

**SWAIN COUNTY
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

SWAIN COUNTY NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Phil Carson – Chairman
Ben Bushyhead – Vice-Chair
Danny Burns
Kenneth Parton
Roger Parsons

OFFICIALS

Kevin S. King – County Manager
Dean Kowal – Finance Officer
Diana Williamson Kirkland – Register of Deeds
Peggy Hyde – Tax Administrator

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

Independent Auditor’s Report

To the Board of County Commissioners
Swain County
Bryson City, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Swain County Tourist Development Authority. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swain County Tourist Development Authority, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Swain County Tourist Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Swain County's basic financial statements. The combining and individual fund financial statements, budgetary schedules, supplemental ad valorem tax schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of

Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of Swain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Swain County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Swain County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 12, 2018

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Management's Discussion and Analysis

As management of Swain County, we offer readers of Swain County's financial statements this narrative overview and analysis of the financial activities of Swain County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in the County's financial statements, which follow this narrative.

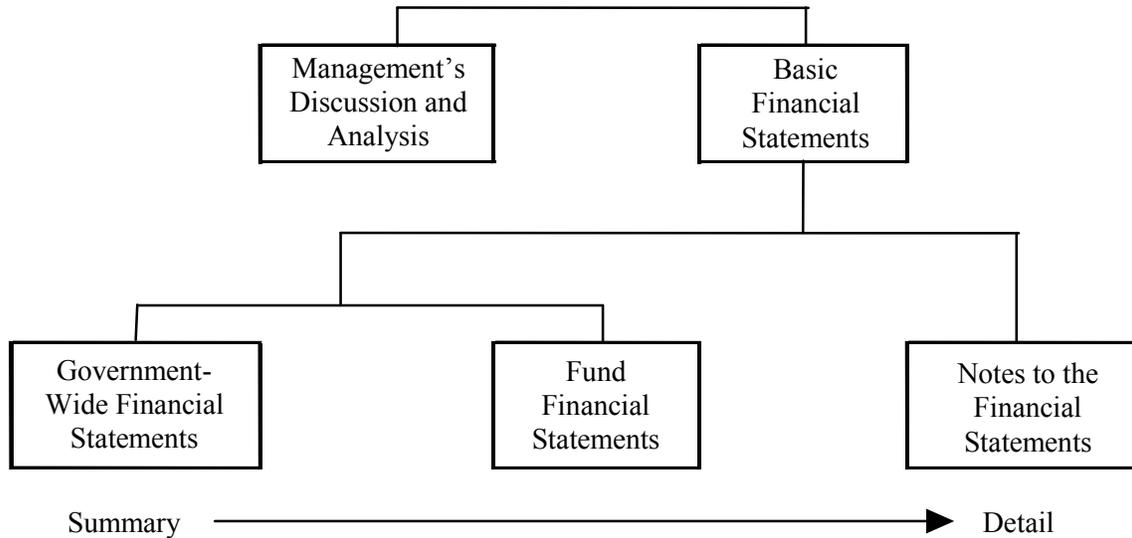
Financial Highlights

- The assets and deferred outflows of resources of Swain County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,436,006 (*net position*).
- The government's total net position decreased by \$249,068, due to an decrease in net position of the governmental activities and an increase in net position of the business-type activities.
- As of the close of the current fiscal year, Swain County's governmental funds reported combined ending fund balances of \$21,711,868 after a net decrease in fund balance of \$2,225,999. Approximately 73.4% of this total amount, or \$15,925,413, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,865,921, or 17.6%, of total General Fund expenditures and transfers out for the fiscal year.
- Swain County's total debt decreased by \$31,424 (.18%) during the current fiscal year. The County made principal payments of \$3,118,320 during the year and had debt proceeds of \$3,149,744. Proceeds were received for land, building, and vehicle purchases.
- The County's bond rating is Baa.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Swain County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Swain County.

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through J) 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the County’s nonmajor governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

Following the notes is the required supplementary information. This section contains funding information about the County’s pension plans.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring the net position is one way to gauge the County's financial condition.

The government-wide financial statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component unit. The governmental activities include most of the County's basic services such as general government, public safety, environmental protection, economic and physical development, human services, cultural and recreational, and public education. Property taxes and Federal and State grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes the solid waste (landfill) operation offered by Swain County. The final category is the component unit. The County appoints three of the five members of the Swain County Tourist Development Authority and is financially accountable for the Authority in doing so. Information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund Financial Statements

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

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

Swain County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board of County Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities.

The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. Swain County has one kind of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Swain County uses an Enterprise Fund to account for its solid waste operations. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Position and Statement of Activities.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit J of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Swain County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$26,436,006 as of June 30, 2017. The County's net position decreased by \$249,068 for the fiscal year ended June 30, 2017.

One of the largest portions, \$12,392,544 (46.9%), reflects the County's net investment in capital assets (e.g., land, buildings, vehicles, and equipment). Swain County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Swain County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of Swain County's net position, \$16,000,146 (60.5%), represents resources that are subject to external restrictions on how they may be used.

Swain County's Net Position
Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 23,078,003	\$ 25,324,644	\$ (298,158)	\$ (274,693)	\$ 22,779,845	\$ 25,049,951
Capital assets	23,778,318	21,438,421	623,670	588,782	24,401,988	22,027,203
Total assets	<u>46,856,321</u>	<u>46,763,065</u>	<u>325,512</u>	<u>314,089</u>	<u>47,181,833</u>	<u>47,077,154</u>
Deferred outflows of resources	<u>2,061,994</u>	<u>437,922</u>	<u>84,974</u>	<u>17,330</u>	<u>2,146,968</u>	<u>455,252</u>
Long-term liabilities outstanding	17,182,831	17,346,354	-	-	17,182,831	17,346,354
Other liabilities	<u>5,336,188</u>	<u>2,998,065</u>	<u>170,240</u>	<u>114,281</u>	<u>5,506,428</u>	<u>3,112,346</u>
Total liabilities	<u>22,519,019</u>	<u>20,344,419</u>	<u>170,240</u>	<u>114,281</u>	<u>22,689,259</u>	<u>20,458,700</u>
Deferred inflows of resources	<u>198,073</u>	<u>345,188</u>	<u>5,463</u>	<u>12,801</u>	<u>203,536</u>	<u>357,989</u>
Net Position:						
Net investment in capital assets	11,768,874	10,595,401	623,670	588,782	12,392,544	11,184,183
Restricted	16,000,146	15,637,157	-	-	16,000,146	15,637,157
Unrestricted	<u>(1,567,797)</u>	<u>278,822</u>	<u>(388,887)</u>	<u>(384,445)</u>	<u>(1,956,684)</u>	<u>(105,623)</u>
Total net position	<u>\$ 26,201,223</u>	<u>\$ 26,511,380</u>	<u>\$ 234,783</u>	<u>\$ 204,337</u>	<u>\$ 26,436,006</u>	<u>\$ 26,715,717</u>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.18%
- Continued low cost of debt due to the County's bond rating
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget
- Increase in other tax revenues
- Increase in total expenditures from prior year, particularly in general government and human services departments

Swain County's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,423,422	\$ 3,339,948	\$ 906,230	\$ 906,737	\$ 4,329,652	\$ 4,246,685
Operating grants and contributions	4,898,088	5,418,802	-	-	4,898,088	5,418,802
Capital grants and contributions	2,181,684	172,808	-	-	2,181,684	172,808
General revenues:						
Property taxes	5,907,347	6,011,393	-	-	5,907,347	6,011,393
Other taxes	4,577,477	4,056,931	-	-	4,577,477	4,056,931
Unrestricted intergovernmental	1,455,600	1,411,674	-	-	1,455,600	1,411,674
Other	112,046	628,451	-	-	112,046	628,451
Total revenues	<u>22,555,664</u>	<u>21,040,007</u>	<u>906,230</u>	<u>906,737</u>	<u>23,461,894</u>	<u>21,946,744</u>
Expenses:						
General government	5,385,025	3,835,968	-	-	5,385,025	3,835,968
Public safety	5,172,899	3,262,761	-	-	5,172,899	3,262,761
Environmental protection	145,862	136,583	-	-	145,862	136,583
Economic and physical development	1,630,642	1,645,167	-	-	1,630,642	1,645,167
Human services	7,819,136	9,337,786	-	-	7,819,136	9,337,786
Cultural and recreational	798,801	94,328	-	-	798,801	94,328
Education	1,226,674	1,399,541	-	-	1,226,674	1,399,541
Interest on long-term debt	581,408	742,854	-	-	581,408	742,854
Solid waste	-	-	950,515	931,087	950,515	931,087
Total expenses	<u>22,760,447</u>	<u>20,454,988</u>	<u>950,515</u>	<u>931,087</u>	<u>23,710,962</u>	<u>21,386,075</u>
Change in net position						
before transfers	(204,783)	585,019	(44,285)	(24,350)	(249,068)	560,669
Transfers	<u>(74,731)</u>	<u>(273,162)</u>	<u>74,731</u>	<u>273,162</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(279,514)</u>	<u>311,857</u>	<u>30,446</u>	<u>248,812</u>	<u>(249,068)</u>	<u>560,669</u>
Net Position:						
Beginning of year - July 1	26,511,380	26,199,523	204,337	(44,475)	26,715,717	26,155,048
Beginning of year - restated	<u>(30,643)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,643)</u>	<u>-</u>
End of year - June 30	<u>\$ 26,201,223</u>	<u>\$ 26,511,380</u>	<u>\$ 234,783</u>	<u>\$ 204,337</u>	<u>\$ 26,436,006</u>	<u>\$ 26,715,717</u>

Governmental Activities. Governmental activities decreased the County's net position by \$279,514, thereby accounting for 112.2% of the total decrease in the net position of Swain County. Property taxes provided 26.2% of funding at \$5,907,347, charges for services funded \$3,423,422, local option sales tax funded \$3,631,975, and operating and capital grants funded \$7,079,772 of governmental activities. Net position increased due to a net decrease in long-term liabilities.

Business-Type Activities. Business-type activities increased Swain County's net position by \$30,446. That increase is primarily attributable to a transfer from the General Fund.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Swain County. At the end of the current fiscal year, Swain County's fund balance available in the General Fund was \$6,222,821, while total fund balance reached \$7,900,071. The County currently has an available fund balance of 22.4% of General Fund expenditures and transfers out, while total fund balance represents 28.5% of that same amount. Total fund balance in the General Fund decreased \$1,982,850. This decrease is primarily attributable to an increase in expenditures in both health insurance premiums/costs and Human Services.

