

# YANCEY COUNTY, NORTH CAROLINA

## Financial Statements For the Fiscal Year Ending June 30, 2019



# YANCEY COUNTY, NORTH CAROLINA

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## **FINANCIAL SECTION**

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This section presents the basic financial statements and Required Supplementary Information (including Management's Discussion and Analysis), as well as the independent auditors' report. In addition, the financial section contains combining statements for non-major fund types, individual fund schedules and other supplemental information.

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

## ***Independent Auditors' Report***

Board of Commissioners  
Yancey County, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey County, North Carolina, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 52, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County's Contributions on pages 53-54, and the Other Post-employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Yancey County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 February 10, 2020, on our consideration of Yancey 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 the report is 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. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yancey County's internal control over financial reporting and compliance.

*David Killian CPA Group, P.A.*

Asheville, North Carolina  
February 10, 2020



## YANCEY COUNTY, NORTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Yancey County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Yancey 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***

##### Government-wide level:

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources (net position) at the close of the fiscal year by \$9,994,578. Governmental activities accounted for \$3,092,107 and business-type activities accounted for \$6,902,471.
- The County's total net position decreased by \$6,857,845. Governmental activities had a decrease of \$6,957,845 due to construction of Blue Ridge Elementary School and business-type activities accounted for an increase of \$100,000. The increase in business-type activities is the result of a transfer from the General Fund.
- Capital assets of the County increased overall by \$938,731 after depreciation. This net increase was due the acquisition of the Senior Center, and vehicle purchases.
- The County's total debt increased by \$117,831. This increase is the net of new installment debt of \$1,126,810 related to equipment acquisition and assumption of the mortgage on the Senior Center, and repayment of debt principal of \$1,008,979.

##### Fund level:

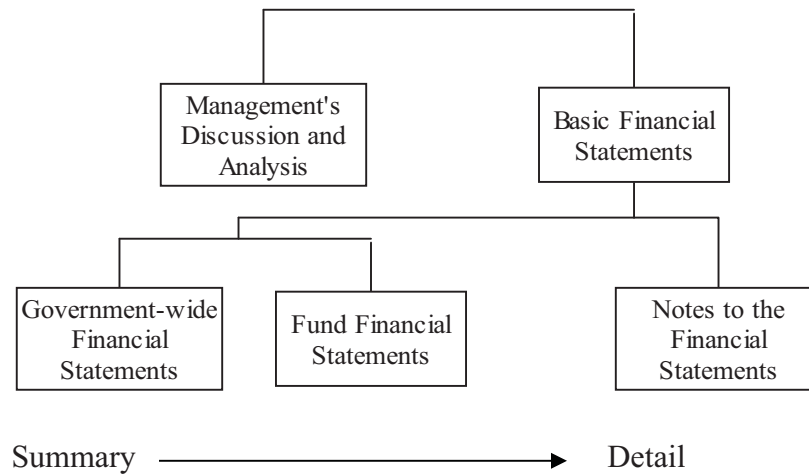
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,305,069, a decrease of \$7,527,646. This decrease is largely due to expenditures for the construction of Blue Ridge Elementary School.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$4,661,284, or 20.2 percent of total General Fund expenditures (and transfers out) for the fiscal year.

#### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to Yancey 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 Yancey 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 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the required supplemental information, which contains information about the County's participation in pension plans and its retiree health insurance obligations. After the required supplemental information, supplemental information is provided to show details about the County's nonmajor governmental funds and internal service fund, 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.

***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, deferred outflows of resources, 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 two categories: 1) governmental activities; and 2) business-type activities. 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.

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. Yancey 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 Yancey County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Yancey 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** - Yancey 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. Yancey County uses an enterprise fund, as required by State statute, to account for the construction of the East Yancey Water and Sewer Project. This fund is the same as the separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. Yancey County has four 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 Yancey County's progress in funding its obligation to provide pension benefits to its employees well as commitments to provide certain other post-employment benefits. Required supplementary information can be found beginning on page 52 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Yancey County exceeded its liabilities and deferred inflows of resources by \$9,994,578 as of June 30, 2019. The County's net position decreased by \$6,857,845 for the fiscal year ended June 30, 2019. The largest portion of net position, \$18,684,102, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Yancey County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Yancey 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 Yancey County's net position of \$2,427,612 represents resources that are subject to external restrictions on how they may be used. This leaves a deficit of \$11,117,136 in unrestricted net position. This deficit is primarily due to installment obligations issued to construct Blue Ridge Elementary School. The County has incurred debt to build the school, but will not have a corresponding asset since the school ultimately will belong to the Yancey County Board of Education. The following is a summary of the government-wide Statements of Net Position:

**Yancey County's Net Position**

Figure 2

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 10,703,413	\$ 185,729	\$ 10,889,142	\$ 18,127,733	\$ 233,420	\$ 18,361,153
Capital assets	14,834,997	6,716,742	21,551,739	14,043,957	6,569,051	20,613,008
Total assets	<u>25,538,410</u>	<u>6,902,471</u>	<u>32,440,881</u>	<u>32,171,690</u>	<u>6,802,471</u>	<u>38,974,161</u>
Deferred outflows of resources	<u>1,737,760</u>	<u>-</u>	<u>1,737,760</u>	<u>1,158,201</u>	<u>-</u>	<u>1,158,201</u>
Liabilities:						
Long-term liabilities	21,470,532	-	21,470,532	20,767,031	-	20,767,031
Other liabilities	<u>2,021,866</u>	<u>-</u>	<u>2,021,866</u>	<u>1,964,806</u>	<u>-</u>	<u>1,964,806</u>
Total liabilities	<u>23,492,398</u>	<u>-</u>	<u>23,492,398</u>	<u>22,731,837</u>	<u>-</u>	<u>22,731,837</u>
Deferred inflows of resources	<u>691,665</u>	<u>-</u>	<u>691,665</u>	<u>548,102</u>	<u>-</u>	<u>548,102</u>
Net position:						
Net investment in capital assets	11,967,360	6,716,742	18,684,102	11,916,059	6,569,051	18,485,110
Restricted	2,427,612	-	2,427,612	11,288,517	-	11,288,517
Unrestricted (deficit)	<u>(11,302,865)</u>	<u>185,729</u>	<u>(11,117,136)</u>	<u>(13,154,624)</u>	<u>233,420</u>	<u>(12,921,204)</u>
Total net position	<u>\$ 3,092,107</u>	<u>\$ 6,902,471</u>	<u>\$ 9,994,578</u>	<u>\$ 10,049,952</u>	<u>\$ 6,802,471</u>	<u>\$ 16,852,423</u>

Overall, total net position decreased \$6,857,845, due primarily to the ongoing construction of Blue Ridge Elementary School as previously discussed. The following is a summary of the government-wide statement of activities:

### Yancey County Changes in Net Position

Figure 3

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,345,789	\$ -	\$ 1,345,789	\$ 1,238,564	\$ -	\$ 1,238,564
Operating grants and contributions	3,917,300	-	3,917,300	3,583,685	-	3,583,685
Capital grants and contributions	67,317	-	67,317	1,113,469	-	1,113,469
General revenues:						
Property taxes	15,038,852	-	15,038,852	14,907,750	-	14,907,750
Other taxes	4,340,792	-	4,340,792	3,886,402	-	3,886,402
Other	237,998	-	237,998	21,612	-	21,612
Total revenues	<u>24,948,048</u>	<u>-</u>	<u>24,948,048</u>	<u>24,751,482</u>	<u>-</u>	<u>24,751,482</u>
Expenses:						
General government	3,208,976	-	3,208,976	3,415,915	-	3,415,915
Public safety	6,904,323	-	6,904,323	6,557,574	-	6,557,574
Environmental protection	1,930,039	-	1,930,039	1,726,000	-	1,726,000
Economic and physical development	808,292	-	808,292	649,687	-	649,687
Human services	5,881,331	-	5,881,331	5,311,336	-	5,311,336
Culture and recreation	860,333	-	860,333	895,879	-	895,879
Education	11,843,945	-	11,843,945	7,769,387	-	7,769,387
Interest expense	461,602	-	461,602	377,002	-	377,002
Total expenses	<u>31,898,841</u>	<u>-</u>	<u>31,898,841</u>	<u>26,702,780</u>	<u>-</u>	<u>26,702,780</u>
Change in net position before transfers and special items	(6,950,793)	-	(6,950,793)	(1,951,298)	-	(1,951,298)
Special items	92,948	-	92,948	-	-	-
Transfers	(100,000)	100,000	-	(102,000)	102,000	-
Change in net position	(6,957,845)	100,000	(6,857,845)	(2,053,298)	102,000	(1,951,298)
Net position, July 1	<u>10,049,952</u>	<u>6,802,471</u>	<u>16,852,423</u>	<u>12,103,250</u>	<u>6,700,471</u>	<u>18,803,721</u>
Net position, June 30	<u>\$ 3,092,107</u>	<u>\$ 6,902,471</u>	<u>\$ 9,994,578</u>	<u>\$ 10,049,952</u>	<u>\$ 6,802,471</u>	<u>\$ 16,852,423</u>

**Governmental Activities** - Governmental activities decreased the County's net position by \$6,957,845. This increase is primarily due to ongoing school construction as has already been discussed. The County also continued its effort to control expenses in FY19.

**Business-type Activities** - Net position increased by \$100,000, a transfer from the general fund.

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

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

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

The General Fund is the chief operating fund of Yancey County. At the end of the current fiscal year, the General Fund had a fund balance of \$6,616,766, which is an increase of \$377,213 from the prior year. The increase is due to an increase in sales tax revenues and administrative reimbursements as well as careful management of the budget. In addition, the County had to appropriate fund balance of \$40,000 in the Revaluation Fund (a sub fund of the General Fund) to revalue county property values. The portion of fund balance that is available for appropriation at the end of the current year is \$4,661,284, a decrease of \$28,258 from 2018.

**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 revenues by \$769,413, or 3 percent of the original budget. The increase in the final budgeted revenues is due to unanticipated grant revenues and higher than expected sales tax revenues.

### ***Capital Asset and Debt Administration***

**Capital Assets** - The County's investment in capital assets net of depreciation increased \$938,731 from 2018. This increase is primarily due to the acquisition of the Senior Center building. Capital assets for governmental activities increased by \$791,040, which relates primarily to asset acquisitions of approximately \$1,500,000, netted against depreciation expense of approximately \$750,000. Key asset additions include the Senior Center, valued at approximately \$1,200,000, as well as a number of vehicles.

**Yancey County's Capital Assets**  
(Net of Depreciation)  
Figure 4

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and easements	\$ 2,966,239	\$ -	\$ 2,966,239	\$ 2,918,839	\$ -	\$ 2,918,839
Construction in progress	-	6,716,742	6,716,742	16,699	6,569,051	6,585,750
Buildings and improvements	10,722,125	-	10,722,125	9,894,278	-	9,894,278
Machinery and equipment	353,945	-	353,945	449,493	-	449,493
Vehicles and motorized equipment	613,137	-	613,137	556,143	-	556,143
Software	179,551	-	179,551	208,505	-	208,505
	<u>\$ 14,834,997</u>	<u>\$ 6,716,742</u>	<u>\$ 21,551,739</u>	<u>\$ 14,043,957</u>	<u>\$ 6,569,051</u>	<u>\$ 20,613,008</u>

Additional information regarding Yancey County's capital assets can be found in Note 2(A)(4) to the financial statements.

**Long-Term Debt** - As of June 30, 2019, Yancey County had total debt (excluding compensated absences, the net pension obligation, and other post-employment benefits) outstanding of \$13,719,729. The year-over-year increase of \$117,831 is due to the County's assumption of the mortgage related to the Senior Center building, as well as some additional installment obligations related to vehicle purchases, netted with loan repayments of approximately \$1 million.

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

	Governmental Activities	
	2019	2018
Direct placement installment obligations	\$ 13,681,790	\$ 13,527,998
Capital leases	<u>37,939</u>	<u>73,900</u>
	<u>\$ 13,719,729</u>	<u>\$ 13,601,898</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The remaining legal debt margin for Yancey County is approximately \$155 million.

Additional information regarding Yancey County's long-term debt can be found in Note 2(B)(7) to the financial statements.



