assistance Payments	93.568	XXXX	65,052	-	-	-
Crisis Intervention Program	93.568	XXXX	39,189	-	-	-
Total Low-Income Home Energy Assistance			115,144	-	-	-
Chafee Foster Care Independence Program	93.674	XXXX	850	212	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
Permanency Planning - Families for Kids	93.645	XXXX	(11,776)	-	-	(3,926)
Total Stephanie Tubbs Jones Child Welfare Services Program			(11,776)	-	-	(3,926)
SSBG - TANF Transferred to Social Services Block Grant	93.667	XXXX	50,238	-	-	-
SSBG - Other Service and Training	93.667	XXXX	126,858	18,485	-	24,881
Total Social Service Block Grant			177,096	18,485	-	24,881
Division of Child Development and Early Education:						
Subsidized Child Care (Note 5)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Mandatory and Match Fund - Administration	93.596	XXXX	86,667	-	-	-
Total Subsidized Child Care (Note 5)			86,667	-	-	-

Swain County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal 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	Local Expenditures
Passed-through the N.C. Department of Health and Human Services:						
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Medical Assistance Program (Note 5)	93.778	XXXX	626,039	67,424	-	177,792
Total Medical Assistance Program			626,039	67,424	-	177,792
Division of Social Services:						
Administration:						
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	17,066	-	-	-
Total Children's Health Insurance Program - N.C. Health Choice			17,066	-	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health						
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	XXXX	27,686	-	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	XXXX	270	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Progra	93.116	XXXX	50	-	-	-
Family Planning Services	93.217	XXXX	22,014	-	-	-
Immunization Grants	93.268	XXXX	6,938	-	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewomen)	93.436	XXXX	490	-	-	-
Temporary Assistance for Needy Families	93.558	XXXX	2,745	-	-	-
Preventive Health and Health Services Block Grant						
funded solely with Prevention and Public						
Health Funds (PPHF)	93.758	XXXX	39,946	-	-	-
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	XXXX	42	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	XXXX	4,080	-	-	-
Maternal and Child Health Services Block Grant	93.994	XXXX	71,105	20,278	-	-
Total U.S. Department of Health and Human Services			1,857,574	163,411	-	514,171
Total federal awards			2,216,714	225,483	-	690,070
State Awards:						
<u>N.C. Department of Administration</u>						
Veterans Service		XXXX	-	2,216	-	-
Total N.C. Department of Administration			-	2,216	-	-
<u>N.C. Department of Agriculture and Consumer Services</u>						
Division of Farmland Preservation						
ADFP Trust Fund - FFA Animal Husbandry Equipment and Building Project		17-095-4042	-	25,000	-	-
Total N.C. Department of Agriculture and Consumer Services			-	25,000	-	-
<u>N.C. Department of Health and Human Services</u>						
Division of Aging and Adult Services						
Division of Social Services						
State Foster Home		XXXX	-	49,377	-	42,577
State Child Welfare/CPS/CS LD		XXXX	-	39,817	-	(136)
Foster Care at Risk Maximization		XXXX	-	13,608	-	5,207
Extended Foster Care Maximization Non IV-E		XXXX	-	4,473	-	(159)
SFHF Maximization		XXXX	-	7,756	-	1,027
County Funded Service		XXXX	-	-	-	733,808
Total Division of Social Services			-	115,031	-	782,324
Division of Public Health						
Food and Lodging Fees		XXXX	-	5,156	-	-
CHA/CHIP Peer Review		XXXX	-	98,236	-	-
Public Health Nursing		XXXX	-	800	-	-
General Communicable Disease Control		XXXX	-	10,535	-	-
Child Health		XXXX	-	6,092	-	-

Swain County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal 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	Local Expenditures
Family Planning - State		XXXX	-	26,435	-	-
Maternal Health		XXXX	-	2,150	-	-
Women's Health Service Fund		XXXX	-	5,563	-	-
HIV/STD - State		XXXX	-	500	-	-
STD Drugs		XXXX	-	43	-	-
Breast and Cervical Cancer Control		XXXX	-	4,845	-	-
TB Control		XXXX	-	2,260	-	-
Total Division of Public Health			-	162,615	-	-
Total N. C. Department of Health and Human Services			-	277,646	-	782,324
<u>N. C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	223,000	223,000	-
Public School Building Capital Fund - Needs Based Lottery Proceeds		XXXX	-	294,530	294,530	-
Total N. C. Department of Public Instruction			-	517,530	517,530	-
<u>N.C. Department of Insurance</u>						
Seniors' Health Insurance Information Program		XXXX	-	3,207	-	-
Total N.C. Department of Insurance			-	3,207	-	-
<u>N.C. Department of Public Safety</u>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention Programs		XXXX	-	71,895	71,895	-
Total N.C. Department of Public Safety			-	71,895	71,895	-
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP)						
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	50,883	50,883	-
- ROAP Rural General Public Program		XXXX	-	46,325	46,325	-
- ROAP Work First Transitional - Employment		XXXX	-	6,627	6,627	-
Total ROAP Cluster			-	103,835	103,835	-
Total N.C. Department of Transportation			-	103,835	103,835	-
Total State awards			-	1,001,329	693,260	782,324
Total federal and State awards			\$ 2,216,714	\$1,226,812	\$ 693,260	\$1,472,394

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 Swain 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 Swain County, it is not intended to and does not present the financial position, changes in net position or cash flows of Swain 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.

Note 3: Indirect Cost Rate

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

Note 4: 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.