The Permanent Fund's balance at year-end was \$13,595,488, a decrease of \$228,878 over the prior year. The primary reason for the decrease in fund balance is the transfer to other funds of \$300,000.

At June 30, 2017, the governmental funds of Swain County reported combined ending fund balance of \$21,711,868, a 9.3% decrease over prior year. The primary reason for this decrease is the decrease in fund balance of the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into 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 budget increased the revenue sources by \$614,400, increased other financing sources and uses by \$5,194,875, and increased expenditures in general government and public safety.

Proprietary Funds. Swain County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to a deficit of \$388,887. The total increase in net position for the major fund was \$30,446. Other factors concerning the finances of the fund have already been addressed in the discussion of Swain County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Swain County's capital assets for its governmental and business-type activities as of June 30, 2017, totals \$24,401,988 (net of accumulated depreciation). These assets include land, buildings and improvements, vehicles, and equipment.

Major capital asset transactions during the year include:

- East Elementary School Expansion Project
- Event Park
- Greenway Project completion
- Sheriff's Department fleet upgrade

Swain County's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,979,412	\$ 4,679,412	\$ -	\$ -	\$ 4,979,412	\$ 4,679,412
Buildings	22,333,273	19,953,443	607,030	607,030	22,940,303	20,560,473
Equipment	4,854,283	4,736,776	567,815	444,072	5,422,098	5,180,848
Vehicles	3,393,574	2,731,124	878,419	878,419	4,271,993	3,609,543
Construction in progress	35,134	-	104,580	104,580	139,714	104,580
Subtotal	35,595,676	32,100,755	2,157,844	2,034,101	37,753,520	34,134,856
Less accumulated depreciation	(11,817,358)	(10,662,334)	(1,534,174)	(1,445,319)	(13,351,532)	(12,107,653)
Total	<u>\$ 23,778,318</u>	<u>\$ 21,438,421</u>	<u>\$ 623,670</u>	<u>\$ 588,782</u>	<u>\$ 24,401,988</u>	<u>\$ 22,027,203</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt. As of June 30, 2017, Swain County had the following outstanding debt obligations:

Swain County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment purchases	\$ 9,456,925	\$ 8,195,549	\$ -	\$ -	\$ 9,456,925	\$ 8,195,549
Mortgages and loans	-	1,089,744	-	-	-	1,089,744
USDA debt	7,920,853	8,061,061	-	-	7,920,853	8,061,061
Total	<u>\$ 17,377,778</u>	<u>\$ 17,346,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,377,778</u>	<u>\$ 17,346,354</u>

The County's debt decreased by \$31,424 (.18%) during the past fiscal year, primarily due to the payment of the County's general obligation bonds.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Swain County is approximately \$113,250,733, which is significantly greater than Swain County's outstanding debt.

More detailed information on the County's long-term debt can be found in the notes to the financial statements of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- Sales tax has increased due to a high tourism industry. Tourism has increased approximately 5% over last year at this same time.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities. The County's overall budget remains comparable with last year's allocations. The County is expecting a decrease due to sales tax reclassification of GSMR reported tax assessments.

Business-Type Activities. Sanitation's budget line has no increase for the year due to the progress shown with the new system in place.

Requests for Information

This report is designed to provide a general 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 addressed to the Office of the Finance Officer, P.O. Box 2321, Bryson City, NC 28713. You can also call (828)-488-9273 or visit our website at www.swaincountync.gov for more information.

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SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Swain County Tourist Development Authority
Assets:				
Cash and cash equivalents	\$ 7,378,338	\$ -	\$ 7,378,338	\$ 269,326
Taxes receivable, net	214,316	-	214,316	-
Accounts receivable, net	471,281	39,149	510,430	-
Due from other governments	934,093	-	934,093	63,133
Notes receivable	-	-	-	55,000
Internal balance	337,307	(337,307)	-	-
Restricted cash and cash equivalents	13,685,827	-	13,685,827	-
Net pension asset	56,841	-	56,841	-
Construction in progress	35,134	104,580	139,714	-
Non-depreciable capital assets	4,979,412	-	4,979,412	-
Depreciable capital assets, net	18,763,772	519,090	19,282,862	32,072
Total assets	<u>46,856,321</u>	<u>325,512</u>	<u>47,181,833</u>	<u>419,531</u>
Deferred Outflows of Resources:				
Pension deferrals	1,560,299	64,274	1,624,573	-
Contributions to pension plan in current fiscal year	501,695	20,700	522,395	-
Total deferred outflows of resources	<u>2,061,994</u>	<u>84,974</u>	<u>2,146,968</u>	<u>-</u>
Liabilities:				
Accounts payable and accrued liabilities	1,052,384	16,371	1,068,755	60,000
Non-current liabilities:				
Net pension liability (LGERS)	2,402,755	100,115	2,502,870	-
Total pension liability (LEOSSA)	194,947	-	194,947	-
Due in less than one year	1,519,448	11,000	1,530,448	-
Due in more than one year	17,349,485	42,754	17,392,239	-
Total liabilities	<u>22,519,019</u>	<u>170,240</u>	<u>22,689,259</u>	<u>60,000</u>
Deferred Inflows of Resources:				
Prepaid taxes	57,176	-	57,176	-
Pension deferrals	140,897	5,463	146,360	-
Total deferred inflows of resources	<u>198,073</u>	<u>5,463</u>	<u>203,536</u>	<u>-</u>
Net Position:				
Net investment in capital assets	11,768,874	623,670	12,392,544	32,072
Restricted for:				
Stabilization by State statute	1,677,250	-	1,677,250	63,133
Restricted for public safety	81,535	-	81,535	-
Restricted for human services	33,069	-	33,069	-
Restricted for education	447,732	-	447,732	-
Restricted for future debt service	885,827	-	885,827	-
Restricted for Permanent Fund - 1943 settlement	12,800,000	-	12,800,000	-
Restricted for Register of Deeds pension plan	74,733	-	74,733	-
Unrestricted	<u>(1,567,797)</u>	<u>(388,887)</u>	<u>(1,956,684)</u>	<u>264,326</u>
Total net position	<u>\$ 26,201,223</u>	<u>\$ 234,783</u>	<u>\$ 26,436,006</u>	<u>\$ 359,531</u>

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 5,385,025	\$ 903,812	\$ 52,448	\$ 2,100,000
Public safety	5,172,899	1,939,181	141,338	-
Environmental protection	145,862	-	46,131	-
Economic and physical development	1,630,642	27,432	-	-
Human services	7,819,136	300,741	4,658,171	-
Cultural and recreational	798,801	252,256	-	-
Education	1,226,674	-	-	81,684
Interest on long-term debt	581,408	-	-	-
Total governmental activities	22,760,447	3,423,422	4,898,088	2,181,684
Business-Type Activities:				
Solid waste	950,515	906,230	-	-
Total primary government	\$ 23,710,962	\$ 4,329,652	\$ 4,898,088	\$ 2,181,684
Component Unit:				
Tourist Development Authority	\$ 738,207	\$ -	\$ -	\$ -

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Swain County Tourist Development Authority</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (2,328,765)	\$ -	\$ (2,328,765)	\$ -
Public safety	(3,092,380)	-	(3,092,380)	-
Environmental protection	(99,731)	-	(99,731)	-
Economic and physical development	(1,603,210)	-	(1,603,210)	-
Human services	(2,860,224)	-	(2,860,224)	-
Cultural and recreational	(546,545)	-	(546,545)	-
Education	(1,144,990)	-	(1,144,990)	-
Interest on long-term debt	(581,408)	-	(581,408)	-
Total governmental activities	<u>(12,257,253)</u>	<u>-</u>	<u>(12,257,253)</u>	<u>-</u>
Business-Type Activities:				
Solid waste	<u>-</u>	<u>(44,285)</u>	<u>(44,285)</u>	<u>-</u>
Total primary government	<u>(12,257,253)</u>	<u>(44,285)</u>	<u>(12,301,538)</u>	<u>-</u>
Component Unit:				
Tourist Development Authority				<u>(738,207)</u>
General Revenues:				
Ad valorem taxes	5,907,347	-	5,907,347	-
Local option sales tax	3,631,975	-	3,631,975	-
Occupancy tax	935,722	-	935,722	814,561
Public service taxes	9,780	-	9,780	-
Unrestricted intergovernmental revenues:				
Other taxes	1,455,600	-	1,455,600	-
Miscellaneous	-	-	-	1,075
Interest earned on investments	112,046	-	112,046	-
Total general revenues, excluding transfers	<u>12,052,470</u>	<u>-</u>	<u>12,052,470</u>	<u>815,636</u>
Transfers	<u>(74,731)</u>	<u>74,731</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>11,977,739</u>	<u>74,731</u>	<u>12,052,470</u>	<u>815,636</u>
Change in Net Position	<u>(279,514)</u>	<u>30,446</u>	<u>(249,068)</u>	<u>77,429</u>
Net Position:				
Beginning of year - July 1	26,511,380	204,337	26,715,717	282,102
Restatement	(30,643)	-	(30,643)	-
Beginning of year - restated	<u>26,480,737</u>	<u>204,337</u>	<u>26,685,074</u>	<u>282,102</u>
End of year - June 30	<u>\$ 26,201,223</u>	<u>\$ 234,783</u>	<u>\$ 26,436,006</u>	<u>\$ 359,531</u>

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

SWAIN COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 6,349,042	\$ 795,488	\$ 233,808	\$ 7,378,338
Taxes receivable, net	214,316	-	-	214,316
Accounts receivable, net	471,281	-	-	471,281
Due from other funds	353,082	-	-	353,082
Due from other governments	934,093	-	-	934,093
Cash and cash equivalents, restricted	885,827	12,800,000	-	13,685,827
Total assets	<u>\$ 9,207,641</u>	<u>\$ 13,595,488</u>	<u>\$ 233,808</u>	<u>\$ 23,036,937</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 954,872	\$ -	\$ 1,724	\$ 956,596
Due to other funds	-	-	15,775	15,775
Total liabilities	<u>954,872</u>	<u>-</u>	<u>17,499</u>	<u>972,371</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	214,316	-	-	214,316
Unavailable revenue - other receivables	81,206	-	-	81,206
Prepaid taxes	57,176	-	-	57,176
Total deferred inflows of resources	<u>352,698</u>	<u>-</u>	<u>-</u>	<u>352,698</u>
Fund Balances:				
Non-spendable:				
Permanent Fund - 1943 settlement	-	12,800,000	-	12,800,000
Restricted:				
Stabilization by State statute	1,677,250	-	-	1,677,250
Restricted, all other	1,333,559	-	114,604	1,448,163
Committed	23,341	-	101,705	125,046
Assigned	-	795,488	-	795,488
Unassigned	4,865,921	-	-	4,865,921
Total fund balances	<u>7,900,071</u>	<u>13,595,488</u>	<u>216,309</u>	<u>21,711,868</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,207,641</u>	<u>\$ 13,595,488</u>	<u>\$ 233,808</u>	
Amounts reported for governmental activities in the Statement of Activities are different because:				
Net pension asset (ROD)				56,841
Net pension liability (LGERS)				(2,402,755)
Total pension liability (LEOSSA)				(194,947)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				23,778,318
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.				(18,868,933)
Accrued interest payable				(95,788)
Deferred inflows of resources for taxes receivable				214,316
Deferred inflows of resources for other unavailable revenues				81,206
Deferred outflows of resources related to pensions are not reported in the funds.				2,061,994
Deferred inflows of resources related to pensions are not reported in the funds.				<u>(140,897)</u>
Net position of governmental activities				<u>\$ 26,201,223</u>