**Budget Highlights for the Fiscal Year Ending June 30, 2020**

Property and other taxes are expected to account for the majority of the 2019-2020 budget. The 2019-2020 budget has set aside \$100,000 to continue contributing to rebuild the County's fund balance. The new Blue Ridge Elementary School opened the doors in August of 2019 for students to begin the new school year and are excited about the innovative learning facility available to them. All Yancey County employees received a 2.1% cost of living salary increase and the County is finishing up a pay plan study to compare our salaries with other counties our size. There are several other projects underway in Yancey County which include lights at the Cane River Park facility, Ray-Cort Park renovations, and repairs to the transfer station floor at the Yancey-Mitchell Sanitation Landfill.

**Economic Factors**

Economic conditions are continuing to improve in Yancey County. Altec Industries has expanded into another facility in Yancey County which will create 50 new jobs and will also increase Yancey County's ad valorem tax base. In January of 2020, Yancey County announced and welcomed Little Leaf Farms to our community. Little Leaf Farms produces hydroponic lettuce and will create 100 new jobs and have a \$86,000,000 facility built in Yancey County. The County's sewer system is beginning to operate and should provide more economic incentives for the east end of Yancey County. The unemployment rate is currently at 3.4% and is below the state rate at 4.0%.

**Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Yancey County, 110 Town Square, Room 11, Burnsville, NC 28714.



## YANCEY COUNTY, NORTH CAROLINA

## Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,389,734	\$ 115,588	\$ 5,505,322
Restricted cash	2,666,241	-	2,666,241
Receivables, net	522,947	-	522,947
Due from other governments	2,124,491	70,141	2,194,632
Capital assets:			
Land and construction in progress	2,966,239	6,716,742	9,682,981
Other capital assets, net of depreciation	11,868,758	-	11,868,758
Capital assets, net	14,834,997	6,716,742	21,551,739
Total assets	25,538,410	6,902,471	32,440,881
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,737,760	-	1,737,760
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	521,724	-	521,724
Accounts payable from restricted assets	1,182,604	-	1,182,604
Accrued interest payable	317,538	-	317,538
Long-term liabilities:			
Net pension liability - LGERS	2,042,586	-	2,042,586
Total pension liability - LEOSSA	566,936	-	566,936
Total OPEB liability	3,783,288	-	3,783,288
Due within one year	1,377,727	-	1,377,727
Due in more than one year	13,699,995	-	13,699,995
Total liabilities	23,492,398	-	23,492,398
<b>DEFERRED INFLOWS OF RESOURCES</b>	691,665	-	691,665
<b>NET POSITION</b>			
Net investment in capital assets	11,967,360	6,716,742	18,684,102
Restricted for:			
Stabilization by State statute	2,123,635	-	2,123,635
Public safety	209,871	-	209,871
Register of deeds	94,106	-	94,106
Unrestricted (deficit)	(11,302,865)	185,729	(11,117,136)
Total net position	\$ 3,092,107	\$ 6,902,471	\$ 9,994,578

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

## Statement of Activities

For the year ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total
Governmental Activities:							
General government	\$ 3,208,976	\$ 372,508	\$ 20,024	\$ -	\$ (2,816,444)	\$ -	\$ (2,816,444)
Public safety	6,904,323	184,969	289,914	-	(6,429,440)	-	(6,429,440)
Environmental protection	1,930,039	466,672	393,938	-	(1,069,429)	-	(1,069,429)
Economic and physical development	808,292	49,559	50,000	-	(708,733)	-	(708,733)
Human services	5,881,331	-	3,109,621	67,317	(2,704,393)	-	(2,704,393)
Cultural and recreational	860,333	272,081	53,803	-	(534,449)	-	(534,449)
Education	11,843,945	-	-	-	(11,843,945)	-	(11,843,945)
Interest on long-term debt	461,602	-	-	-	(461,602)	-	(461,602)
Total governmental activities	31,898,841	1,345,789	3,917,300	67,317	(26,568,435)	-	(26,568,435)
Business-type activities:							
East Yancey Water and Sewer	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-
Total government-wide	\$ 31,898,841	\$ 1,345,789	\$ 3,917,300	\$ 67,317	(26,568,435)	-	(26,568,435)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					15,038,852	-	15,038,852
Local option sales tax					4,144,529	-	4,144,529
Other taxes					196,263	-	196,263
Investment earnings, unrestricted					135,850	-	135,850
Miscellaneous, unrestricted					102,148	-	102,148
Total general revenues excluding transfers and special items					19,617,642	-	19,617,642
Transfers					(100,000)	100,000	-
Special items:							
Donated asset (Note 8)					310,748	-	310,748
External bank fraud (Note 9)					(217,800)	-	(217,800)
Total special items					92,948	-	92,948
Total general revenues, transfers, and special items					19,610,590	100,000	19,710,590
Changes in net position					(6,957,845)	100,000	(6,857,845)
Net position, beginning					10,049,952	6,802,471	16,852,423
Net position, end of year					\$ 3,092,107	\$ 6,902,471	\$ 9,994,578

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Balance Sheet*  
*Governmental Funds*  
 June 30, 2019

	General Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 5,166,446	\$ -	\$ 223,288	\$ 5,389,734
Restricted cash and investments	120,000	2,546,241	-	2,666,241
Receivables, net	418,130	-	23,696	441,826
Due from other governments	1,946,018	152,706	25,767	2,124,491
Due from other funds	9,464	-	-	9,464
Total assets	<u>\$ 7,660,058</u>	<u>\$ 2,698,947</u>	<u>\$ 272,751</u>	<u>\$ 10,631,756</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 454,093	\$ -	\$ 67,631	\$ 521,724
Accounts payable from restricted assets	-	1,182,604	-	1,182,604
Due to general fund	-	-	9,464	9,464
Total liabilities	<u>454,093</u>	<u>1,182,604</u>	<u>77,095</u>	<u>1,713,792</u>
<b>Deferred inflows of resources</b>	<u>589,199</u>	<u>-</u>	<u>23,696</u>	<u>612,895</u>
<b>Fund balances</b>				
Restricted:				
Stabilization by State statute	1,955,482	152,706	15,447	2,123,635
Public safety	53,348	-	156,523	209,871
School capital	-	1,363,637	-	1,363,637
Register of deeds	94,106	-	-	94,106
Committed:				
Tax revaluation	120,000	-	-	120,000
Unassigned	4,393,830	-	(10)	4,393,820
Total fund balances	<u>6,616,766</u>	<u>1,516,343</u>	<u>171,960</u>	<u>8,305,069</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,660,058</u>	<u>\$ 2,698,947</u>	<u>\$ 272,751</u>	<u>\$ 10,631,756</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Balance Sheet*  
*Governmental Funds*  
 June 30, 2019

Total fund balances for governmental funds	\$ 8,305,069
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Original cost and/or donated value	24,876,160
Less accumulated depreciation	(10,041,163)
Deferred outflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered a consumption of net position that applies to a future period and are included in the statement of net position:	
Contributions to pension plans in the current fiscal year	472,521
Benefit payments for OPEB subsequent to year end	82,545
Pension-related deferrals	1,173,601
OPEB-related deferrals	9,093
Accrued interest receivable is not available to pay current-period expenditures and therefore not recognized as revenue in the fund statements.	81,121
Net pension liability - LGERS	(2,042,586)
Total pension liability - LEOSSA	(566,936)
Total OPEB liability	(3,783,288)
Deferred inflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered economic resources and recognized as revenue in the government-wide statements.	
Pension deferrals	(132,710)
OPEB related deferrals	(387,886)
Ad valorem taxes (net)	441,826
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:	
Installment purchase contracts and capital lease obligations	(13,719,729)
Compensated absences	(454,525)
Landfill post-closure liability	(903,468)
Accrued interest payable	(317,538)
Net position of governmental activities	<u>\$ 3,092,107</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the year ended June 30, 2019

	General Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 13,795,362	\$ -	\$ 1,216,206	\$ 15,011,568
Local option sales taxes	4,144,529	-	-	4,144,529
Other taxes	196,263	-	-	196,263
Unrestricted intergovernmental	99,341	-	-	99,341
Restricted intergovernmental	3,616,447	-	268,829	3,885,276
Licenses and permits	219,350	-	-	219,350
Sales and services	1,126,438	-	-	1,126,438
Investment earnings	135,832	-	18	135,850
Miscellaneous	60,022	-	-	60,022
Total revenues	<u>23,393,584</u>	<u>-</u>	<u>1,485,053</u>	<u>24,878,637</u>
<b>Expenditures</b>				
Current:				
General government	3,212,608	-	-	3,212,608
Public safety	5,279,854	-	1,416,311	6,696,165
Environmental protection	1,961,082	-	-	1,961,082
Economic and physical development	791,239	-	-	791,239
Human services	5,663,762	-	45,747	5,709,509
Cultural and recreational	691,521	-	-	691,521
Intergovernmental:				
Education	3,894,066	7,949,879	-	11,843,945
Debt service:				
Principal	1,008,979	-	-	1,008,979
Interest and fees	452,127	-	-	452,127
External bank fraud (Note 9)	217,800	-	-	217,800
Total expenditures	<u>23,173,038</u>	<u>7,949,879</u>	<u>1,462,058</u>	<u>32,584,975</u>
Revenues over (under) expenditures	<u>220,546</u>	<u>(7,949,879)</u>	<u>22,995</u>	<u>(7,706,338)</u>
<b>Other Financing Sources (Uses)</b>				
Installment obligations issued	235,218	-	-	235,218
Proceeds from the sale of assets	43,474	-	-	43,474
Transfers from (to) other funds	(122,025)	-	22,025	(100,000)
Total other financing sources (uses)	<u>156,667</u>	<u>-</u>	<u>22,025</u>	<u>178,692</u>
Net changes in fund balances	377,213	(7,949,879)	45,020	(7,527,646)
Fund balance, beginning	<u>6,239,553</u>	<u>9,466,222</u>	<u>126,940</u>	<u>15,832,715</u>
Fund balance, end of year	<u>\$ 6,616,766</u>	<u>\$ 1,516,343</u>	<u>\$ 171,960</u>	<u>\$ 8,305,069</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
For the year ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$ (7,527,646)
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 as depreciation expense with any residual book value expensed if the asset is disposed:	
Capital outlay expenditures capitalized during the year;	341,202
Depreciation expense recorded during the current year; and	(751,155)
Net book value of capital assets disposed during the current year	(1,347)
The issuance of long-term debt provides current financial resources to governmental funds but is recorded as an increase to long-term debt in the Statement of Net Position	(235,218)
Principal payments on long-term debt are recorded as expenditures in the fund statements, but are recorded as a reduction of long-term debt in the Statement of Net Position	1,008,979
Contributions to pension plans in the current fiscal year are not included on the Statement of Activities	472,521
OPEB benefit payments and admin costs made in the current fiscal year are not included on the Statement of Activities	82,545
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)	(9,475)
Change in compensated absences	19,792
Change in landfill post-closure liability	55,940
Pension expense (LGRS)	(574,486)
Pension expense (LEOSSA)	(25,388)
OPEB plan expense	(152,141)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements:	
Income from donated asset (Note 8)	310,748
Net change in accrued interest receivable on property taxes; and	8,772
Net change in taxes receivable	<u>18,512</u>
Change in net position - governmental activities	<u>\$ (6,957,845)</u>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund