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 5,976,047	\$ -	\$ -	\$ 5,976,047
Local option sales taxes	3,631,975	-	-	3,631,975
Other taxes and licenses	945,502	-	-	945,502
Restricted intergovernmental revenues	6,955,905	-	376,203	7,332,108
Unrestricted intergovernmental revenues	1,455,600	-	-	1,455,600
Permits and fees	283,941	-	-	283,941
Sales and services	2,356,972	-	-	2,356,972
Interest earned on investments	40,753	71,122	171	112,046
Miscellaneous	537,924	-	-	537,924
Total revenues	<u>22,184,619</u>	<u>71,122</u>	<u>376,374</u>	<u>22,632,115</u>
Expenditures:				
Current:				
General government	7,337,610	-	-	7,337,610
Public safety	4,823,933	-	277,675	5,101,608
Environmental protection	139,788	-	-	139,788
Economic and physical development	1,561,180	-	-	1,561,180
Human services	7,679,481	-	112,927	7,792,408
Cultural and recreational	1,006,215	-	-	1,006,215
Education	1,226,674	-	-	1,226,674
Debt service:				
Principal repayments	3,118,320	-	-	3,118,320
Interest	649,324	-	-	649,324
Total expenditures	<u>27,542,525</u>	<u>-</u>	<u>390,602</u>	<u>27,933,127</u>
Revenues over (under) expenditures	<u>(5,357,906)</u>	<u>71,122</u>	<u>(14,228)</u>	<u>(5,301,012)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	3,149,744	-	-	3,149,744
Transfers in	430,044	-	130,000	560,044
Transfers out	(204,732)	(300,000)	(130,043)	(634,775)
Total other financing sources (uses)	<u>3,375,056</u>	<u>(300,000)</u>	<u>(43)</u>	<u>3,075,013</u>
Net change in fund balances	(1,982,850)	(228,878)	(14,271)	(2,225,999)
Fund Balances:				
Beginning of year - July 1	<u>9,882,921</u>	<u>13,824,366</u>	<u>230,580</u>	<u>23,937,867</u>
End of year - June 30	<u>\$ 7,900,071</u>	<u>\$ 13,595,488</u>	<u>\$ 216,309</u>	<u>\$ 21,711,868</u>

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

SWAIN COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds	\$ (2,225,999)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(76,451)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	67,916
Expenses related to compensated absences, Other Post-Employment Benefits, and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(206,093)
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	299
Change in deferred outflow - pension	1,623,773
Change in deferred inflows - pension	172,813
Change in net pension asset and liability	(1,944,245)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	3,494,921
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,155,024)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(31,424)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (279,514)</u>

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 5,864,900	\$ 5,864,900	\$ 5,976,047	\$ 111,147
Local option sales taxes	2,590,000	2,720,000	2,916,982	196,982
Other taxes and licenses	811,000	811,000	945,502	134,502
Unrestricted intergovernmental revenues	1,368,000	1,368,000	1,455,600	87,600
Restricted intergovernmental revenues	5,646,796	5,837,696	6,874,221	1,036,525
Permits and fees	235,000	255,000	283,941	28,941
Sales and services	2,500,514	2,710,514	2,356,972	(353,542)
Investment earnings	6,000	21,000	39,181	18,181
Miscellaneous	709,150	757,650	514,300	(243,350)
Total revenues	<u>19,731,360</u>	<u>20,345,760</u>	<u>21,362,746</u>	<u>1,016,986</u>
Expenditures:				
Current:				
General government	5,117,951	8,638,858	7,337,610	1,301,248
Public safety	4,016,576	5,104,546	4,823,933	280,613
Environmental protection	117,417	148,417	139,788	8,629
Economic and physical development	1,347,271	1,563,016	1,546,180	16,836
Human services	7,476,641	8,244,188	7,679,481	564,707
Cultural and recreational	692,941	1,011,307	1,006,215	5,092
Intergovernmental:				
Education	1,258,000	1,274,900	1,226,674	48,226
Debt service:				
Principal retirement	1,445,943	3,118,320	3,118,320	-
Interest expense	649,324	649,324	649,324	-
Contingency	41,000	2,000	-	2,000
Total expenditures	<u>22,163,064</u>	<u>29,754,876</u>	<u>27,527,525</u>	<u>2,227,351</u>
Revenues over (under) expenditures	<u>(2,431,704)</u>	<u>(9,409,116)</u>	<u>(6,164,779)</u>	<u>3,244,337</u>
Other Financing Sources (Uses):				
Long-term debt issued	2,000,000	3,370,000	3,149,744	(220,256)
Transfers in	636,436	895,436	1,255,375	359,939
Transfers out	(204,732)	(234,732)	(204,732)	30,000
Appropriated fund balance	-	5,378,412	-	(5,378,412)
Total other financing sources (uses)	<u>2,431,704</u>	<u>9,409,116</u>	<u>4,200,387</u>	<u>(5,208,729)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,964,392)</u>	<u>\$ (1,964,392)</u>
Fund Balance:				
Beginning of year - July 1			<u>9,393,390</u>	
End of year - June 30			<u>\$ 7,428,998</u>	

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2017

	Business-Type Activities
	Solid Waste Fund
Assets:	
Current assets:	
Accounts receivable, net	\$ 39,149
Non-current assets:	
Construction in progress	104,580
Depreciable capital assets, net	519,090
Total non-current assets	623,670
Total assets	662,819
Deferred Outflows of Resources	84,974
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	16,371
Due to General Fund	337,307
Compensated absences payable - current	11,000
Total current liabilities	364,678
Non-current liabilities:	
Net pension liability	100,115
Compensated absences payable	4,644
Long-term liabilities - non-current	38,110
Total non-current liabilities	142,869
Total liabilities	507,547
Deferred Inflows of Resources	5,463
Net Position:	
Investment in capital assets	623,670
Unrestricted	(388,887)
Total net position	\$ 234,783

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities
	Solid Waste Fund
Operating Revenues:	
Charges for services	\$ 780,672
Scrap tire and white goods revenues	34,865
Other	90,693
Total operating revenues	<u>906,230</u>
Operating Expenses:	
Waste management operations	861,660
Depreciation	88,855
Total operating expenses	<u>950,515</u>
Net income (loss) before transfers	(44,285)
Transfers in (out)	<u>74,731</u>
Change in net position	30,446
Net Position:	
Beginning of year- July 1	<u>204,337</u>
End of year- June 30	<u>\$ 234,783</u>

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities
	Solid Waste Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 922,484
Cash paid for goods and services	(580,447)
Cash paid to employees for services	(300,236)
Net cash provided (used) by operating activities	<u>41,801</u>
Cash Flows from Non-Capital Financing Activities:	
Interfund activities	7,211
Transfers to/from other funds	74,731
Net cash provided (used) by noncapital financing activities	<u>81,942</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(123,743)</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>-</u>
End of year - June 30	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (44,285)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	88,855
Changes in assets and liabilities:	
(Increase) decrease in receivables	16,254
Increase (decrease) in accounts payable and accrued liabilities	(29,389)
Increase (decrease) in net pension liability	80,652
Increase (decrease) in deferred inflows of resources for pensions	(7,338)
(Increase) decrease in deferred outflows of resources for pensions	(67,644)
Increase (decrease) in other post-employment benefits	4,827
Increase (decrease) in accrued vacation pay	<u>(131)</u>
Net cash provided (used) by operating activities	<u>\$ 41,801</u>

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

SWAIN COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2017

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 62,529
Total assets	<u>\$ 62,529</u>
Liabilities:	
Miscellaneous liabilities	\$ 59,490
Intergovernmental payable	<u>3,039</u>
Total liabilities	<u>\$ 62,529</u>

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

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SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

Swain County Tourist Development Authority

The Swain County Tourist Development Authority (the “Authority”) exists to promote travel, tourism, and conventions for the County. The County appoints three of the five members of the governing board of the Authority, and the Authority operates within the County’s boundaries for the benefit of the County’s residents. The County is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget, designates its own management, and maintains its own accounting system. The Authority, which has a June 30 year-end, is presented as if it was a separate governmental fund of the County (discrete presentation). Complete financial statements can be obtained from the Authority’s administrative office in Bryson City, North Carolina.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise funds:

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

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The County reports the following fund types:

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

Nonmajor Funds. The County maintains the following legally budgeted funds:

Special revenue funds:

- 1) Emergency Telephone System Fund
- 2) Family Preservation Grant Fund

Capital projects:

- 1) Public Safety
- 2) Museum Construction
- 3) Steam Project

The Schools Capital Reserve Fund and the Economic Development Fund are consolidated into the General Fund in accordance with GASB Statement No. 54.

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

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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's 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 Statement. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds, the Permanent Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for capital projects funds except the Public Safety 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 funds which adopt annual budgets and at the object level for funds which adopt project ordinances. The County Manager has authority, with subsequent approval by the Board, to transfer funds from one appropriation to another per the following guidelines: 1) the funds are not more than \$500, 2) the funds involve receipt and appropriation of grant funds or contracts which have been approved by the Board, or 3) the transfer allows for better accounting methods and does not involve a change in the purpose for which funds are spent. All budgets shown in the financial statements are the final June 30, 2017, budgets as amended. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Pursuant to G.S. 159-26(d), the County is not required to maintain encumbrance accounts due to its small population. The County does use purchase orders but they are not reflected in expenditures until the item is received. At June 30, 2017, the County did not have any purchase orders outstanding.

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

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).

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT's share price. The County's Permanent Fund is invested in the State Treasurer's STIF and LTIF investment funds. The State Treasurer may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b)(1-6) and (8). The State Treasurer's Short-Term Investment Fund (STIF) consists of short to intermediate treasuries, agencies, and corporate issues authorized by G.S. 147-69.1. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The Long-Term Investment Fund (LTIF) consists of investment grade corporate securities, treasuries, and agencies. The LTIF is also valued at \$1 per share.

Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The County considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Restricted Assets

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

Swain County Restricted Cash

Governmental activities:

General Fund	Sinking fund for future QZAB payoff	\$ 885,827
Permanent Fund	Non-expendable portion of settlement funds	<u>12,800,000</u>
Total governmental activities		<u>\$ 13,685,827</u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-131(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, 2016. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Allowances for Doubtful Accounts

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

Capital Assets

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. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets are defined by the County as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets of the County include land, buildings, building improvements, furniture and equipment, and vehicles. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Swain County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Swain County Board of Education.

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

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building improvements	40 years
Furniture and equipment	5-7 years
Vehicles and motorized equipment	5 years

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

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

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

Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide and proprietary funds. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position/Fund Balances

Net Position

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

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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 – portion of fund balance that is restricted by State statute [G.S. 159-8(a)].

Restricted for Public Safety – portion of fund balance that is restricted by revenue source to pay for emergency telephone technology.

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

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

Restricted for Future Debt Service – portion of fund balance restricted for payoff of Qualified Zone Academy Bonds.

Purpose	General Fund	Nonmajor Governmental Funds
Restricted, all other:		
Future debt service	\$ 885,827	\$ -
Public safety	-	81,535
Human services	-	33,069
Education	447,732	-
Total	\$ 1,333,559	\$ 114,604

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote of the Swain County Board of County Commissioners (highest level of decision-making authority). The Board of Commissioners can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, any changes or removal of specific purpose of the ordinance requires majority action, the adoption of another ordinance by the Commissioners.

Committed for Public Safety – portion of fund balance that has been budgeted by the Board that can only be used for law enforcement capital expenditures.

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

<u>Purpose</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Committed:		
Public safety	\$ -	\$ 101,705
Economic and physical development	23,341	-
Total	<u>\$ 23,341</u>	<u>\$ 101,705</u>

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Swain County governing board has budgeted.

<u>Purpose</u>	<u>Permanent Fund</u>
Assigned:	
General government	<u>\$ 795,488</u>

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

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

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

The County has not adopted a minimum fund balance policy.

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 7,900,071
Less:	
Stabilization by State Statute	<u>1,677,250</u>
Total available fund balance	<u><u>\$ 6,222,821</u></u>

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

A legally budgeted School Capital Reserve Fund and an Economic Development Fund are consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund Balance - Ending (Exhibit F)	\$ 7,428,998
School Capital Reserve Fund:	
Local option sales tax	714,993
Restricted intergovernmental	81,684
Investment earnings	1,553
Transfer (out)	(825,331)
Fund balance - beginning	474,833
Economic Development Fund:	
Miscellaneous	23,624
Investment earnings	19
Economic Development	(15,000)
Fund balance - beginning	<u>14,698</u>
Fund Balance - Ending (Exhibit D)	<u><u>\$ 7,900,071</u></u>

Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

E. Revenues, Expenditures, and Expenses

Other Resources

The General Fund provides the basis of local resources for governmental funds. These transactions are recorded as "Transfers-out" in the General Fund and "Transfers-in" in the receiving fund. Transfers are also made out of the Schools Capital Reserve Fund into the General Fund to pay for school debt. Permanent Fund earnings are also transferred to the General Fund.

F. Accounting Estimates

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

2. Detail Notes on All Funds

A. Assets

Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the agents in the County'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 State Treasurer enforces standards of minimum capitalization for all

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017 the County's deposits had a carrying amount of \$3,286,889 and a bank balance of \$3,279,929. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. Petty cash on hand was \$165.

Investments

At June 30, 2017 the County had the following investments and maturities:

<u>Investments by Type</u>	<u>Valuation</u>		<u>Less Than</u>	
	<u>Measurement Method</u>	<u>Fair Value</u>	<u>One Year</u>	<u>5+ Years</u>
NC Capital Management Trust-Government Portfolio	Amortized Cost	\$ 4,244,152	\$ 4,244,152	\$ -
State Treasurer's Short-Term Investment Fund (STIF)	Fair Value - Level 1	6,862,696	6,862,696	-
State Treasurer's Long-Term Investment Fund (LTIF)	Fair Value - Level 1	<u>6,732,792</u>	<u>-</u>	<u>6,732,792</u>
Total		<u>\$ 17,839,640</u>	<u>\$ 11,106,848</u>	<u>\$ 6,732,792</u>

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The State Treasurer's Short-Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.6 years at June 30, 2017. The State Treasurer's Long-Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 18.0 years at June 30, 2017.

Credit Risk. The County limits investments to the provisions of G.S. 159-30. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. The County's investments in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Property Tax – Use-Value Assessment on Certain Lands

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

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 138,438	\$ 14,187	\$ 152,625
2015	138,612	14,201	152,813
2016	144,827	14,842	159,669
2017	<u>154,962</u>	<u>15,496</u>	<u>170,458</u>
Total	<u>\$ 438,401</u>	<u>\$ 44,539</u>	<u>\$ 482,940</u>

Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 471,281	\$ 698,010	\$ 934,093	\$ 2,103,384
Allowance for doubtful accounts	<u>-</u>	<u>(483,694)</u>	<u>-</u>	<u>(483,694)</u>
Total governmental activities	<u>\$ 471,281</u>	<u>\$ 214,316</u>	<u>\$ 934,093</u>	<u>\$ 1,619,690</u>
Business-Type Activities:				
Solid waste	\$ 163,121	\$ -	\$ -	\$ 163,121
Allowance for doubtful accounts	<u>(123,972)</u>	<u>-</u>	<u>-</u>	<u>(123,972)</u>
Total business-type activities	<u>\$ 39,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,149</u>

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Due from other governments consisted of the following:

	Governmental Activities
Local option sales taxes	\$ 528,498
DHHS programs	249,862
Sales tax refund receivable	121,798
Other receivables	<u>33,935</u>
Total	<u>\$ 934,093</u>

Capital Assets

Governmental Activities – Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
Non-Depreciable Capital Assets:				
Land	\$ 4,679,412	\$ 300,000	\$ -	\$ 4,979,412
Construction in progress	-	<u>35,134</u>	-	35,134
Total non-depreciable assets	<u>4,679,412</u>	<u>335,134</u>	-	<u>5,014,546</u>
Depreciable Capital Assets:				
Buildings	19,953,443	2,379,830	-	22,333,273
Equipment	4,736,776	117,507	-	4,854,283
Vehicles	<u>2,731,124</u>	<u>662,450</u>	-	<u>3,393,574</u>
Total depreciable assets	<u>27,421,343</u>	<u>3,159,787</u>	-	<u>30,581,130</u>
Less Accumulated Depreciation:				
Buildings	5,932,372	525,530	-	6,457,902
Equipment	2,652,006	385,664	-	3,037,670
Vehicles	<u>2,077,956</u>	<u>243,830</u>	-	<u>2,321,786</u>
Total accumulated depreciation	<u>10,662,334</u>	<u>\$ 1,155,024</u>	<u>\$ -</u>	<u>11,817,358</u>
Total depreciable capital assets, net	<u>16,759,009</u>			<u>18,763,772</u>
Governmental activities capital assets, net	<u>\$ 21,438,421</u>			<u>\$ 23,778,318</u>

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Governmental Activities:

General government	\$ 155,456
Public safety	583,946
Environmental protection	3,178
Economic and physical development	57,877
Human services	243,340
Cultural and recreational	<u>111,227</u>
Total	<u><u>\$ 1,155,024</u></u>

Business-Type Activities – Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 104,580	\$ -	\$ -	\$ 104,580
Depreciable Capital Assets:				
Buildings	607,030	-	-	607,030
Equipment	444,072	123,743	-	567,815
Vehicles	<u>878,419</u>	<u>-</u>	<u>-</u>	<u>878,419</u>
Total depreciable capital assets	<u>1,929,521</u>	<u>123,743</u>	<u>-</u>	<u>2,053,264</u>
Less Accumulated Depreciation:				
Buildings	343,873	51,715	-	395,588
Equipment	401,053	18,967	-	420,020
Vehicles	<u>700,393</u>	<u>18,173</u>	<u>-</u>	<u>718,566</u>
Total accumulated depreciation	<u>1,445,319</u>	<u>\$ 88,855</u>	<u>\$ -</u>	<u>1,534,174</u>
Total depreciable capital assets, net	<u>484,202</u>			<u>519,090</u>
Total business-type capital assets, net	<u>\$ 588,782</u>			<u>\$ 623,670</u>

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2017, were as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>IBNR</u>	<u>Interest Payable</u>	<u>Total</u>
Governmental Activities:					
General	\$ 729,697	\$ 143,089	\$ 82,086	\$ 95,788	\$ 1,050,660
Other governmental	<u>-</u>	<u>1,724</u>	<u>-</u>	<u>-</u>	<u>1,724</u>
Total payables	<u>\$ 729,697</u>	<u>\$ 144,813</u>	<u>\$ 82,086</u>	<u>\$ 95,788</u>	<u>\$ 1,052,384</u>
Business-Type Activities:					
Solid waste	<u>\$ 12,294</u>	<u>\$ 4,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,371</u>

Pension Plan and Other Post-Employment 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.

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

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$517,516 for the year ended June 30, 2017.

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

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

At June 30, 2017, the County reported a liability of \$2,502,870 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .1179%, which was an increase of .0095% from its proportion measured as of June 30, 2015.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

For the year ended June 30, 2017, the County recognized pension expense of \$659,270. At June 30, 2017, 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	\$ 47,025	\$ 87,703
Changes of assumptions	171,424	
Net difference between projected and actual earnings on pension plan investments	1,383,772	-
Changes in proportion and differences between County contributions and proportionate share of contributions	4,631	48,875
County contributions subsequent to the measurement date	<u>517,516</u>	<u>-</u>
Total	<u>\$ 2,124,368</u>	<u>\$ 136,578</u>

\$517,516 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, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 212,883
2019	213,104
2020	645,691
2021	398,596
2022	-
Thereafter	<u>-</u>
Total	<u>\$ 1,470,274</u>

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2015 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 7.25%. 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	<u>\$ 5,940,477</u>	<u>\$ 2,502,870</u>	<u>\$ (368,476)</u>

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. Swain County administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .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.