For the year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 13,700,861	\$ 13,700,861	\$ 13,795,362	\$ 94,501
Local option sales taxes	3,885,000	4,024,315	4,144,529	120,214
Other taxes	126,606	241,606	196,263	(45,343)
Unrestricted intergovernmental	90,000	90,000	99,341	9,341
Restricted intergovernmental	3,614,749	3,851,719	3,616,447	(235,272)
Licenses and permits	228,110	247,110	219,350	(27,760)
Sales and services	1,099,639	1,243,939	1,126,438	(117,501)
Investment earnings	18,902	107,730	135,832	28,102
Miscellaneous	17,725	43,725	60,022	16,297
Total revenues	<u>22,781,592</u>	<u>23,551,005</u>	<u>23,393,584</u>	<u>(157,421)</u>
<b>Expenditures</b>				
Current:				
General government	3,129,988	3,225,786	3,212,608	13,178
Public safety	5,043,510	5,230,076	5,279,854	(49,778)
Environmental protection	1,832,459	1,970,551	1,961,082	9,469
Economic and physical development	589,567	804,726	791,239	13,487
Human services	6,282,197	6,420,028	5,663,762	756,266
Cultural and recreational	710,194	701,444	691,521	9,923
Intergovernmental:				
Education	3,728,650	3,897,316	3,894,066	3,250
Debt service:				
Principal retirement	890,576	1,017,379	1,008,979	8,400
Interest and other charges	498,001	452,836	452,127	709
Total expenditures	<u>22,705,142</u>	<u>23,720,142</u>	<u>22,955,238</u>	<u>764,904</u>
Revenues over expenditures	<u>76,450</u>	<u>(169,137)</u>	<u>438,346</u>	<u>607,483</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	15,000	43,474	28,474
Transfers from other funds	181,000	181,000	-	(181,000)
Transfers to other funds	(257,450)	(262,081)	(162,025)	100,056
Total other financing sources (uses)	<u>(76,450)</u>	<u>169,137</u>	<u>116,667</u>	<u>(52,470)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	555,013	<u>\$ 555,013</u>
Reconciliation from budget to actual schedule (budgetary basis) to the fund schedule (modified accrual)				
Reconciling item:				
External bank fraud (Note 9)			(217,800)	
Net change in fund balance			337,213	
Fund balance, beginning of year - General Fund			<u>6,159,553</u>	
Fund balance, end of year - General Fund			6,496,766	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfer from the general fund			40,000	
Fund balance, beginning of year - Revaluation Fund			<u>80,000</u>	
Fund balance, end of year - Combined General Fund			<u>\$ 6,616,766</u>	

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Statement of Net Position**Proprietary Fund*

June 30, 2019

	<b>East Yancey Water and Sewer Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 115,588
Due from other governments	70,141
Total current assets	<u>185,729</u>
Non-current assets:	
Capital assets:	
Construction in progress	<u>6,716,742</u>
Total assets	<u>6,902,471</u>
 <b>Net Position</b>	
Net investment in capital assets	6,716,742
Unrestricted	<u>185,729</u>
 Total net position	 <u>\$ 6,902,471</u>

The accompanying notes are an integral part of these financial statements



## YANCEY COUNTY, NORTH CAROLINA

*Statement of Revenues, Expenses, and Changes in Net Position**Proprietary Fund*

For the year ended June 30, 2019

	<b>East Yancey Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for services	\$ -
<b>Operating Expenses</b>	
Operations	-
Income before transfers	-
Transfers from other funds	100,000
Change in net position	100,000
Net position, beginning of year	6,802,471
Net position, end of year	\$ 6,902,471

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Statement of Cash Flows*  
*Proprietary Fund*  
For the year ended June 30, 2019

	<b>East Yancey Water and Sewer Fund</b>
	<hr/>
<b>Cash flows from capital and related financing activities:</b>	
Transfers from other funds	\$ 100,000
Acquisition and construction of capital assets	<hr/> (147,691)
Net cash provided by capital and related financing activities	<hr/> (47,691)
Net decrease in cash and cash equivalents	(47,691)
<b>Cash and cash equivalents:</b>	
Beginning of year	<hr/> 163,279
End of year	<hr/> <hr/> \$ 115,588

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

*Statement of Fiduciary Net Position*

June 30, 2019

	<b><u>Agency Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 62,059
Due from other governments	<u>5,074</u>
	<b><u>\$ 67,133</u></b>
<b>Liabilities</b>	
Due to others	\$ 37,871
Due to the Town of Burnsville	<u>29,262</u>
	<b><u>\$ 67,133</u></b>

The accompanying notes are an integral part of these financial statements

## YANCEY COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

#### Note 1 – Summary of Significant Accounting Policies

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

##### (A) Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. Included within the reporting entity are the following blended component units:

##### **1. Yancey County Industrial Facility and Pollution Control Financing Authority (the “Authority”)**

The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

##### **2. East Yancey Water and Sewer District ( the “District”)**

The District was established by the Yancey County Board of Commissioners (the “Board”) for the purpose of constructing a sewer system in East Yancey County. The District’s governing board is the same as the County’s governing board. The Board adopts a budget to be used by the District and approves amendments to the approved budget. The District, which has a June 30 year-end, is reported as an enterprise fund of the County in accordance with G.S. 159-26(b)(4). It does not issue separate financial statements.

##### (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 County’s net position. 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.

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

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

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

The County 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 Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

*School Capital Project Fund.* This fund accounts for the construction of Blue Ridge Elementary School. This fund was authorized via a multi-year capital project ordinance adopted by the governing board.

The County reports the following major enterprise funds:

*East Yancey Water and Sewer Fund.* This fund accounts for the construction of a water and sewer system in East Yancey County, as well as the user fees and maintenance expenses associated with its operation when the system is completed and placed in service.

The County also reports the following fund types:

*Special Revenue Funds.* Special revenue funds are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains three non-major special revenue funds: the Fire District Fund, the Emergency Telephone System Fund, and the Grants Fund.

*Capital Project Funds.* Capital project funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds). The County maintains one non-major capital project fund.

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Yancey County Board of Education; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Senior Center Fund, which accounts for funds held on behalf of the Senior Center.

### **(C) Measurement Focus, Basis of Accounting**

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

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

**(D) Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revaluation Fund, and all special revenue funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the East Yancey Water and Sewer Enterprise Capital Project Fund, the Capital Projects Fund, and the School Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change department appropriations by more than \$10,000. 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 body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**(E) Assets, Liabilities, and Fund Equity**

**(1) Deposits and Investments**

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

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

The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**(2) Cash and Cash Equivalents**

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

**(3) Restricted Assets**

Money in the Revaluation Fund is classified as restricted assets because its use is restricted by North Carolina General Statute 153A-150. Unspent debt proceeds in the School Capital Projects Fund is classified as restricted assets because its use is restricted by revenue source.

**(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 which 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 June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. The County follows a capitalization threshold of \$5,000 for all assets. 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.

Capital assets of the County, excluding land and construction in progress, are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Other Improvements	10-25
Equipment and Vehicles	3-10
Computer Software	5

**(7) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The County has three items that meet this criterion: pension and OPEB related deferrals, contributions made to the pension plan in the current fiscal year, benefit payments and administrative costs paid for retiree health benefits in the current fiscal year.

In addition to liabilities, the statement of net position and balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet this criterion – prepaid taxes, ad valorem taxes receivable, and pension and OPEB related deferrals.

**(8) Long-Term Obligations**

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

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



**(9) Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences are liquidated in the General Fund and are accounted for on the first in, first out ("FIFO") basis, assuming that employees are taking leave time as it is earned.

The sick leave policies of the County provide 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 none of the entities 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**

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

**(11) Fund Balances**

In the governmental fund financial statements, fund balance is composed of four 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.

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

Restricted for Stabilization 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 for certain expenditures in the Sheriff's Department, operation and maintenance of County's emergency telephone system, or for fire protection in the County.

Restricted for School Capital – portion of fund balance that represents unspent debt proceeds for the construction of the new Blue Ridge Elementary School.

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

*Committed Fund Balance* – The classification includes amounts that can only be used for specific purposes imposed by majority vote by quorum of the County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

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

*Unassigned Fund Balance* – Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned for specific purposes or other funds.

The County does not have a formal revenue spending policy. However, it is the County's practice to use resources in the following hierarchy: Installment loan 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 County has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the County in such a manner that the fund balance available for appropriation is at least equal to 16 percent of the General Fund operating budget. Any portion of the fund balance in excess of 16 percent of the General Fund operating budget may be appropriated by the County Commissioners through an amendment to the subsequent year's budget ordinance.

## **(12) Defined Benefit Pension Plans**

The County participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State; the Local Governmental Employees' Retirement System (LGERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LGERS and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. 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 plan. Investments are reported at fair value.

## **Note 2 – Stewardship, Compliance and Accountability**

### Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the County's General Fund exceeded the authorized appropriations made by the governing board. This over-expenditure occurred because of adjustments proposed by the external auditor which were not planned for. Management and the Board will more closely review the budget reports and potential accrual adjustments in future years to ensure sufficient budget remains to absorb any potential year end accrual adjustments.

**Note 3 – Detail Notes on All Funds****(A) Assets****(1) Deposits**

All of the County's deposits are either insured or collateralized by using 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, these deposits are considered to be held by their agents in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County 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 County does not have policies regarding custodial credit risk.

At June 30, 2019, the County's deposits had a carrying amount of \$2,265,595 and a bank balance of \$2,801,291. Of the bank balance, \$533,348 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. The County also had petty cash on hand at June 30, 2019 of \$917.

**(2) Investments**

At June 30, 2019, the County's investments consisted of \$5,967,110 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The portfolio has no maturity value and is valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* The County does not have a formal investment policy but as a matter of practice invests only in short term investment instruments.

*Credit Risk.* The County's investments in the NC Capital Management Trust's Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The County has no policy on credit risk.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no policy on custodial credit risk.

*Concentration of Credit Risk.* The County places no limit on the amount that may be invested in any one issuer. The County does not have a formal policy on concentration of credit risk.

Reconciliation of Cash and Cash Equivalents:

A reconciliation of cash and cash equivalents as shown in the government-wide statement of net position is as follows:

Reported value of deposits	\$ 2,265,595
Petty cash	917
Fair value of investments	<u>5,967,110</u>
	<u>\$ 8,233,622</u>
Statement of Net Position	
Cash and cash equivalents	\$ 5,505,322
Cash and cash equivalents, restricted	<u>2,666,241</u>
	8,171,563
Statement of Fiduciary Net Position	
Cash and cash equivalents, restricted	<u>62,059</u>
	<u>\$ 8,233,622</u>

**(3) Receivables**

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

	<u>Governmental Funds</u>		Accrual	Governmental	Business-
	<u>General</u>	<u>Other</u>	<u>Adjustment</u>	<u>Activities</u>	Type <u>Activities</u>
Receivables:					
Ad valorem taxes	\$ 498,130	\$ 38,696	\$ -	\$ 536,826	\$ -
Due from other governments	1,946,018	178,473	-	2,124,491	70,141
Interest on taxes	-	-	81,121	81,121	-
Less: allowance - ad valorem	<u>(80,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(95,000)</u>	<u>-</u>
Total receivables (net)	<u>\$ 2,364,148</u>	<u>\$ 202,169</u>	<u>\$ 81,121</u>	<u>\$ 2,647,438</u>	<u>\$ 70,141</u>

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

<u>Governmental Activities</u>	
Local option sales tax	\$ 1,092,318
Sales tax refunds	152,706
DSS administrative reimbursements	160,907
Motor vehicle taxes	92,594
Other	625,966
Total	<u>\$ 2,124,491</u>

<u>Business-Type Activities</u>	
Grant reimbursements	<u>\$ 70,141</u>

**(4) Capital Assets**

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

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,918,839	\$ 47,400	\$ -	\$ 2,966,239
Construction in progress	16,699	-	16,699	-
Total capital assets not being depreciated	<u>2,935,538</u>	<u>47,400</u>	<u>16,699</u>	<u>2,966,239</u>
Capital assets being depreciated:				
Land improvements	1,227,229	-	-	1,227,229
Buildings and improvements	15,585,521	1,154,940	-	16,740,461
Equipment	1,399,500	7,105	99,500	1,307,105
Computer software	361,072	51,913	-	412,985
Vehicles and motor equipment	2,101,347	298,882	178,087	2,222,142
Total capital assets being depreciated	<u>20,674,669</u>	<u>1,512,840</u>	<u>277,587</u>	<u>21,909,922</u>
Less accumulated depreciation for:				
Land improvements	712,116	73,540	-	785,656
Buildings and improvements	6,206,356	253,553	-	6,459,909
Equipment	950,007	102,654	99,501	953,160
Computer software	152,567	80,867	-	233,434
Vehicles and motor equipment	1,545,204	240,541	176,740	1,609,005
Total accumulated depreciation	<u>9,566,250</u>	<u>751,155</u>	<u>276,241</u>	<u>10,041,164</u>
Capital assets being depreciated, net	<u>11,108,419</u>			<u>11,868,758</u>
Governmental activities capital assets, net	<u>\$ 14,043,957</u>			<u>\$ 14,834,997</u>

Depreciation was charged to expense as follows:

General government	\$ 94,449
Public safety	264,190
Environmental protection	21,320
Economic and physical development	9,608
Human services	196,307
Cultural and recreational	165,281
Total depreciation expenses	<u>\$ 751,155</u>

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 6,569,051	\$ 147,691	\$ -	\$ 6,716,742

**(B) Liabilities****(1) Payables**

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

	Governmental Funds			Governmental
	General	Other	Accrual Adjustment	Activities
Accounts payable	\$ 154,532	\$ 1,250,235	\$ -	\$ 1,404,767
Accrued wages	299,561	-	-	299,561
Accrued interest	-	-	317,538	317,538
Total accounts payable and accrued expenses	\$ 454,093	\$ 1,250,235	\$ 317,538	\$ 2,021,866

**(2) Pension Plan Obligations***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](http://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 and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$472,521 for the year ended June 30, 2019.