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Active plan members	<u>28</u>
Total	<u><u>28</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
	3.50 to 7.35 percent, including
Salary increase	inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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

Deaths before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

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

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

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
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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 operation budget. There were no contributions made by the employees. The County’s obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

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

At June 30, 2017, the County reported a total pension liability of \$194,947. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the county recognized pension expense of \$27,591.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 5,373
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>299</u>	<u>-</u>
Total	<u>\$ 299</u>	<u>\$ 5,373</u>

\$299 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 856
2019	856
2020	856
2021	856
2022	856
Thereafter	<u>1,093</u>
	<u>\$ 5,373</u>

\$299 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<u>1% Decrease</u> <u>(2.86%)</u>	<u>Discount Rate</u> <u>(3.86%)</u>	<u>1% Increase</u> <u>(4.86%)</u>
Total pension liability	<u>\$ 217,204</u>	<u>\$ 194,947</u>	<u>\$ 174,821</u>

Schedule of Changes in Total Pension Liability

Law Enforcement Officers Special Separation Allowance

	<u>2017</u>
Beginning balance	\$ 172,729
Service cost at end of year	22,281
Interest	6,166
Changes of assumptions or other inputs	<u>(6,229)</u>
Ending balance if the total pension liability	<u>\$ 194,947</u>

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the 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.

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5% 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 \$49,875 for the reporting year. No amounts were forfeited.

Deferred Compensation Plan

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

Register of Deeds' Supplemental Pension Fund

Plan Description. Swain County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,580 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$56,841 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .3040%, which was an increase of .0216% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$16,149. At June 30, 2017, 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	\$ 61	\$ 736
Changes of assumptions	15,144	-
Net difference between projected and actual earnings on pension plan investments	97	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,419	3,673
County contributions subsequent to the measurement date	4,580	-
Total	\$ 22,301	\$ 4,409

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$4,580 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
<u>June 30</u>	
2018	\$ 6,951
2019	4,911
2020	2,085
2021	(635)
2022	-
Thereafter	-
Total	<u>\$ 13,312</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and

SWAIN COUNTY, NORTH CAROLINA

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by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension Liability (asset)	\$ (45,833)	\$ (56,841)	\$ (66,090)

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.

Other Post-Employment Benefits

Plan Description. In addition to providing pension benefits, Swain County administers a single employer defined benefits Healthcare plan and has elected to provide healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees’ Retirement System (the “System”) and have at least 10 years of continuous service with the County, depending on date of hire. The County pays the costs of coverage for these benefits as incurred, on a pay-as-you-go basis. Retirees are eligible to receive the same benefits as active County employees and will pay the same as any active employee. The benefit is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner.

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Also, retirees can purchase coverage for their dependents at the County’s group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

To be eligible to stay on the health plan, employees must meet one of the following requirements upon retirement:

- 30 years of service at any age
- 25 years of service and be at least 55 years of age
- 10 years of service and be at least 62 years of age

Membership of the plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	2	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	<u>179</u>	<u>25</u>
Total	<u><u>181</u></u>	<u><u>25</u></u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of County Commissioners. The County’s members pay between \$150 and \$500 per month for dependent coverage depending on the coverage they elect. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 2.65% of annual covered payroll. For the current year, the County contributed \$23,500, or 0.35%, of annual covered payroll. The County’s medical coverage is self-insured, which is administered by an outside provider. There were no contributions made by employees. The County’s obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the County’s General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

Annual OPEB Cost and Net Obligation. The County’s annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover

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normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the post-employment healthcare benefits:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 172,999	\$ 7,208	\$ 180,207
Interest on net OPEB obligation	35,627	1,484	37,111
Adjustments to annual required contribution	<u>(34,035)</u>	<u>(1,418)</u>	<u>(35,453)</u>
Annual OPEB cost (expense)	174,590	7,275	181,865
Contributions made	<u>(21,052)</u>	<u>(2,448)</u>	<u>(23,500)</u>
Increase (decrease) in net OPEB obligation	153,538	4,827	158,365
Net OPEB obligation:			
Beginning of year - July 1	<u>894,494</u>	<u>33,283</u>	<u>927,777</u>
End of year - June 30	<u><u>\$ 1,048,032</u></u>	<u><u>\$ 38,110</u></u>	<u><u>\$ 1,086,142</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017, were as follows:

<u>Three-Year Trend Information</u>			
<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 161,105	5.0%	\$ 781,619
2016	166,178	12.0%	927,777
2017	181,865	12.9%	1,086,142

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,457,891, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) was \$1,457,891. The covered payroll (annual payroll of active employees covered by the plan) was \$6,794,225, and the ratio of UAAL to the covered payroll was 21.5 %.

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarially accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.0% inflation assumption. The annual pre-Medicare medical cost trend varied between 7.75% and 5.0% and the annual post-Medicare medical cost trend varied between 5.75% and 5.0%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

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 (the "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 died 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deferred Inflows and Outflows of Resources/Unearned Revenues

The balance in deferred outflows and deferred inflows of resources on the fund statements and the government-wide statements at June 30, 2017, are composed of the following elements:

<u>Source</u>	<u>Amount</u>
Deferred Outflows:	
Differences between expected and actual experience	\$ 47,086
Changes of assumptions	186,568
Net difference between projected and actual earnings on pension plan investments	1,383,869
Pension - change in proportion and difference between employer contributions and proportionate share of contributions	7,050
County contributions subsequent to the measurement date	522,395
Total	<u>\$ 2,146,968</u>
Deferred Inflows:	
Pension - difference between expected and actual experience	\$ 88,439
Changes of assumptions	5,373
Pension - change in proportion and difference between employer contributions and proportionate share of contributions	52,548
Prepaid taxes not yet earned (General)	57,176
Taxes receivable (General)	214,316
Other receivable (General)	81,206
Total	<u>\$ 499,058</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$35.0 million, for any one occurrence. The County also purchases general, auto, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits.

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence retention for property, auto physical damage, and crime coverage. For workers compensation, there is a per occurrence retention of \$350,000. The County provides employee medical and dental benefits through a self-insured plan reinsured through the Pool. Claims are administered and paid through a third party. Specific stop loss is set at \$50,000 per individual health insurance claim and aggregate annual stop loss set at the level of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100,000.

The County pays claims and administrative costs of the program from the General Fund as they become due. All full-time employees of the County participate in the program. The claims liability of \$82,086 reported in the fund at June 30, 2017, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County expects all claims to be paid within the next twelve months; therefore, the entire amount is presented as current. Changes in the balances of claims liabilities during the past fiscal year are as follows:

	<u>2017</u>	<u>2016</u>
Unpaid claims - beginning	\$ 26,731	\$ 113,016
Incurred claims	1,468,593	1,223,931
Claim payments	<u>(1,413,238)</u>	<u>(1,310,216)</u>
Unpaid claims - ending	<u>\$ 82,086</u>	<u>\$ 26,731</u>

The County does not carry flood insurance.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer, Sheriff, Register of Deeds, and Tax Collector are each individually bonded for \$50,000 each. The County Manager is bonded for \$500,000. The remaining employees who have access to funds are bonded under a blanket bond.

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

Contingent Liabilities

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Long-Term Obligations

Installment Purchase Contracts

As authorized by State law (G.S.160A-20), the County financed the renovation of Swain County High School for use by the Swain County Board of Education during the fiscal year ended June 30, 2007, by installment purchase designated as a Qualified Zone Academy Bond. The installment purchase was issued pursuant to a Deed of Trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Swain County Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation. The transaction requires 16 annual payments of \$77,930 to a sinking fund with Bank of America. The Sinking Fund yields a projected investment return of 5.36%. The principal amount of the installment purchase is \$1,500,000 at zero interest. The payments began July 2007. If investment earnings do not result as projected, the County will pay the required amount for the total funds to equal \$1,500,000 on July 15, 2023. This debt is included in the following:

Serviced by Governmental Funds:

The County entered into an installment purchase contract dated December 18, 2006, in the amount of \$1,500,000 for Qualified Zone Academy Bond. The contract is payable to a sinking fund in sixteen (16) annual installments of \$77,930, interest-free per annum.	\$ 1,500,000
The County entered into an installment purchase contract (QSCB) dated January 5, 2011, in the amount of \$1,825,000 for school construction. The contract is payable in fifteen (15) annual principal installments of \$121,667, plus interest of 5.43% per annum.	1,095,000
The County entered into an installment purchase contract dated August 27, 2015, in the amount of \$500,000 for three (3) vehicles. The contract is payable in seven (7) annual installments of \$77,137, including interest at 1.96% per annum.	432,663
The County entered into an installment purchase contract dated December 14, 2011, in the amount of \$600,000 for the museum project. The contract is payable in one hundred twenty (120) monthly principal installments of \$5,000, plus interest of 2.63% per annum.	270,000
The County entered into an installment purchase contract dated September 27, 2013, in the amount of \$200,000 for the rehabilitation of a steam engine. The contract is payable in ten (10) annual principal installments of \$20,000, plus interest of 3.36% per annum.	140,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Serviced by Governmental Funds (continued):

The County entered into an installment purchase contract dated September 27, 2013, in the amount of \$164,500 for a turn-around table and land. The contract is payable in fifteen (15) annual principal installments of \$33,333, plus interest of 4.09% per annum.	400,000
The County entered into an installment purchase contract (QSCB) dated June 1, 2015, in the amount of \$2,400,000 for school construction. The contract is payable in fifteen (15) annual installments of \$160,000, plus interest at 4.44% per annum.	2,080,000
The County entered into an installment purchase contract dated June 1, 2015, in the amount of \$800,000 for school construction. The contract is payable in fifteen (15) annual installments of \$53,333, plus interest at 2.89% per annum.	693,334
The County entered into an installment purchase contract dated October 19, 2016, in the amount of \$1,889,744 for land, building, and a parking lot. The contract is payable in seven (7) annual principal installments of \$303,815, including interest at 1.94% per annum.	1,585,928
The County entered into an installment purchase contract dated October 19, 2016, in the amount of \$620,000 for two parcels of land. The contract is payable in ten (10) annual principal installments of \$62,000, including interest at 2.28% per annum.	620,000
The County entered into an installment purchase contract dated August 9, 2016, in the amount of \$640,000 for various vehicle purchases. The contract is payable in three (3) annual principal installments of \$220,843, including interest at 1.75% per annum.	<u>640,000</u>
Total installment purchase contracts	<u>\$ 9,456,925</u>

Future minimum payments at June 30, 2017, for installment purchase contracts are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,092,449	\$ 257,633
2019	1,097,464	226,926
2020	1,102,569	196,128
2021	886,923	165,238
2022	806,533	138,283
2023-2027	3,764,320	372,037
2028-2030	<u>706,667</u>	<u>53,082</u>
Total	<u>\$ 9,456,925</u>	<u>\$ 1,409,327</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

USDA Debt

\$9,000,000 USDA debt for construction of a jail building due on June 1 in thirty-eight (38) installments of \$473,130, including interest through June 1, 2046, interest at 4.13%.

\$ 7,920,853

Future minimum payments at June 30, 2017 for USDA debt are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 145,999	\$ 327,131
2019	152,029	321,101
2020	158,307	314,823
2021	164,845	308,285
2022	171,654	301,476
2023-2027	970,647	1,395,053
2028-2032	1,188,340	1,177,310
2033-2037	1,454,856	910,794
2038-2042	1,781,145	584,505
2043-2046	<u>1,733,031</u>	<u>184,023</u>
Total	<u>\$ 7,920,853</u>	<u>\$ 5,824,501</u>

At June 30, 2017, the County had a legal debt margin of approximately \$113,250,733.

Debt Related to Capital Activities

Of the total governmental activities debt listed, only \$12,009,444 relates to assets the County holds title.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchases	\$ 8,195,549	\$ 3,149,744	\$ 1,888,368	\$ 9,456,925	\$ 1,092,449
Mortgages and loans	1,089,744	-	1,089,744	-	-
USDA debt	8,061,061	-	140,208	7,920,853	145,999
Compensated absences	418,159	305,902	280,938	443,123	281,000
Net pension liability (LGERS)	467,119	1,935,636	-	2,402,755	-
Other post-employment benefits	894,494	176,213	22,675	1,048,032	-
Total pension liability (LEO)	<u>142,086</u>	<u>52,861</u>	<u>-</u>	<u>194,947</u>	<u>-</u>
Total governmental activities	<u>\$ 19,268,212</u>	<u>\$ 5,620,356</u>	<u>\$ 3,421,933</u>	<u>\$ 21,466,635</u>	<u>\$ 1,519,448</u>
Business-Type Activities:					
Compensated absences	\$ 15,775	\$ 10,883	\$ 11,014	\$ 15,644	\$ 11,000
Net pension liability (LGERS)	19,463	80,652	-	100,115	-
Other post-employment benefits	<u>33,283</u>	<u>5,652</u>	<u>825</u>	<u>38,110</u>	<u>-</u>
Total business-type activities	<u>\$ 68,521</u>	<u>\$ 97,187</u>	<u>\$ 11,839</u>	<u>\$ 153,869</u>	<u>\$ 11,000</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a FIFO (first-in, first-out) basis. Other post-employment benefits and pension obligations are typically liquidated in the General Fund.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

C. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2017, is computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 23,778,318	\$ 623,670
Less capital debt:		
Gross debt	17,377,778	-
Less school debt related to assets to which the County does not hold title	<u>(5,368,334)</u>	<u>-</u>
Net capital debt	<u>12,009,444</u>	<u>-</u>
Net investment in capital assets	<u>\$ 11,768,874</u>	<u>\$ 623,670</u>

D. Interfund Balances and Activity

Interfund receivables and payables at June 30, 2017, are composed as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Solid Waste Fund	\$ 337,307	Working capital loan
General Fund	Nonmajor governmental funds	<u>15,775</u>	Working capital loan
Total		<u>\$ 353,082</u>	

The outstanding balances between funds result mainly from working capital loans made to other funds which are expected to be reimbursed in the subsequent year.

Transfers to/from other funds at June 30, 2017 consist of the following:

	<u>Transfers</u>		<u>Purpose</u>
	<u>From</u>	<u>To</u>	
Transfers from/to Other Funds:			
General Fund		\$ 430,044	
Nonmajor Governmental Funds	\$ 130,043		Unused local funds to General Fund
Permanent Fund	300,000		Unrestricted earnings to General Fund
General Fund	204,732		
Nonmajor Governmental Funds		130,000	Resources for project costs
Solid Waste Fund	<u>-</u>	<u>74,731</u>	Resources for solid waste
Total	<u>\$ 634,775</u>	<u>\$ 634,775</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Intrafund transfers at June 30, 2017 consist of the following:

	<u>Intrafund Transfers</u>		<u>Purpose</u>
	<u>From</u>	<u>To</u>	
General Fund:			
General Fund	\$ -	\$ 825,331	Debt service
Schools Capital Reserve Fund	<u>825,331</u>	<u>-</u>	
Total	<u>\$ 825,331</u>	<u>\$ 825,331</u>	

3. Related Organization

The Chairman of the County’s governing board is also responsible for appointing the members of the Board of the Swain County Industrial Facility and Pollution Control Authority, but the County’s accountability for this organization does not extend beyond making the appointments. This Authority is a non-profit organization which exists to approve industrial revenues bonds.

4. Joint Ventures

Marianna Black Regional Library

The County participates in a joint venture to operate the Marianna Black Regional Library with two other local governments. Each participating government appoints two Board members to the six-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library’s continued existence depends on the participating government’s continued funding. None of the participating governments have any equity interest in the Library, so no interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$200,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library’s offices in Bryson City, North Carolina.

Swain County Board of Education

The County, in conjunction with the State of North Carolina and the Swain County Board of Education, participates in a joint venture to operate the Southwest Tech Community College. Each of the three participants appoints four members of the thirteen-member Board of Trustees of the community college. The President of the community college’s student government serves as an ex officio non-voting member of the community college’s Board of Trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college’s operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college’s facilities. The County contributed \$128,000 to the community college during the fiscal year ended June 30, 2017.

SWAIN COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. Complete financial statements for the community college may be obtained from the community college's administrative offices in Sylva, North Carolina.

Smokey Mountain Mental Health Board

Swain County, in conjunction with seven other Counties, participates in the Smokey Mountain Mental Health Board. Swain County appoints 2 of the 23-member Board. The Mental Health Board is a joint venture formed to provide better health services to its citizens. All participating Counties provide an annual appropriation to the Mental Health Board but have no equity interest in the joint venture. Thus no equity interest has been reflected in the financial statements at June 30, 2017. Swain County contributed \$20,000 to the Board during the fiscal year ended June 30, 2017. Complete financial statements can be obtained from the Board's administrative office in Dillsboro, North Carolina.

Fontana Regional Library

The County supports the Fontana Regional Library by providing building space in the Marianna Black Regional Library. The County has no responsibility in appointing any Board members. The County has no equity interest in the library, thus no equity interest has been reflected in the financial statement at June 30, 2017.

5. Jointly Governed Organizations

Southwestern North Carolina Planning and Economic Development Commission

The County, in conjunction with 7 other counties and 16 municipalities, established the Southwestern North Carolina Planning and Economic Development Commission (the "Commission"). The participating governments established the Commission to coordinate funding received from various Federal and State agencies. Each participating government appoints one member to the Commission's 23-member governing Board. The County paid fees of \$63,000 to the Commission during the fiscal year ended June 30, 2017.

SWAIN COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

6. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which do not appear in the financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 16,281,041	\$ 8,684,167
Temporary Assistance to Needy Families	48,012	-
Special Supplemental Food Program for Women, Infants, and Children	224,601	-
IV-E Foster Care	190,000	77,702
Low-Income Home Energy Assistance	57,700	-
State Children's Insurance Program - NC Health Choice	615,264	1,583
State/County Special Assistance for Adults	59,036	-
State Foster Home	104,177	-
CWS Adoption Subsidy & Vendor	11,829	-
SFHF Maximization	111,614	-
FC At Risk Maximization	20,443	-
Totals	<u>\$ 17,723,717</u>	<u>\$ 8,763,452</u>

7. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

The County has received proceeds from 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.

8. Change In Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for governmental activities decreased \$30,643.

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SWAIN COUNTY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 172,729
Service cost	22,281
Interest on the total pension liability	6,166
Changes of assumptions or other inputs	(6,229)
Ending balance of the total pension liability	\$ 194,947

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

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

SWAIN COUNTY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance

	2017
Total pension liability	\$ 194,947
Covered payroll	1,055,662
Total pension liability as a percentage of covered payroll	18.47%

Notes to the Schedules:

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

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

SWAIN COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - HEALTHCARE PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2017**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2009	\$ -	\$ 723,182	\$ 723,182	0.00%	\$ 5,245,350	13.8%
12/31/2011	-	1,031,633	1,031,633	0.00%	5,762,989	17.9%
12/31/2013	-	1,223,887	1,223,887	0.00%	6,101,392	20.1%
12/31/2015	-	1,457,891	1,457,891	0.00%	6,794,225	21.5%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage Contributed
2015	\$ 159,982	5.0%
2016	164,781	12.2%
2017	180,207	13.0%

Notes to the Required Schedules:

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

Valuation date	December 31, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend rate:	5.75% - 5.0%
Pre-Medicare trend rate	7.75% - 5.0%
Year of ultimate trend rate	2022

* Includes inflation at 3.00%

SWAIN COUNTY, NORTH CAROLINA

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 LAST FOUR FISCAL YEARS***

Local Government Employees' Retirement System				
	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.1179%	0.1084%	0.1144%	0.1150%
County's proportion of the net pension liability (asset) (\$)	\$ 2,502,870	\$ 486,582	\$ (678,503)	\$ 1,378,959
County's covered-employee payroll*	\$ 6,351,819	\$ 5,460,155	\$ 6,073,036	\$ 5,537,736
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.40%	8.91%	(11.17%)	24.90%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

SWAIN COUNTY, NORTH CAROLINA

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SWAIN COUNTY'S CONTRIBUTIONS
 LAST FOUR FISCAL YEARS

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 517,516	\$ 433,276	\$ 464,754	\$ 430,925
Contributions in relation to the contractually required contribution	<u>517,516</u>	<u>433,276</u>	<u>464,754</u>	<u>430,925</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,949,607	\$ 6,351,819	\$ 5,460,155	\$ 6,073,036
Contributions as a percentage of covered-employee payroll	7.45%	6.82%	8.51%	7.10%

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

SWAIN COUNTY, NORTH CAROLINA

**REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 LAST FOUR FISCAL YEARS***

Registers of Deeds' Supplemental Pension Fund				
	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.3040%	0.2824%	0.2822%	0.4368%
County's proportion of the net pension liability (asset) (\$)	\$ (56,841)	\$ (65,450)	\$ (63,966)	\$ (98,995)
County's covered-employee payroll*	\$ 58,045	\$ 56,354	\$ 55,421	\$ 55,220
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(97.93%)	(116.14%)	(115.42%)	(179.27%)
Plan fiduciary net position as a percentage of the total pension liability**	160.17%	197.29%	193.88%	190.50%

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

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

SWAIN COUNTY, NORTH CAROLINA

**REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SWAIN COUNTY'S CONTRIBUTIONS
LAST FOUR FISCAL YEARS**

Registers of Deeds' Supplemental Pension Fund				
	2017	2016	2015	2014
Contractually required contribution	\$ 4,580	\$ 3,890	\$ 2,901	\$ 2,304
Contributions in relation to the contractually required contribution	<u>4,580</u>	<u>3,890</u>	<u>2,901</u>	<u>2,304</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 62,307	\$ 58,045	\$ 56,354	\$ 55,421
Contributions as a percentage of covered-employee payroll	7.35%	6.70%	5.15%	4.16%

This schedule is intended to show information for ten years. Additional year's information will be displayed as it becomes available.