*Refunds of Contributions.* County employees that 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 \$2,042,586 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 the June 30, 2018 measurement date, the County's proportion was .08610%, which was an increase of .00007% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$574,486. 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	\$ 315,123	\$ 10,574
Changes of assumptions	542,024	-
Net difference between projected and actual earnings on pension plan investments	280,386	-
Changes in proportion and difference between County contributions and proportionate share of contributions	7,657	10,725
County contributions subsequent to the measurement date	472,521	-
	<u>\$ 1,617,711</u>	<u>\$ 21,299</u>

\$472,521 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	\$ 543,658
2021	355,155
2022	61,960
2023	163,118
Thereafter	-
	<u>\$ 1,123,891</u>

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

Inflation	3.0 percent
Salary increases	3.50 percent to 8.10 percent, including inflation and productivity factor
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 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	100.0%	

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 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate.* The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 4,906,470	\$ 2,042,586	\$ (350,519)

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

*Law Enforcement Officers Special Separation Allowance*

*Plan Description:* The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the 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 law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2017 (valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>18</u>
Total	<u><u>18</u></u>

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

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

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

*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	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

*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. There were no benefit payments made during 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 \$566,936. 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 \$25,388.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 82,134
Changes of assumptions	28,411	29,277
	<u>\$ 28,411</u>	<u>\$ 111,411</u>

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

Year ended June 30,

2020	\$ (17,785)
2021	(17,785)
2022	(17,785)
2023	(17,237)
2024	(11,137)
Thereafter	<u>(1,271)</u>
	<u>\$ (83,000)</u>

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

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 618,717	\$ 566,936	\$ 519,590

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

	2019
Beginning balance	\$ 583,774
Service cost	24,726
Interest on the total pension liability	18,447
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(35,724)
Change of assumptions or other inputs	(24,287)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 566,936</u>

*Changes of assumptions.* Changes of assumptions and other inputs reflects a change in the discount rate from 3.16 percent to 3.64 percent.

*Changes in Benefit Terms.* Reported compensation adjusted to reflect the assumed rate of pay as of the valuation 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 actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Proportionate Share of Net Pension Liability	\$ 2,042,586	\$ -	\$ 2,042,586
Proportion of the Net Pension Liability	0.08610%	N/A	
Total Pension Liability	-	566,936	
Pension Expense	\$ 574,486	\$ 25,388	\$ 599,874

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 315,123	\$ -	\$ 315,123
Changes of assumptions	542,024	28,411	570,435
Net difference between projected and actual earnings on pension plan investments	280,386	-	280,386
Changes in proportion and differences between County contributions and proportionate share of contributions	7,657	-	7,657
County contributions (LGERS)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>472,521</u>	<u>-</u>	<u>472,521</u>
	<u>\$ 1,617,711</u>	<u>\$ 28,411</u>	<u>\$ 1,646,122</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 10,574	\$ 82,134	\$ 92,708
Changes of assumptions	-	29,277	29,277
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>10,725</u>	<u>-</u>	<u>10,725</u>
	<u>\$ 21,299</u>	<u>\$ 111,411</u>	<u>\$ 132,710</u>

Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description:* The County contributes to the Supplemental Retirement Income Plan (the 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 \$51,614 for the year ended June 30, 2019. No amounts were forfeited.

(3) **Other Postemployment Benefit**

*Plan Description*

Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). This plan provides post-employment healthcare benefits (OPEB) to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (“System”) and have at least 10 years of creditable service with the County. Once the retiree becomes eligible for Medicare, then the County’s health insurance plan will pay claims secondary to Medicare. Also, the County’s retirees can purchase coverage for their dependents at the County’s group rates. Dependent coverage terminates upon the dependent attaining age 65. The County may amend the benefit provisions. A separate report was not issued for the plan. Retirees hired prior to July 1, 2007 receive the same benefits as active employees. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. As of July 1, 2007, the plan has been closed to new entrants. The plan, which has a June 30, 2019 year end, does not issue a stand-alone report.

*Plan membership*

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

Retirees and dependents receiving benefits	19
Active plan members	<u>143</u>
Total	<u><u>162</u></u>

*Total OPEB Liability*

The County’s total OPEB liability of \$3,783,288 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

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

Inflation	2.5 percent
Salary increases	3.5% to 7.75% percent
Discount rate	3.89% percent
Healthcare cost trend rates	Pre-Medicare – 7.5% decreasing to 5.0% by 2023 Medicare – 5.5% decreasing to 5.0% by 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 3,833,334
Changes for the year	
Service cost	85,472
Interest	134,812
Differences between expected and actual experience	(1,904)
Changes in assumptions or other inputs	(174,619)
Benefit payments	(93,807)
Net changes	(50,046)
Balance at June 30, 2019	\$ 3,783,288

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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:

	<b>1% Decrease (2.89%)</b>	<b>Discount Rate (3.89%)</b>	<b>1% increase (4.89%)</b>
Total OPEB Liability	\$4,350,737	\$3,783,288	\$3,318,363

Sensitivity of the total OPEB liability to changes 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:

	<b>Pre-Medicare 6.5% decreasing to 4.0% Medicare 4.5% decreasing to 4.0%</b>	<b>Pre-Medicare 7.5% decreasing to 5.0% Pre-Medicare 5.5% decreasing to 5.0%</b>	<b>Pre-Medicare 8.5% decreasing to 6.0% Pre-Medicare 6.5% decreasing to 6.0%</b>
Total OPEB Liability	\$3,263,214	\$3,783,288	\$4,419,874



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

For the year ended June 30, 2019, the County recognized OPEB benefit of \$152,141. 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	\$ 9,093	\$ 1,652
Changes of assumptions	-	386,234
Benefit payments made subsequent to the measurement date	82,545	-
	<u>\$ 91,638</u>	<u>\$ 387,886</u>

\$82,545 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	\$ (63,929)
2021	(63,929)
2022	(63,929)
2023	(63,929)
2024	(63,929)
Thereafter	(59,148)
	<u>\$ (378,793)</u>

**(4) Other Employment Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.



**(5) Landfill Post-Closure Care Costs**

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$903,468 reported as landfill post-closure care liability at June 30, 2019, represents the projected actual post-closure care cost of the closed municipal solid waste landfill over the next 6 years and construction and demolition landfill over the next 20 years based on what it would cost to perform all post-closure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**(6) Long-term debt**

The County's long-term debt as of June 30, 2019, consisted of the following:

*Capital Leases*

The County has entered into agreements to lease certain vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception. The following summarizes capital lease activity for the fiscal year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Equipment lease purchase agreement, annual payments of \$40,026, including interest at 5.5% through August 2019	\$ 73,900	\$ -	\$ 35,961	\$ 37,939

The capital assets acquired through capital leases are recorded in the governmental activities as follows:

Asset:	
Vehicles	\$ 113,381
Accumulated depreciation	(43,463)
Total	<u>\$ 69,918</u>

The future minimum lease obligations as of June 30, 2019, including interest, were as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30, 2020	<u>\$ 37,939</u>	<u>\$ 2,087</u>

*Direct Placement Installment Purchases*

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
\$2,200,000 direct placement installment purchase contract, annual principal payments of \$102,667 through September 2024, plus annual interest at 4.87 percent	\$ 718,666	\$ -	\$ 102,667	\$ 615,999
\$980,000 direct placement installment purchase contract, annual principal payments of \$65,333 through September 2024, plus interest at 7.59 percent	457,333	-	65,333	392,000
\$990,000 direct placement installment purchase contract, annual principal payments of \$66,000 through June 2025, including interest at 7.36 percent	462,000	-	66,000	396,000
\$520,000 direct placement installment purchase contract, annual principal payments of \$34,667 through 2030, including interest at 3.01 percent	415,999	-	34,667	381,332
\$1,574,000 direct placement installment purchase contract, annual payments of \$667,397 through 2020, including interest at 2.89 percent	1,574,000	-	621,908	952,092
\$100,218 direct placement installment purchase contract for equipment, July 2018, annual payments of \$35,144 through July 2020, including interest at 5.25 percent	-	100,218	35,144	65,074
\$135,000 direct placement installment purchase contract for equipment, July 2018, annual payments of \$47,528 through July 2020, including interest at 5.25 percent	-	135,000	47,299	87,701

\$891,592 direct installment obligation assumed for the transfer of a senior center to the County, May 2019, annual payments of \$41,060 through February 2056, including interest at 3.125 percent (See note 8)	-	891,592	-	891,592
\$9,900,000 direct placement installment purchase contract for school construction, annual payments of \$953,507 beginning in 2021 through 2032, including interest at 2.89 percent	<u>9,900,000</u>	<u>-</u>	<u>-</u>	<u>9,900,000</u>
Total governmental activities	<u>\$ 13,527,998</u>	<u>\$ 1,126,810</u>	<u>\$ 973,018</u>	<u>\$ 13,681,790</u>

Future minimum payments for installment purchases are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2020	996,103	450,178
2021	1,018,989	411,434
2022	960,061	371,828
2023	980,075	335,957
2024	1,000,668	299,502
2025-2029	4,397,725	1,019,168
2030-2034	3,683,551	371,483
2035-2039	111,110	94,189
2040-2044	129,590	75,710
2045-2049	151,144	54,156
2050-2054	176,282	29,016
2055-2056	<u>76,492</u>	<u>3,653</u>
	<u>\$ 13,681,790</u>	<u>\$ 3,516,274</u>

The County's remaining legal debt margin as of June 30, 2019 was approximately \$155 million.

**(7) 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 Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Installment purchase	\$ 13,527,998	\$ 1,126,810	\$ 973,018	\$ 13,681,790	\$ 996,103
Capital leases	73,900	-	35,961	37,939	37,939
Compensated absences	474,317	322,834	342,626	454,525	287,086
Landfill post-closure liability	959,408	-	55,940	903,468	56,599
Net pension liability - LGERS	1,314,300	728,286	-	2,042,586	-
Total pension liability - LEOSSA	583,774	-	16,838	566,936	-
Total OPEB liability	3,833,334	-	50,046	3,783,288	-
Total governmental activities	<u>\$ 20,767,031</u>	<u>\$ 2,177,930</u>	<u>\$ 1,474,429</u>	<u>\$ 21,470,532</u>	<u>\$ 1,377,727</u>

**(C) Deferred Outflows and Inflows of Resources**

Deferred inflows of resources at June 30, 2019, are as follows:

	Governmental Funds		Accrual	Governmental
	General	Other	Adjustment	Activities
Unavailable:				
Taxes receivable (net)	\$ 418,130	\$ 23,696	\$ (441,826)	\$ -
Unearned:				
Prepaid taxes	40,509	-	-	40,509
Solid waste deposits	18,912	-	-	18,912
Unspent grant proceeds	111,648	-	-	111,648
Pension deferrals (LEOSSA)	-	-	111,411	111,411
Pension deferrals (LGERS)	-	-	21,299	21,299
OPEB deferrals	-	-	387,886	387,886
Total deferred inflows	<u>\$ 589,199</u>	<u>\$ 23,696</u>	<u>\$ 78,770</u>	<u>\$ 691,665</u>

Deferred outflows of resources at June 30, 2019, are as follows:

	Governmental Activities
Pension - difference between expected and actual experience (LGERS)	\$ 315,123
OPEB - difference between expected and actual experience	9,093
Pension - difference between projected and actual investment earnings (LGERS)	280,386
Pension - change in proportion and difference between employer contributions and proportionate share contributions (LGERS)	7,657
Pension - change in assumptions (LGERS)	542,024
Pension - change in assumptions (LEOSSA)	28,411
Contributions to the pension plan subsequent to the measurement date (LGERS)	472,521
Benefit payments paid subsequent to the measurement date (OPEB)	82,545
Total deferred outflows	<u>\$ 1,737,760</u>

**(D) 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 a self-funded risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of approximately \$20.8 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$1 million per occurrence, flood coverage up to \$5 million per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

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.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance is bonded for \$100,000 and the tax collector is bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

**(E) Inter-fund Balances and Activity**

The County uses a central depository for all of its funds. As a result of temporary timing differences in funds that cause the fund's cash balance in the central depository to go negative, \$9,464 is due from the Grants Fund to the General Fund at June 30, 2019.

Inter-fund transfers for the year ended June 30, 2019, consisted of the following:

Transfer from the capital project fund to the General Fund to close the fund	\$ (56)
Transfers to the Grant Fund from the General Fund for matching grants	22,081
Transfer to the East Yancey Water and Sewer Fund from the General Fund to fund construction	100,000
	<u>\$ 122,025</u>

**(F) Net Investment in Capital Assets**

The net investment in capital assets at June 30, 2019, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$ 14,834,997	\$ 6,716,742
Less:		
Installment purchase contracts	(13,681,790)	-
Capital leases	(37,939)	-
Addback: balance of school related debt	<u>10,852,092</u>	<u>-</u>
	<u>\$ 11,967,360</u>	<u>\$ 6,716,742</u>

**(G) Fund Balance**

Yancey County does not have a formal revenue spending policy. However, it is the County's practice to use resources in the following hierarchy: installment loan 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 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	\$ 6,616,766
Less:	
Restricted for stabilization by State statute	1,955,482
Working capital policy	<u>3,795,223</u>
Remaining fund balance	<u>\$ 866,061</u>

As noted earlier, the County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that the fund balance available for appropriation is at least equal to 16 percent of the General Fund operating budget.

**Note 4 – Related Organization**

The chairman of the County's governing board is responsible for appointing the members of the Board of the Yancey County Recreation Corporation, but the County's accountability for this organization does not extend beyond making these appointments. The Corporation is a non-profit organization that exists to develop and provide recreational activities for county residents. It is funded with private donations.

**Note 5 – Joint Ventures**

The County, in conjunction with the State of North Carolina, Mitchell County and Avery County, participates in a joint venture to operate Mayland Community College (the "College"). One member is appointed by the Boards of Education in each of the three counties; two members are appointed by the Boards of Commissioners in each of the three counties; and one member is appointed by the Governor of North Carolina from each of the three counties. The President of the Student Government Association of the College serves as an ex officio member of the Board of Trustees. The College is included as a component unit of the state. The County has the basic responsibility for providing annual appropriations for facilities. The County has an ongoing financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. The County contributed \$345,000 and \$30,000 to the college for operating and capital purposes, respectively, 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 College may be obtained from the Office of the Vice President for Administration Services, Mayland Community College, P.O. Box 547, Highway 19E, Spruce Pine, NC, 28777.

The County participates in a joint venture to operate the Avery Mitchell Yancey Regional Library (the "Library") with Avery County, Mitchell County, and the Town of Spruce Pine. Each participating County appoints four members to the Board of the Library. The County has an ongoing financial responsibility for the joint venture because of the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2019, the County contributed \$118,010 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 113 Old Highway 19E, P.O. Drawer 310, Burnsville, NC, 28714.

The County participates in a joint venture to operate Yancey County Planning and Economic Development Commission (the "Commission") with the Town of Burnsville. Each participating government appoints one member to the governing body. The County has an ongoing financial responsibility for the joint venture because of the Commission's continued existence depends on the participating governments' continued funding. Neither of the participating governments have an equity interest in the Commission, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2019, the county contributed \$139,148 to the Commission to supplement its activities. Complete financial statements for the commission may be obtained from the Commission's office at Yancey County Planning and Economic Development Commission, P.O. Box 246, Burnsville, NC, 28714

The County, in conjunction with 22 other county governments, participates in a joint venture to operate Vaya Health, a public managed care organization ("MCO") which provides mental health, development disability, and substance abuse services to residents of the 23 county area. Each participating government appoints members to the governing body. The County has an ongoing financial responsibility for the joint venture because the MCO's continued existence depends on participating governments' funding. None of the participating governments have an equity interest in the MCO, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2019, the county contributed \$26,000 to the MCO to supplement its activities. Complete financial statements for the MCO may be obtained from the administrative offices at 200 Ridgefield Ct, Suite 206, Asheville, NC, 28806.

**Note 6 – Jointly Governed Organizations**

The High Country Council of Governments (the Council) is a voluntary association of seven county governments, including the County. The Council was created for the purpose of coordinating federal and state projects of a planning nature in the seven county area comprising Region D in northwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirement of the Council. The County paid membership fees of \$9,526 to the Council during fiscal year ended June 30, 2019.

**Note 7 – Summary Disclosure of Significant Commitments and Contingencies*****Contingencies***

In the opinion of the County's management and the County's attorney, there were no pending or threatened litigation claims or assessments (excluding those that may as yet be unasserted) that could have a material adverse effect on the County's financial position as of and for the year end June 30, 2019.

***Federal and State Assisted Programs***

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

***Commitments***

The County has an agreement with a local hospital to provide countywide emergency medical services. The contract requires the County to pay \$1,140,887 in the fiscal year ending June 30, 2020.

**Note 8 – Special Item – Donated Asset**

During the year ended June 30, 2019, the County assumed responsibility for the senior center formerly operated by the Yancey County Committee on Aging. As part of the agreement, the Committee on Aging donated the building to the County. The County assumed the outstanding mortgage liability associated with the building. The County has recorded a "Special Item" of income on the Statement of Activities to record the net difference between the fair value of the building and the liability assumed. The special item amount is calculated as follows:

Building and land, fair value	\$ 1,202,340
Debt assumed	<u>(891,592)</u>
Special item	<u>\$ 310,748</u>

**Note 9 – Special Item – External Bank Fraud**

During the year ended June 30, 2019, one of the County's bank accounts was compromised. The County suffered a loss of \$467,800 and received an insurance payment of \$250,000. The net amount of the unrecovered loss as of June 30, 2019 is \$217,800, which is shown as a "Special Item" on the Statement of Activities, and as an expenditure under the general fund's Statement of Revenues, Expenditures, and Changes in Fund Balance.



## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

- 
- Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in the Total Pension Liability
  - Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll
  - Local Government Employees' Retirement System – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
  - Local Government Employees' Retirement System – Schedule of County's Contributions
  - Other Post-Employment Benefits – Schedule of Changes in the Total OPEB Liability and Related Ratios
-

## YANCEY COUNTY, NORTH CAROLINA

*Law Enforcement Officers' Special Separation Allowance*  
*Required Supplementary Information*  
 Last Three Fiscal Years\*

**Schedule of Change in Total Pension Liability**

	2019	2018	2017
Beginning balance	\$ 583,774	\$ 573,254	\$ 542,060
Service cost	24,726	23,459	27,919
Interest on the total pension liability	18,447	22,128	19,352
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(35,724)	(76,878)	-
Change of assumptions or other inputs	(24,287)	41,811	(16,077)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 566,936</u>	<u>\$ 583,774</u>	<u>\$ 573,254</u>

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

Total pension liability	\$ 566,936	\$ 583,774	\$ 573,254
Covered payroll	884,858	906,486	915,617
Total pension liability as a percentage of covered payroll	64.07%	64.40%	62.61%

## Notes to the schedules:

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

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

## YANCEY COUNTY, NORTH CAROLINA

*County's Proportionate Share of the Net Pension Liability (Asset)*  
*Required Supplementary Information*  
 Last Six Fiscal Years\*

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.08610%	0.08603%	0.08691%	0.08234%	0.08321%	0.08160%
County's proportion of the net pension liability (asset) (\$)	\$ 2,042,586	\$ 1,314,300	\$ 1,844,520	\$ 369,537	\$ (490,728)	\$ 983,593
County's covered payroll	5,575,724	5,274,979	5,111,004	4,659,511	4,598,501	4,421,926
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.63%	24.92%	36.09%	7.93%	( 10.67%)	22.24%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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.

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of the County's Contributions*  
*Required Supplementary Information*  
 Last Six Fiscal Years

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Contractually required contribution	\$ 472,521	\$ 428,267	\$ 393,559	\$ 349,281	\$ 336,574	\$ 320,054
Contributions in relation to the contractually required contribution	<u>472,521</u>	<u>428,267</u>	<u>393,559</u>	<u>349,281</u>	<u>336,574</u>	<u>320,054</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	5,956,530	5,575,724	5,274,979	5,111,004	4,659,511	4,598,501
Contributions as a percentage of covered payroll	7.93%	7.68%	7.46%	6.83%	7.22%	6.96%

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Changes in the Total OPEB Liability and Related Ratios*  
*Required Supplementary Information*  
 Last Two Fiscal Years

## Schedule of Changes in Total OPEB Liability

Total OPEB Liability	2019	2018
Service cost	\$ 85,472	\$ 92,707
Interest on the total OPEB liability	134,812	119,771
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(1,904)	12,363
Change of assumptions or other inputs	(174,619)	(319,141)
Benefit payments	(93,807)	(102,202)
Other changes	-	-
Net change in total OPEB liability	(50,046)	(196,502)
Total OPEB liability - beginning	3,833,334	4,029,836
Total OPEB liability - ending	\$ 3,783,288	\$ 3,833,334
Covered payroll	\$ 4,937,995	\$ 4,937,995
Total OPEB liability as a percentage of covered payroll	76.62%	77.63%

## Notes to the schedule:

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

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

## MAJOR FUNDS

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### *Governmental Fund-Type:*

- The General Fund is the main operating fund of the County. It accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
  - Tax Revaluation Fund – This fund is established to set aside funding to finance the county-wide real property revaluation. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.
  - The School Capital Project Fund – This fund accounts for the financing and construction of Blue Ridge Elementary School.
-

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Revenues</b>			
Ad valorem taxes:			
Current year	\$ 13,336,361	\$ 13,505,025	\$ 168,664
Prior years	260,000	205,339	(54,661)
Penalties and interest	104,500	84,998	(19,502)
Total	<u>13,700,861</u>	<u>13,795,362</u>	<u>94,501</u>
Local option sales taxes:			
Article 39 and 44	2,051,000	2,145,241	94,241
Article 40 one-half of one percent	1,178,000	1,170,968	(7,032)
Article 42 one-half of one percent	795,315	828,320	33,005
Total	<u>4,024,315</u>	<u>4,144,529</u>	<u>120,214</u>
Other taxes:			
Medicaid hold harmless	90,000	57,518	(32,482)
White goods disposal tax	36,606	34,752	(1,854)
Occupancy tax	115,000	103,993	(11,007)
Total	<u>241,606</u>	<u>196,263</u>	<u>(45,343)</u>
Unrestricted intergovernmental revenues	<u>90,000</u>	<u>99,341</u>	<u>9,341</u>
Restricted intergovernmental revenues:			
DSS federal and state grants	2,802,833	2,684,509	(118,324)
Other federal and state grants	887,856	782,596	(105,260)
Other restricted	161,030	149,342	(11,688)
Total	<u>3,851,719</u>	<u>3,616,447</u>	<u>(235,272)</u>
Licenses and permits:			
Register of Deeds fees	198,110	169,791	(28,319)
Building, other permit, inspection fees	49,000	49,559	559
Total	<u>247,110</u>	<u>219,350</u>	<u>(27,760)</u>
Sales and services:			
Rents, concessions, and fees	197,559	202,717	5,158
Sherriff/jail fees	227,697	184,969	(42,728)
Sanitation fees	427,648	345,491	(82,157)
Landfill fees	125,835	121,180	(4,655)
Recreation fees	265,200	272,081	6,881
Total	<u>1,243,939</u>	<u>1,126,438</u>	<u>(117,501)</u>
Investment earnings	<u>107,730</u>	<u>135,832</u>	<u>28,102</u>
Miscellaneous	<u>43,725</u>	<u>60,022</u>	<u>16,297</u>
Total revenues	<u>23,551,005</u>	<u>23,393,584</u>	<u>(157,421)</u>