SWAIN COUNTY, NORTH CAROLINA

**GENERAL FUND - CONSOLIDATED
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Schools Capital Reserve Fund</u>	<u>Economic Development Fund</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:					
Ad valorem taxes	\$ 5,976,047	\$ -	\$ -	\$ -	\$ 5,976,047
Local option sales taxes	2,916,982	714,993	-	-	3,631,975
Other taxes and licenses	945,502	-	-	-	945,502
Restricted intergovernmental revenues	6,874,221	81,684	-	-	6,955,905
Unrestricted intergovernmental revenues	1,455,600	-	-	-	1,455,600
Permits and fees	283,941	-	-	-	283,941
Sales and services	2,356,972	-	-	-	2,356,972
Miscellaneous revenues	514,300	-	23,624	-	537,924
Investment earnings	39,181	1,553	19	-	40,753
Total revenues	<u>21,362,746</u>	<u>798,230</u>	<u>23,643</u>	<u>-</u>	<u>22,184,619</u>
Expenditures:					
Current:					
General government	7,337,610	-	-	-	7,337,610
Public safety	4,823,933	-	-	-	4,823,933
Environmental protection	139,788	-	-	-	139,788
Economic and physical development	1,546,180	-	15,000	-	1,561,180
Human services	7,679,481	-	-	-	7,679,481
Cultural and recreational	1,006,215	-	-	-	1,006,215
Intergovernmental:					
Education	1,226,674	-	-	-	1,226,674
Debt service:					
Principal retirement	3,118,320	-	-	-	3,118,320
Interest expense	649,324	-	-	-	649,324
Total expenditures	<u>27,527,525</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>27,542,525</u>
Revenues over (under) expenditures	<u>(6,164,779)</u>	<u>798,230</u>	<u>8,643</u>	<u>-</u>	<u>(5,357,906)</u>
Other Financing Sources (Uses):					
Transfers in	1,255,375	-	-	(825,331)	430,044
Transfers out	(204,732)	(825,331)	-	825,331	(204,732)
Long-term debt issued	3,149,744	-	-	-	3,149,744
Total other financing sources (uses)	<u>4,200,387</u>	<u>(825,331)</u>	<u>-</u>	<u>-</u>	<u>3,375,056</u>
Net change in fund balances	(1,964,392)	(27,101)	8,643	<u>\$ -</u>	(1,982,850)
Fund Balances:					
Beginning of year - July 1	<u>9,393,390</u>	<u>474,833</u>	<u>14,698</u>		<u>9,882,921</u>
End of year - June 30	<u>\$ 7,428,998</u>	<u>\$ 447,732</u>	<u>\$ 23,341</u>		<u>\$ 7,900,071</u>

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	
Revenues:				
Ad Valorem Taxes:				
Taxes - current	\$ 5,760,000	\$ 5,860,362	\$ 100,362	\$ 5,857,114
Taxes - prior	4,900	15,864	10,964	39,963
Penalties and interest	100,000	99,821	(179)	101,495
Total	<u>5,864,900</u>	<u>5,976,047</u>	<u>111,147</u>	<u>5,998,572</u>
Local Option Sales Taxes:				
1 cent sales tax	1,480,000	1,647,915	167,915	1,549,209
1/2 cent sales tax	880,000	994,904	114,904	768,817
Medicaid hold harmless	360,000	274,163	(85,837)	391,849
Total	<u>2,720,000</u>	<u>2,916,982</u>	<u>196,982</u>	<u>2,709,875</u>
Other Taxes and Licenses:				
Room occupancy tax	800,000	935,722	135,722	761,207
Marriage licenses	11,000	9,780	(1,220)	9,000
Total	<u>811,000</u>	<u>945,502</u>	<u>134,502</u>	<u>770,207</u>
Unrestricted Intergovernmental Revenues:				
ABC revenue	6,000	6,025	25	5,799
Payments in lieu of taxes	1,325,000	1,413,834	88,834	1,370,479
Satellite video tax	37,000	35,741	(1,259)	35,396
Total	<u>1,368,000</u>	<u>1,455,600</u>	<u>87,600</u>	<u>1,411,674</u>
Restricted Intergovernmental Revenues:				
Federal and State grants	5,807,296	6,851,045	1,043,749	4,873,875
Court facility fees	30,400	23,176	(7,224)	22,063
Total	<u>5,837,696</u>	<u>6,874,221</u>	<u>1,036,525</u>	<u>4,895,938</u>
Permits and Fees:				
Inspection fees	95,000	101,727	6,727	134,890
Register of Deeds	157,000	179,999	22,999	165,357
Safe driving	3,000	2,215	(785)	2,130
Total	<u>255,000</u>	<u>283,941</u>	<u>28,941</u>	<u>302,377</u>
Sales and Services:				
Tag office	65,000	60,757	(4,243)	63,915
Officers fees	18,000	14,157	(3,843)	15,007
Jail fees	528,000	511,443	(16,557)	513,917
Ambulance fees	945,000	827,058	(117,942)	772,091
Recreation department	107,000	73,192	(33,808)	80,001
Town contribution - recreation	21,000	21,000	-	21,000
Town contribution - fire marshal	17,000	17,000	-	17,000
Town dispatcher and PIN	28,700	31,100	2,400	28,700
Building lease	170,400	233,095	62,695	150,400

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	
Chamber salary reimbursement	128,988	161,272	32,284	129,136
Sheriff revenues	230,500	216,768	(13,732)	243,690
Health Department fees and reimbursements	450,926	190,130	(260,796)	352,404
Total	2,710,514	2,356,972	(353,542)	2,387,261
Investment Earnings	21,000	39,181	18,181	29,992
Miscellaneous:				
Insurance refunds	-	9,084	9,084	8,950
Interest payback	186,000	154,100	(31,900)	174,093
Sales tax refund	9,000	14,509	5,509	-
Other	562,650	336,607	(226,043)	420,265
Total	757,650	514,300	(243,350)	603,308
Total revenues	20,345,760	21,362,746	1,016,986	19,109,204
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits		70,712		70,691
Operating expenditures		10,959		8,176
Travel		20,897		23,722
Total	111,864	102,568	9,296	102,589
Administration:				
Salaries and employee benefits		581,297		396,218
Operating expenditures		144,248		143,142
Workers' comp insurance		1,000		27,000
Capital outlay		3,812,726		743,191
Legal services		189,872		61,292
Total	5,919,684	4,729,143	1,190,541	1,370,843
Elections:				
Salaries and employee benefits		107,664		102,546
Operating expenditures		51,673		99,511
Capital outlay		-		4,000
Total	199,033	159,337	39,696	206,057

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		
Finance:				
Salaries and employee benefits		203,003		193,514
Operating expenditures		26,135		32,410
Professional services		76,900		78,000
Total	319,438	306,038	13,400	303,924
Tax and Mapping:				
Salaries and employee benefits		233,845		216,750
Operating expenditures		114,324		97,828
Total	354,554	348,169	6,385	314,578
Register of Deeds:				
Salaries and employee benefits		149,782		138,693
Operating expenditures		59,459		51,118
Recording fees		55,597		60,378
Total	291,427	264,838	26,589	250,189
Public buildings:				
Salaries and employee benefits		511,804		510,024
Maintenance and repairs		118,000		53,600
Utilities and fuel		105,084		101,009
Other operating expenditures		131,885		200,718
Insurance		20,353		26,003
Capital outlay		288,276		14,920
Total	1,175,402	1,175,402	-	906,274
Court Facilities:				
Operating expenditures		22,760		28,726
Total	28,000	22,760	5,240	28,726
Data Processing:				
Salaries and employee benefits		92,831		89,180
Operating expenditures		48,782		52,911
Capital outlay		11,779		13,415
Total	161,404	153,392	8,012	155,506
Tag Office:				
Salaries and employee benefits		73,736		71,385
Operating expenditures		2,227		2,675
Total	78,052	75,963	2,089	74,060
Total general government	8,638,858	7,337,610	1,301,248	3,712,746

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	
Public Safety:				
Sheriff:				
Salaries and employee benefits		1,476,938		1,220,584
Operating expenditures		531,781		509,454
Capital outlay		518,235		41,019
Total	2,587,364	2,526,954	60,410	1,771,057
Jail:				
Salaries and employee benefits		798,172		754,327
Operating expenditures		198,058		178,099
Food		160,531		182,373
Medical expenditures		146,560		113,348
Capital outlay		7,806		16,949
Total	1,341,359	1,311,127	30,232	1,245,096
Emergency Management:				
Salaries and employee benefits		82,638		79,827
Operating expenditures		145,502		11,971
Capital outlay		72,260		-
Total	439,162	300,400	138,762	91,798
Emergency Communications:				
Salaries and employee benefits		326,968		320,642
Operating expenditures		16,635		18,203
Total	359,091	343,603	15,488	338,845
Fire Marshall:				
Operating expenditures		-		62
Total	-	-	-	62
Inspections:				
Salaries and employee benefits		107,270		92,003
Operating expenditures		21,303		25,666
Total	141,570	128,573	12,997	117,669
Medical Examiner:				
Professional services		17,000		13,650
Total	20,000	17,000	3,000	13,650