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Expenditures</b>			
General government:			
Governing body	117,822	113,547	4,275
Administration	128,055	125,762	2,293
Finance	132,478	132,708	(230)
Tax administration	411,830	413,615	(1,785)
Clerk of court	6,000	4,096	1,904
Board of elections	201,665	201,002	663
Legal	108,965	105,493	3,472
Register of Deeds	243,585	248,277	(4,692)
Maintenance	479,370	480,416	(1,046)
License Plate Agency	136,708	133,600	3,108
Information technology	102,966	100,090	2,876
Other general government	<u>1,156,342</u>	<u>1,154,002</u>	<u>2,340</u>
Total general government	<u>3,225,786</u>	<u>3,212,608</u>	<u>13,178</u>
Public safety:			
Sheriff's department	1,759,100	1,787,876	(28,776)
Sheriff's asset forfeiture	-	11,744	(11,744)
Sheriff's dispatch	341,375	345,817	(4,442)
Jail	1,136,556	1,146,176	(9,620)
Emergency management	102,808	99,801	3,007
Inspections	141,710	143,269	(1,559)
Ambulance services	1,197,387	1,197,387	-
Medical examiner	12,500	4,300	8,200
E-911	445,784	450,109	(4,325)
Animal control	6,697	6,697	-
Other	<u>86,159</u>	<u>86,678</u>	<u>(519)</u>
Total public safety	<u>5,230,076</u>	<u>5,279,854</u>	<u>(49,778)</u>
Environmental protection:			
Sanitation	1,394,865	1,395,100	(235)
Soil conservation	88,814	88,814	-
Forestry	53,680	42,890	10,790
Landfill	251,681	252,668	(987)
Recycling	<u>181,511</u>	<u>181,610</u>	<u>(99)</u>
Total environmental protection	<u>1,970,551</u>	<u>1,961,082</u>	<u>9,469</u>



## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Expenditures (continued)</b>			
Economic and physical development:			
Agricultural extension	242,255	246,973	(4,718)
Mapping	140,225	135,671	4,554
Economic development commission	252,914	252,061	853
Tourism	115,000	102,959	12,041
Planning	54,332	53,575	757
Total economic and physical development	<u>804,726</u>	<u>791,239</u>	<u>13,487</u>
Human services:			
Social services income maintenance	1,493,370	1,341,047	152,323
Children and family services	2,564,433	2,071,824	492,609
Child support enforcement	67,876	64,612	3,264
Child day care	342,711	336,900	5,811
Social services administration	559,497	512,856	46,641
Transportation	561,199	516,895	44,304
Contribution to regional health	458,945	456,859	2,086
Senior center	354,582	348,367	6,215
Other	17,415	14,402	3,013
Total human services	<u>6,420,028</u>	<u>5,663,762</u>	<u>756,266</u>
Cultural and recreational:			
Library	118,188	118,010	178
Recreation	162,316	162,993	(677)
Campground	265,875	255,899	9,976
Other	155,065	154,619	446
Total cultural and recreational	<u>701,444</u>	<u>691,521</u>	<u>9,923</u>
Education:			
Public schools-current	2,990,900	2,960,900	30,000
Public schools-capital outlay	341,803	341,803	-
Public schools-local supplement	100,000	126,850	(26,850)
Public schools-timber receipts	49,613	49,513	100
Public schools-JROTC match	40,000	40,000	-
Community colleges-current	345,000	345,000	-
Community colleges-capital outlay	30,000	30,000	-
Total education	<u>3,897,316</u>	<u>3,894,066</u>	<u>3,250</u>

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
Debt service:			
Principal retirement	1,017,379	1,008,979	8,400
Interest and fees	452,836	452,127	709
Total debt service	<u>1,470,215</u>	<u>1,461,106</u>	<u>9,109</u>
Total expenditures	<u>23,720,142</u>	<u>22,955,238</u>	<u>764,904</u>
Revenues over expenditures	<u>(169,137)</u>	<u>438,346</u>	<u>607,483</u>
<b>Other Financing Sources (Uses)</b>			
Installment obligations issued	235,218	235,218	-
Sale of capital assets	15,000	43,474	28,474
Transfers from other funds	181,000	-	(181,000)
Transfers to other funds	<u>(262,081)</u>	<u>(162,025)</u>	<u>100,056</u>
Total other financing sources (uses)	<u>169,137</u>	<u>116,667</u>	<u>(52,470)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	555,013	<u>\$ 555,013</u>
Reconciliation from budget to actual schedule (budgetary basis) to the fund schedule (modified accrual)			
Reconciling item:			
External bank fraud (Note 9)		<u>(217,800)</u>	
Net change in fund balance		337,213	
Fund balance, beginning of year		<u>6,159,553</u>	
Fund balance, end of year		<u>\$ 6,496,766</u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*Revaluation Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Expenditures</b>			
General Government:			
Revaluation	\$ <u>40,000</u>	\$ <u>-</u>	\$ <u>40,000</u>
 <b>Other Financing Sources</b>			
Transfers from other funds	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	40,000	<u>\$ 40,000</u>
Fund balance, beginning of year		<u>80,000</u>	
Fund balance, end of year		<u>\$ 120,000</u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*School Capital Projects Fund*

From inception and for the year ended June 30, 2019

	<b>Project Authorization</b>	<b>Reported In Prior Years</b>	<b>Current Year</b>	<b>Total</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>					
Restricted intergovernmental	\$ 2,098,926	\$ 1,220,661	\$ -	\$ 1,220,661	\$ (878,265)
Investment earnings	-	847	-	847	847
Total revenues	<u>2,098,926</u>	<u>1,221,508</u>	<u>-</u>	<u>1,221,508</u>	<u>(877,418)</u>
<b>Expenditures</b>					
Education:					
Blue Ridge Elementary School	<u>14,573,226</u>	<u>4,229,286</u>	<u>7,949,879</u>	<u>12,179,165</u>	<u>2,394,061</u>
Revenues under expenditures	<u>(12,474,300)</u>	<u>(3,007,778)</u>	<u>(7,949,879)</u>	<u>(10,957,657)</u>	<u>1,516,643</u>
<b>Other Financing Sources</b>					
Transfer from other funds	1,000,000	1,000,000	-	1,000,000	-
Installment obligations issued	<u>11,474,300</u>	<u>11,474,000</u>	<u>-</u>	<u>11,474,000</u>	<u>(300)</u>
Total other financing sources	<u>12,474,300</u>	<u>12,474,000</u>	<u>-</u>	<u>12,474,000</u>	<u>(300)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,466,222</u>	<u>(7,949,879)</u>	<u>\$ 1,516,343</u>	<u>\$ 1,516,343</u>
Fund balance, beginning of year			<u>9,466,222</u>		
Fund balance, end of year			<u>\$ 1,516,343</u>		

## NONMAJOR GOVERNMENTAL FUNDS

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### *Special Revenue Funds*

- Fire District Fund – This fund is established to account for the ad valorem tax levies of the six fire districts in Yancey County.
- Emergency Telephone System Fund – This fund is established to account for the accumulation of funds used to operate the 911 Emergency Service operations.
- Grants Fund – This fund is established to account for the expenditure of various state and federal grants.

### *Capital Projects Fund*

- Capital Projects Fund – This fund is used to account for the acquisition or construction of major capital facilities of the County (other than those financed by proprietary funds).
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## YANCEY COUNTY, NORTH CAROLINA

## Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Fire District Fund	Emergency Telephone System Fund	Grants Fund	Capital Projects Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 62,525	\$ 160,763	\$ -	\$ -	\$ 223,288
Receivables, net	23,696	-	-	-	23,696
Due from other governments	856	13,119	11,792	-	25,767
Total assets	<u>\$ 87,077</u>	<u>\$ 173,882</u>	<u>\$ 11,792</u>	<u>\$ -</u>	<u>\$ 272,751</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	\$ 63,391	\$ 4,240	\$ -	\$ -	\$ 67,631
Due to general fund	-	-	9,464	-	9,464
Total liabilities	<u>63,391</u>	<u>4,240</u>	<u>9,464</u>	<u>-</u>	<u>77,095</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>23,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,696</u>
<b>FUND BALANCES</b>					
Restricted:					
Stabilization by State statute	-	13,119	2,328	-	15,447
Public safety	-	156,523	-	-	156,523
Total fund balances	<u>(10)</u>	<u>169,642</u>	<u>2,328</u>	<u>-</u>	<u>171,960</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 87,077</u>	<u>\$ 173,882</u>	<u>\$ 11,792</u>	<u>\$ -</u>	<u>\$ 272,751</u>

## YANCEY COUNTY, NORTH CAROLINA

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Governmental Funds

For the year ended June 30, 2019

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Fire District Fund	Emergency Telephone System Fund	Grants Fund	Capital Projects Fund	
<b>Revenues</b>					
Ad valorem taxes	\$ 1,216,206	\$ -	\$ -	\$ -	\$ 1,216,206
Restricted intergovernmental	-	157,439	111,390	-	268,829
Investment earnings	-	-	-	18	18
Total revenues	<u>1,216,206</u>	<u>157,439</u>	<u>111,390</u>	<u>18</u>	<u>1,485,053</u>
<b>Expenditures</b>					
Current:					
Public safety	1,216,216	112,312	87,783	-	1,416,311
Human services	-	-	45,747	-	45,747
Total expenditures	<u>1,216,216</u>	<u>112,312</u>	<u>133,530</u>	<u>-</u>	<u>1,462,058</u>
Revenues over (under) expenditures	<u>(10)</u>	<u>45,127</u>	<u>(22,140)</u>	<u>18</u>	<u>22,995</u>
<b>Other Financing Sources</b>					
Transfers to other funds	-	-	-	(56)	(56)
Transfers from other funds	-	-	22,081	-	22,081
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,081</u>	<u>(56)</u>	<u>22,025</u>
Net change in fund balances	(10)	45,127	(59)	(38)	45,020
Fund balances, beginning of year	<u>-</u>	<u>124,515</u>	<u>2,387</u>	<u>38</u>	<u>126,940</u>
Fund balances, end of year	<u>\$ (10)</u>	<u>\$ 169,642</u>	<u>\$ 2,328</u>	<u>\$ -</u>	<u>\$ 171,960</u>

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**Fire District Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Revenues</b>			
Ad valorem taxes:	\$ 1,500,000	\$ 1,216,206	\$ (283,794)
<b>Expenditures</b>			
Public safety	<u>1,500,000</u>	<u>1,216,216</u>	<u>283,784</u>
Net change in fund balance	<u>\$ -</u>	(10)	<u>\$ (10)</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance (deficit), end of year		<u><u>\$ (10)</u></u>	



## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**Emergency Telephone System Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Revenues</b>			
Restricted intergovernmental:			
E-911 surcharge	\$ <u>157,439</u>	\$ <u>157,439</u>	\$ <u>-</u>
<b>Expenditures</b>			
Public safety	<u>176,525</u>	<u>112,312</u>	<u>64,213</u>
Revenues over expenditures	(19,086)	45,127	64,213
<b>Other Financing Sources</b>			
Appropriated fund balance	<u>19,086</u>	<u>-</u>	<u>(19,086)</u>
Net change in fund balance	\$ <u><u>-</u></u>	45,127	\$ <u><u>45,127</u></u>
Fund balance, beginning of year		<u>124,515</u>	
Fund balance, end of year		\$ <u>169,642</u>	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Grants Fund*

For the year ended June 30, 2019

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Revenues</b>			
Restricted intergovernmental:			
State grants	\$ 116,729	\$ 111,390	\$ (5,339)
<b>Expenditures</b>			
Public safety	91,708	87,783	3,925
Human services	46,752	45,747	1,005
Total expenditures	138,460	133,530	4,930
Revenues under expenditures	(21,731)	(22,140)	(409)
<b>Other Financing Sources</b>			
Transfers from other funds	21,731	22,081	350
Net change in fund balance	\$ -	(59)	\$ (59)
Fund balance, beginning of year		2,387	
Fund balance, end of year		\$ 2,328	

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**Capital Projects Fund*

From inception and for the year ended June 30, 2019

	<b>Project Authorization</b>	<b>Reported In Prior Years</b>	<b>Current Year</b>	<b>Total</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>					
Investment earnings	\$ -	\$ 33	\$ 18	\$ 51	\$ 51
<b>Expenditures</b>					
Cultural and recreational:					
Recreational grounds	65,000	65,000	-	65,000	-
Revenues over (under) expenditures	(65,000)	(64,967)	18	(64,949)	51
<b>Other Financing Sources</b>					
Transfers from other funds	65,000	65,005	(56)	64,949	(51)
Total other financing sources	65,000	65,005	(56)	64,949	(51)
Net change in fund balance	\$ -	\$ 38	(38)	\$ -	\$ -
Fund balance, beginning of year			38		
Fund balance, end of year			\$ -		

## **ENTERPRISE FUND**

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Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services. The County maintains the following major enterprise fund:

- East Yancey Water and Sewer Fund – This fund will be used to account for the operations and maintenance of the East Yancey Water and Sewer System when it is completed. The East Yancey Water and Sewer Capital Project Fund is a sub-fund within the enterprise fund used to account for the construction of the East Yancey Water and Sewer System. The operating fund had no activity during the fiscal year.
-

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**East Yancey Water & Sewer Capital Project Fund*

From inception and for the year ended June 30, 2019

	<b>Project Authorization</b>	<b>Reported In Prior Years</b>	<b>Current Year</b>	<b>Total</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>					
Capital grants - DENR	\$ 3,000,000	\$ 3,009,986	\$ -	\$ 3,009,986	\$ 9,986
Capital grants - Rural Center	3,000,000	3,004,732	-	3,004,732	4,732
Private grants - Golden Leaf	300,000	300,000	-	300,000	-
Local contributions - Town	170,050	170,000	-	170,000	(50)
Total revenues	<u>6,470,050</u>	<u>6,484,718</u>	<u>-</u>	<u>6,484,718</u>	<u>14,668</u>
<b>Expenditures</b>					
East Yancey Water and Sewer Project		6,569,051	147,691	6,716,742	
Bank service charges		6,205	-	6,205	
Total expenditures	<u>6,894,008</u>	<u>6,575,256</u>	<u>147,691</u>	<u>6,722,947</u>	<u>171,061</u>
Revenues over (under) expenditures	<u>(423,958)</u>	<u>(90,538)</u>	<u>(147,691)</u>	<u>(238,229)</u>	<u>185,729</u>
<b>Other Financing Sources</b>					
Transfers from other funds	<u>423,958</u>	<u>323,958</u>	<u>100,000</u>	<u>423,958</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 233,420</u>	<u>(47,691)</u>	<u>\$ 185,729</u>	<u>\$ 185,729</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:					
Capital outlay			<u>147,691</u>		
Change in net position			<u>\$ 100,000</u>		

## **AGENCY FUNDS**

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Agency Funds are used to account for the assets held by the County as an agent for individuals, private organizations, and/or other governmental entities.

- The County's Agency Funds are used to account for funds deposited with the Social Services Fund, the Motor Vehicle Tax Fund, the Fines and Forfeitures Fund, and the Senior Center Fund.
-

## YANCEY COUNTY, NORTH CAROLINA

*Combining Statement of Fiduciary Assets and Liabilities**Agency Funds*

June 30, 2019

	<b>Social Services Fund</b>	<b>Motor Vehicle Taxes Fund</b>	<b>Fines and Forfeitures Fund</b>	<b>Senior Center Fund</b>	<b>Total Agency Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 37,861	\$ 24,188	\$ -	\$ 10	\$ 62,059
Due from other governments	<u>-</u>	<u>5,074</u>	<u>-</u>	<u>-</u>	<u>5,074</u>
Total assets	<u>\$ 37,861</u>	<u>\$ 29,262</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 67,133</u>
<b>Liabilities:</b>					
Amounts held for others	\$ 37,861	\$ -	\$ -	\$ 10	\$ 37,871
Due to the Town of Burnsville	<u>-</u>	<u>29,262</u>	<u>-</u>	<u>-</u>	<u>29,262</u>
Total liabilities	<u>\$ 37,861</u>	<u>\$ 29,262</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 67,133</u>

## YANCEY COUNTY, NORTH CAROLINA

*Combining Statement of Changes in Fiduciary Assets and Liabilities*  
*Agency Funds*

For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Social Services Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 52,908	\$ 148,224	\$ 163,271	\$ 37,861
Liabilities:				
Due to others	\$ 52,908	\$ 148,224	\$ 163,271	\$ 37,861
<b>Motor Vehicle Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 25,397	\$ 61,884	\$ 63,093	\$ 24,188
Due from other governments	5,606	5,074	5,606	5,074
Total assets	\$ 31,003	\$ 66,958	\$ 68,699	\$ 29,262
Liabilities:				
Due to the Town of Burnsville	\$ 31,003	\$ 66,958	\$ 68,699	\$ 29,262
<b>Senior Center Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 10	\$ -	\$ -	\$ 10
Liabilities:				
Due to others	\$ 10	\$ -	\$ -	\$ 10
<b>Totals - all agency funds:</b>				
Assets:				
Cash and cash equivalents	\$ 78,315	\$ 210,108	\$ 226,364	\$ 62,059
Due from other governments	5,606	5,074	5,606	5,074
	\$ 83,921	\$ 215,182	\$ 231,970	\$ 67,133
Liabilities:				
Due to others	\$ 52,918	\$ 148,224	\$ 163,271	\$ 37,871
Due to the Town of Burnsville	31,003	66,958	68,699	29,262
	\$ 83,921	\$ 215,182	\$ 231,970	\$ 67,133



## **OTHER SUPPLEMENTARY INFORMATION**

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

## YANCEY COUNTY, NORTH CAROLINA

*Schedule of Ad Valorem Taxes Receivable**General Fund*

June 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 13,732,932	\$ 13,493,581	\$ 239,351
2017-2018	236,510	-	134,065	102,445
2016-2017	102,197	-	45,390	56,807
2015-2016	50,620	-	26,927	23,693
2014-2015	28,943	-	8,970	19,973
2013-2014	44,551	-	30,123	14,428
2012-2013	45,969	-	31,408	14,561
2011-2012	14,433	-	2,532	11,901
2010-2011	10,475	-	2,288	8,187
2009-2010	7,392	-	608	6,784
2008-2009	<u>7,200</u>	<u>-</u>	<u>7,200</u>	<u>-</u>
Total	<u>\$ 548,290</u>	<u>\$ 13,732,932</u>	<u>\$ 13,783,092</u>	498,130
Less allowance for uncollectible ad valorem taxes receivable				<u>(80,000)</u>
Ad valorem taxes receivable, net				<u>\$ 418,130</u>
Reconcilement with Revenues:				
Taxes - Ad valorem - General Fund				<u>\$ 13,795,362</u>
Reconciling items:				
Write-offs				7,200
Penalties and interest				(84,998)
Releases and other adjustments				<u>65,528</u>
Total reconciling items				<u>(12,270)</u>
Total collections and credits				<u>\$ 13,783,092</u>

## YANCEY COUNTY, NORTH CAROLINA

*Analysis of Current Year County-Wide Tax Levy**General Fund*

June 30, 2019

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$2,258,997,222	0.6000	\$ 13,553,983	\$ 12,500,608	\$ 1,053,375
Penalties	-		3,159	3,159	-
Total	<u>2,258,997,222</u>		<u>13,557,142</u>	<u>12,503,767</u>	<u>1,053,375</u>
Discoveries:					
Current year taxes	71,542,000	0.6000	429,252	429,252	-
Abatements	<u>(42,243,667)</u>	0.6000	<u>(253,462)</u>	<u>(253,462)</u>	<u>-</u>
Total property valuation	<u>\$ 2,288,295,555</u>				
Net levy			13,732,932	12,679,557	1,053,375
Current Year's Taxes Uncollected at June 30, 2019			<u>239,351</u>	<u>239,351</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 13,493,581</u>	<u>\$ 12,440,206</u>	<u>\$ 1,053,375</u>
Current Levy Collection %			<u>98.26%</u>	<u>98.11%</u>	<u>100.00%</u>

## COMPLIANCE SECTION

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

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

**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  
Yancey County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey County, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Yancey County, North Carolina's basic financial statements, and have issued our report thereon dated February 10, 2020.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

### **Compliance and Other Matters**

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

### **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.

*David Killian CPA Group, P.A.*

Asheville, North Carolina  
February 10, 2020



## **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 Commissioners  
Yancey County, North Carolina

### **Report on Compliance for Each Major Federal Program**

We have audited Yancey County, North Carolina's 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 Yancey County, North Carolina's major federal programs for the year ended June 30, 2019. Yancey County, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Yancey County, North Carolina'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 Yancey County, North Carolina'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 Yancey County, North Carolina's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Yancey County, North Carolina, 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.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

Yancey County, North Carolina's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Yancey County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of Yancey County, North Carolina, 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 Yancey County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 Yancey County, North Carolina's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003 that we consider to be material weaknesses, and item 2019-001 that we consider to be a significant deficiency.

Yancey County, North Carolina's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Yancey County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
February 10, 2020



**Yancey County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed Through</u>
Federal Awards:					
U.S. Department of Agriculture					
Food and Nutrition Service					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
SNAP Cluster:					
Administration:					
Food Stamp Administration	10.561	195NC406S2514	227,837	-	-
Food Stamp Fraud	10.561	195NC406S2515	143	-	-
Total SNAP Cluster			227,980	-	-
Total U.S. Department of Agriculture			227,980	-	-
U.S. Department of Justice					
Passed-through N.C. Dept. of Public Safety:					
Edward Bryne Memorial Justice Assistance Grant					
Edward Bryne Memorial Justice Assistance					
Grant Program	16.738	DJ-BX-0189	24,451	-	-
Community Oriented Policing Services (COPS)					
School Violence Prevention Program	16.710	COPS 19	13,892	-	-
Total U.S. Department of Justice			38,343	-	-
U.S. Department of Transportation (DOT)					
Federal Transit Administration:					
Passed-through the N.C. Dept. of Transportation:					
Rural Area Program:					
Administration	20.509	36233.113.19.1	88,492	5,530	-
Capital	20.509	36233.113.19.13/36233.113.20.13	88,260	11,032	-
Transit Services Program Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.44.5.2	10,973	-	-
Total Transit Services Program Cluster			10,973	-	-
Total DOT			187,725	16,562	-
U.S. Department of Health and Human Services (DHHS)					
Administration on Aging:					
Passed-through the High Country Council of Governments:					
Aging Cluster:					
Home and Community Care Block Grant (HCCBG):					
Title III - Access Services	93.044	17/18 AANCT3SS	4,678	275	-
Title III C1 - Congregate Nutrition	93.045	17/18 AANCT3CM	28,489	1,675	-
Title III C2 - Home Delivered Meals	93.045	17/18 AANCT3HD	66,544	3,914	-
In Home and Support Services	93.044	17/18 AANCT3SS	69,533	4,090	-
Total Aging Cluster			169,244	9,955	-
Administration for Children and Families:					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Foster Care and Adoption Cluster (Note 3):					
Administration:					
Title IV-E Foster Care	93.658	1901NCFOST	208,291	11,019	-
Title IV-E Adoption	93.659	1901NCADPT	5,696	-	-
Direct Benefit Payments:					
Title IV-E Foster Care	93.658	1901NCFOST	298,342	109,905	-
Total Foster Care and Adoption Cluster (Note 3)			512,329	120,924	-
TANF Cluster:					
TANF/Work First Administration	93.558	1902NCTANF	19,221	-	-
TANF/Work First Service	93.558	1902NCTANF	115,025	-	-
Total TANF Cluster			134,246	-	-
Family Preservation	93.556	1902NCFPSS	15,612	-	-
IV-D Offset-ESC	93.563	1904NC4005	7	-	-
IV-D Offset-Fed	93.563	1904NC4006	264	-	-
IV-D Administration	93.563	1904NC4007	66,282	-	-

**Yancey County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed Through</u>
Low-Income Home Energy Assistance Block Grant:					-
Administration	93.568	G19B1NCLIEA	133,500	-	-
Crisis Intervention Program	93.568	G19B1NCLIEA	95,096	-	-
Low Income Energy Assistance	93.568	G19B1NCLIEA	15,618	-	-
Permanency Planning Svc & Admin	93.645	G1901NCCWSS	5,710	-	-
SSBG Adult Day Care	93.667	G1901NCSOSR, G2001NCSOSR	23,181	4,343	-
In Home Services	93.667	G1901NCSOSR, G2001NCSOSR	1,437	-	-
In Home Services Over 60	93.667	G1901NCSOSR, G2001NCSOSR	132	-	-
CPS TANF to SSBG	93.667	G1901NCSOSR, G2001NCSOSR	94,688	-	-
LINKS	93.674	1901NCCILP	10,725	2,682	-
Total Administration for Children and Families			1,108,827	127,949	-
Administration for Children and Families: (continued)					
Subsidized Child Care Cluster (Note 3):					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Development Fund-Administration	93.596	G1901NCCCDF	54,722	-	-
Total Child Care Development Fund Cluster			54,722	-	-
Centers for Medicare and Medicaid Services:					
Passed-through the N.C. Dept. of Health and Human Services:					
Medicaid Cluster					
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XIX-MAP 19	691,248	1,192	-
Total Medicaid Cluster			691,248	1,192	-
Division of Social Services:					
Administration:					
State Children's Insurance Program:					
N.C. Health Choice	93.767	CHIP 19	23,166	-	-
Total DHHS			1,877,963	129,141	-
U. S. Department of Homeland Security					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management:					
Emergency Management Assistance	97.042	EMA-2018-EP00005	50,853	-	-
Total Federal awards			2,552,108	155,658	-
State Awards:					
N.C. Dept. of Commerce					
Building Reuse Grant - Sisters of Mercy		2018-162-3201-2587	-	50,000	-
Total N.C Dept. of Commerce			-	50,000	-
N.C. Dept. of Health and Human Services (NCDHHS)					
Division of Aging and Adult Services:					
Senior Center General Purchases		YCCOA2019GENERALPURPOSE	-	3,564	-
Division of Social Services:					
Administration:					
State Child Welfare/CPS		Child 2019	-	16,520	-
Direct Benefits:					
State Foster Home		Foster Home 2019	-	16,715	-
SFHF Maximization		Foster Home 2019	-	49,744	-
Total Division of Social Services			-	82,979	-
Total NCDHHS			-	86,543	-
N.C. Dept. of Public Safety (NCDPS)					
Division of Juvenile Justice:					
Juvenile Crime Prevention Program		200-11490	-	5,611	5,611
Mountain Challenge		200-10491	-	29,769	29,769
Project Challenge		200-10195	-	31,293	31,293
Crossnore Project		200-10383	-	6,375	6,375
Total NCDPS			-	73,048	73,048

**Yancey County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed Through</u>
N.C. Dept. of Transportation (NCDOT)					
Rural Operating Assistance Program (ROAP):					
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	54,883	-
ROAP Rural General Public Program		DOT-16CL	-	6,183	-
ROAP Work First Transitional - Employment		DOT-16CL	-	53,332	-
Total ROAP			-	114,398	-
Total NCDOT			-	114,398	-
Total State awards			-	327,553	73,048
Total Federal and State awards			2,552,108	483,211	73,048

Notes to the Schedule of Expenditures of Federal and State 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 Yancey 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 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. Because the Schedule presents only a selected portion of the operations of Yancey County, it is not intended to and does not present the financial position, changes in net position or cash flows of Yancey 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Yancey County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

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

- Subsidized Child Care
- Foster Care and Adoption

**YANCEY COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2019

**I. Summary of Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Noncompliance material to financial statements noted ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

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

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

The following were audited as major federal programs for Yancey County for the fiscal year ended June 30, 2019:

<u>Program Name or Cluster</u>	<u>CFDA #</u>
Medical Assistance Program	93.778
Supplemental Nutrition Assistance Program	10.561
Foster Care – Title IV-E	93.658
Low Income Home Energy Assistance Program	93.568

The threshold for determining Federal Type A programs for Yancey County is \$750,000.

Yancey County does not qualify as a low risk auditee.

## **YANCEY COUNTY, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2019

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

None reported

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

##### **US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX) Crosscutting requirements

CFDA # 93.778

##### **US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Foster Care (Title IV-E)

CFDA # 93.658

**Finding: 2019-001 Day Sheet Accountability**  
**SIGNIFICANT DEFICIENCY**  
**NONMATERIAL NONCOMPLIANCE – REPORTING**

Criteria: County departments of social services in North Carolina must comply with the NC Social Services Fiscal Control Manual Section III A, which requires County DSS employees who provide direct client services during the month to maintain day sheets in accordance with the Service Information System (SIS) Policy. According to the SIS User's Manual, day sheet entries must be supported by documentation in case record files. For auditing and monitoring purposes, entries made by caseworkers providing direct client services must either include the client information on the time entry, or have another reliable method such as a log, journal, or calendar available so that time entries can be supported by evidence of the work that was performed. This requirement affects multiple programs. As such, we tested both Foster Care and the Medicaid programs according to the crosscutting requirements.

Condition: The County did not have an effective system of internal control over day sheet reporting for the fiscal year under review. The County had a policy requiring either client identification on the time entry or an alternative record to support the direct client service time reported on the DSS 1571 for administration of the Medicaid and Foster Care programs, which we observed during our review. However, there were multiple instances where the caseworker could not provide supporting documentation for the time entry recorded on the day sheet, where caseworker time was miscoded to an incorrect program, or where time entry was unreasonable based on supporting evidence.

Questioned Costs: None; noncompliance relates to reporting and recordkeeping requirements.

Context: Costs reimbursed to the County for administering the Medicaid and Foster Care programs were approximately \$1,197,881 for the year ended June 30, 2019, the majority of which are salaries and benefits of DSS workers. From 71 time entries tested representing 7,668 minutes, 180 minutes (2.35%) could not be verified by examining the casefiles for evidence of time spent, were miscoded to an incorrect program, or time entry was unreasonable based on supporting evidence. Overall, payroll and benefits reported on the DSS 1571 were supported by payroll records which were authorized and

## YANCEY COUNTY, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2019

reconciled to the County's general ledger. However, caseworker time records should be detailed enough to allow audit procedures to be performed to verify evidence of time worked in individual case files.

Effect: The County is not in compliance with the day sheet reporting requirement; caseworker direct program service time cannot be supported. Without proper accountability and monitoring, caseworkers may not spend their time most efficiently for the benefit of the program. For caseworkers who direct charge multiple programs, the allocation of their time to those programs may not be accurate. A program may be overcharged for a caseworker's time.

Identification of a repeat finding: This is a repeat finding (2018-001). The County has made progress towards implementing an effective policy to record time as the number of instances of noncompliance have decreased compared to the prior year.

Cause: While the County made considerable progress to remedy the prior year finding, the prior year's corrective action was taken after the current fiscal year had already begun and therefore was not in effect for the entire fiscal year.

Recommendation: Management's corrective action plan that was implemented during the year appears to be overall effective. Management should continue to monitor and enforce the policy that requires caseworkers to document the client they worked on and to make sure the every day sheet entry includes identification of the client. Caseworkers should document every phone call or other casework in the NC FAST narrative, or other form of journal, both accurately and in a timely manner. Supervisors should review this information when approving caseworker time reports to ensure caseworkers are following the policies and procedures set in place by management.

Views of responsible officials and planned corrective actions: The County agrees with the finding and is appears to have taken steps to revise their internal procedures for day sheets. Please refer to the County's corrective action plan on page 85.

#### **US Department of Agriculture**

Passed through the NC Dept. of Health and Human Services

Program Name: Supplemental Nutrition Assistance Program (SNAP)

CFDA # 10.561

#### **Finding: 2019-002 Second Party Reviews MATERIAL WEAKNESS**

Criteria: The County should have an effective system of internal controls in order to ensure that case files are reviewed periodically by supervisors. The reviews are a necessary components in the County's system of internal control to train the caseworkers, and detect and correct errors in eligibility determinations or documentation.

Condition: The County's second party review process is not detecting and correcting errors in a timely manner. There were two second party review case files that were reviewed by a supervisor were errors were noted by the reviewer but not corrected by the caseworker. The errors noted during our review were technical errors and did not have an effect on eligibility determinations.

## **YANCEY COUNTY, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2019

Cause: The County does not have a formal process to track and monitor the second party reviews.

Effect: Errors can occur in determining or documenting SNAP eligibility and not be detected or corrected in a timely manner. Potential errors not detected in second party review process could impact an individual's eligibility determination and potential medical expenses could be inappropriately paid. The County could be responsible to pay back these claims.

Identification of a repeat finding: This is not a repeat finding.

Questioned costs: None.

Recommendation: We have recommended to management that the second party review process be standardized for all case files reviewed. Supervisors should review the case file, give the corrections to the caseworker (if any), caseworkers should make any corrections, and return to supervisor who reviews the corrections and signs off that the case file is now correct and free of any errors.

Views of responsible officials and planned corrective actions: The County agrees with finding. Please refer to the County's corrective action plan on page 85.

#### **US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Low-Income Home Energy Assistance (LIEAP & CIP)

CFDA # 93.568

#### **Finding: 2019-003 Application Review MATERIAL WEAKNESS**

Criteria: The County should have an effective system of internal controls in order to ensure that case files are reviewed periodically by supervisors. The reviews are a necessary components in the County's system of internal control to train the caseworkers, and detect and correct errors in eligibility determinations or documentation.

Condition: The County does not have a review process to detect and correct client application errors in a timely manner. After applications are taken from caseworkers, there is no formal review of this application to ensure there are no errors in the case file. As a result, out of the 60 items we tested, there were five errors relating to income reported in NC FAST. The errors noted during our review were technical errors and did not have an effect on eligibility determinations.

Cause: The County does not have a formal process to review client applications.

Effect: Errors can occur in determining or documenting LIEAP & CIP eligibility and not be detected or corrected in a timely manner. Potential errors not detected in a supervisor review process could impact an individual's eligibility determination and potential expenditures could be inappropriately paid. The County could be responsible to pay back these claims.

Identification of a repeat finding: This is not a repeat finding.

Questioned costs: None.

**YANCEY COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

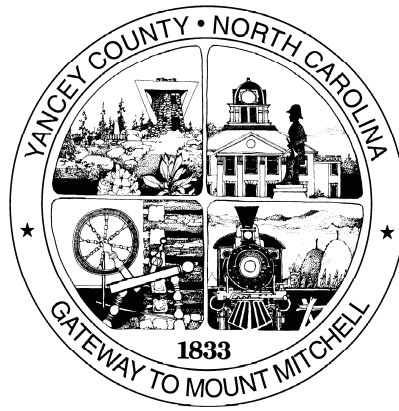
For the year ended June 30, 2019

Recommendation: We have recommended to management that a supervisor review process be standardized for a randomly selected list of cases each month. Supervisors should review the case file, give the corrections to the caseworker (if any), caseworkers should make any corrections, and return to supervisor who reviews the corrections and signs off that the case file is now correct and free of any errors.

Views of responsible officials and planned corrective actions: The County agrees with finding. Please refer to the County's corrective action plan on page 85.



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Cathy King, Chair  
Suzanne Gavenus, VC  
Julia Fox  
Pat Fender  
Johnny Riddle

Yancey County  
Department of Social Services  
PO Box 67  
Burnsville, NC 28714

Yancey County Corrective Action Plan  
For the year ended June 30, 2019

**Finding 2019-001** (Day Sheet Accountability, Significant Deficiency)

**Name of Contact Person:** Rick Tipton, Social Services Director

The agency has conducted, and will continue to conduct, day sheet training on accurately documenting identifying client information and activities to justify time coded for specific programs. This includes documenting application and/or case numbers in the day sheets, with a corresponding note in NC FAST, when applicable. Initial and refresher day sheet training is offered agency-wide. Compliance will continue to be monitored through our quality control procedures and monthly review of the day sheets.

**Finding 2019-002** (SNAP Second Party Reviews, Material Weakness)

**Name of Contact Person:** Rick Tipton, Social Services Director

The agency lead worker in the Food & Nutrition (SNAP) program conducts second party reviews each month for each worker, including applications, reviews, and denials and documents the results of the review. The respective worker is informed of any corrections that need to be made on the case. The caseworker then reviews the corrections with the supervisor, who verifies and documents that corrections have been made.

**Finding 2019-003** (LIEAP/CIP Application Review, Material Weakness)

**Name of Contact Person:** Rick Tipton, Social Services Director

The agency supervisor over the Low Income Energy Assistance Program (LIEAP) and Crisis Intervention (CIP) conducts random second party reviews each month for both energy programs and documents the results of the review. The respective worker is informed of any corrections that need to be made on the case. The supervisor reviews the corrections with the caseworker, and verifies and documents that corrections have been made.

**YANCEY COUNTY**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the year ended June 30, 2019

**Finding 2018-001**

**Status:** This finding has been repeated (Finding 2019-001).

**Finding 2018-002**

**Status:** This finding has been corrected.