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	
Special Appropriations:				
Fire departments		142,020		164,631
Rescue squad		54,155		35,537
Task force		101		-
Total	216,000	196,276	19,724	200,168
Total public safety	5,104,546	4,823,933	280,613	3,778,345
Environmental Protection:				
Soil and Water:				
Salaries and employee benefits		87,413		76,982
Operating expenditures		52,375		56,416
Total	148,417	139,788	8,629	133,398
Total environmental protection	148,417	139,788	8,629	133,398
Economic and Physical Development:				
Agriculture Extension:				
Salaries and employee benefits		267,604		233,241
Operating expenditures		36,523		41,153
Total	315,395	304,127	11,268	274,394
Community Development:				
SW Commission - CBA		62,868		73,547
SW Commission - CBA Match		6,287		8,400
JCPC		2,495		1,258
Total	73,000	71,650	1,350	83,205
Economic Development:				
Salaries and employee benefits		58,641		56,209
Operating expenditures		3,518		3,456
Contract services		11,192		40,527
Swain Tourist Authority		970,783		792,797
Total	1,044,134	1,044,134	-	892,989
Chamber of Commerce:				
Salaries and employee benefits		126,037		120,566
Operating expenditures		232		957
Total	130,487	126,269	4,218	121,523
Total economic and physical development	1,563,016	1,546,180	16,836	1,372,111

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	
Human Services:				
Social Services:				
Administration:				
Salaries and employee benefits		1,997,602		1,974,318
Operating expenditures		356,978		415,307
Travel		6,081		6,200
Capital outlay		31,114		24,872
Total	2,687,260	2,391,775	295,485	2,420,697
Programs:				
TANF		68,308		77,480
Medical transportation		117,596		88,910
Foster care		717,400		681,399
Special assistance		68,694		66,037
Child support		19,304		25,328
Crisis intervention		76,215		77,277
Daycare		918,226		787,713
Total	1,987,350	1,987,350	-	1,805,563
Total social services	4,674,610	4,379,125	295,485	4,226,260
Emergency Medical Services:				
Salaries and employee benefits		1,014,867		931,496
Operating expenditures		200,143		205,596
Capital outlay		37,875		234,581
Total	1,265,221	1,252,885	12,336	1,371,673
Veterans Service Officer:				
Salaries and employee benefits		4,686		4,748
Total	5,823	4,686	1,137	4,748
Health Department:				
General:				
Salaries and employee benefits		783,766		725,917
Other operating expenditures		193,681		191,916
Capital outlay		27,556		-
Total	1,005,003	1,005,003	-	917,833
Breast and Cervical Cancer:				
Salaries and employee benefits		1,431		14,491
Other operating expenditures		10,519		6,690
Total	17,200	11,950	5,250	21,181

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		
Wise Women:				
Salaries and employee benefits		471		404
Other operating expenditures		108		354
Total	2,200	579	1,621	758
Child Services Coordination:				
Salaries and employee benefits		2,464		1,178
Other operating expenditures		3,994		2,776
Total	6,900	6,458	442	3,954
Adult Health:				
Salaries and employee benefits		7,264		6,308
Other operating expenditures		55,741		59,299
Total	68,200	63,005	5,195	65,607
Immunization Action Plan:				
Salaries and employee benefits		349		136
Other operating expenditures		220		749
Total	569	569	-	885
Health Promotion:				
Salaries and employee benefits		2,407		2,216
Other operating expenditures		3,470		5,133
Total	8,400	5,877	2,523	7,349
Environmental Health:				
Salaries and employee benefits		11,057		7,960
Other operating expenditures		14,989		11,316
Total	26,046	26,046	-	19,276
Maternal Health:				
Salaries and employee benefits		13		200
Other operating expenditures		5,151		3,173
Total	5,164	5,164	-	3,373
Child Health:				
Salaries and employee benefits		1,101		1,213
Other operating expenditures		7,808		5,778
Total	8,909	8,909	-	6,991
Well Program:				
Salaries and employee benefits		96		39
Other operating expenditures		-		110
Total	600	96	504	149

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		
HIPAA:				
Salaries and employee benefits		1,248		944
Other operating expenditures		1,148		1,605
Total	7,450	2,396	5,054	2,549
WIC/Client Services:				
Salaries and employee benefits		1,845		2,075
Other operating expenditures		3,828		2,125
Total	8,100	5,673	2,427	4,200
WIC/Nutritional Education:				
Salaries and employee benefits		547		688
Total	600	547	53	688
WIC/Breastfeeding Promotion:				
Salaries and employee benefits		601		466
Other operating expenditures		1,186		1,520
Total	3,500	1,787	1,713	1,986
WIC/General Administration:				
Salaries and employee benefits		386		368
Total	400	386	14	368
MCC:				
Salaries and employee benefits		15,235		1,869
Other operating expenditures		1,687		2,663
Total	16,922	16,922	-	4,532
Food and Lodging:				
Salaries and employee benefits		166		144
Other operating expenditures		1,593		115
Total	2,450	1,759	691	259
Family Planning:				
Salaries and employee benefits		3,116		2,104
Other operating expenditures		34,549		31,232
Total	39,775	37,665	2,110	33,336
In-Home Aid:				
Salaries and employee benefits		302,975		315,317
Other operating expenditures		8,671		6,442
Total	311,646	311,646	-	321,759

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	
Communicable Diseases:				
Salaries and employee benefits		553		883
Other operating expenditures		13,442		12,922
Total	14,450	13,995	455	13,805
CAP Program:				
Salaries and employee benefits		130,584		163,800
Other operating expenditures		34,713		40,838
Total	366,500	165,297	201,203	204,638
Chore:				
Salaries and employee benefits		73,249		59,793
Other operating expenditures		4,360		3,665
Total	99,139	77,609	21,530	63,458
Total health department	2,020,123	1,769,338	250,785	1,698,934
Special Appropriations:				
Safe program		15,000		15,000
Elderly transportation		117,584		106,653
Smokey Mountain Mental Health		34,425		34,199
Other		106,438		108,610
Total	278,411	273,447	4,964	264,462
Total human services	8,244,188	7,679,481	564,707	7,566,077
Cultural and Recreational:				
Recreation:				
Salaries and employee benefits		239,153		214,375
Operating expenditures		145,069		150,145
Repairs and maintenance		43,151		31,342
Capital outlay		324,434		11,832
Total	751,807	751,807	-	407,694
Cultural:				
NC Forestry		49,908		31,316
Marianna Black Library		204,500		195,000
Total	259,500	254,408	5,092	226,316
Total cultural and recreational	1,011,307	1,006,215	5,092	634,010

SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	
Education:				
Swain County Board of Education:				
Current expenditures		850,001		750,000
Capital outlay		240,000		485,000
Forest funds		8,673		36,541
Southwestern Community College		128,000		128,000
Total education	1,274,900	1,226,674	48,226	1,399,541
Debt Service:				
Principal retirement		3,118,320		2,338,403
Interest expense		649,324		716,278
Total	3,767,644	3,767,644	-	3,054,681
Contingency				
	2,000	-	2,000	-
Total expenditures	29,754,876	27,527,525	2,227,351	21,650,909
Revenues over (under) expenditures	(9,409,116)	(6,164,779)	3,244,337	(2,541,705)
Other Financing Sources (Uses):				
Intrafund Transfers	(167,000)	-	167,000	-
Transfers in:				
From Permanent Fund	138,000	381,684	243,684	350,000
From Capital Projects Funds	143,000	130,044	(12,956)	176,636
From Schools Capital Reserve Fund	781,436	743,647	(37,789)	988,637
From Economic Development Fund	-	-	-	1,202
Total	895,436	1,255,375	359,939	1,516,475
Transfers out:				
To Capital Projects Funds	(130,000)	(130,000)	-	(409,541)
To Solid Waste Fund	(104,732)	(74,732)	30,000	(273,162)
Total	(234,732)	(204,732)	30,000	(682,703)
Long-term debt issued	3,370,000	3,149,744	(220,256)	500,000
Appropriated fund balance	5,378,412	-	(5,378,412)	-
Total other financing sources (uses)	9,409,116	4,200,387	(5,208,729)	1,333,772
Net change in fund balance	\$ -	(1,964,392)	\$ (1,964,392)	(1,207,933)
Fund Balance:				
Beginning of year - July 1		9,393,390		10,601,323
End of year - June 30		\$ 7,428,998		\$ 9,393,390

SWAIN COUNTY, NORTH CAROLINA

**SCHOOLS CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Other taxes and licenses:				
Local option sales tax (1/2 cent)	\$ 1,000,000	\$ 714,993	\$ (285,007)	\$ 576,849
Restricted intergovernmental:				
Public School Building Capital Grant	-	81,684	81,684	172,808
Investment earnings:				
Interest earned	-	1,553	1,553	308
Total revenues	<u>1,000,000</u>	<u>798,230</u>	<u>(201,770)</u>	<u>749,965</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	<u>(1,000,000)</u>	<u>(825,331)</u>	<u>174,669</u>	<u>(988,637)</u>
Net change in fund balance	<u>\$ -</u>	<u>(27,101)</u>	<u>\$ (27,101)</u>	<u>(238,672)</u>
Fund Balance:				
Beginning of year - July 1		<u>474,833</u>		<u>713,505</u>
End of year - June 30		<u>\$ 447,732</u>		<u>\$ 474,833</u>

SWAIN COUNTY, NORTH CAROLINA

**ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 100,000	\$ -	\$ (100,000)	\$ -
Revolving loan payback	-	23,624	23,624	18,849
Investment earnings	-	19	19	15
Total revenues	<u>100,000</u>	<u>23,643</u>	<u>(76,357)</u>	<u>18,864</u>
Expenditures:				
Economic incentive	-	-	-	112
Construction	<u>100,000</u>	<u>15,000</u>	<u>85,000</u>	<u>46,000</u>
Total expenditures	<u>100,000</u>	<u>15,000</u>	<u>85,000</u>	<u>46,112</u>
Revenues over (under) expenditures	-	8,643	8,643	(27,248)
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	-	-	-	<u>(1,202)</u>
Net change in fund balance	<u>\$ -</u>	8,643	<u>\$ 8,643</u>	(28,450)
Fund Balance:				
Beginning of year - July 1		<u>14,698</u>		<u>43,148</u>
End of year - June 30		<u>\$ 23,341</u>		<u>\$ 14,698</u>

SWAIN COUNTY, NORTH CAROLINA

MAJOR PERMANENT FUND - SWAIN SETTLEMENT TRUST FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings:				
Interest earned	\$ 300,000	\$ 71,122	\$ (228,878)	\$ 597,966
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(300,000)	(300,000)	-	(350,000)
Net change in fund balance	\$ -	(228,878)	\$ (228,878)	247,966
Fund Balance:				
Beginning of year - July 1		13,824,366		13,576,400
End of year - June 30		\$ 13,595,488		\$ 13,824,366

SWAIN COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Total</u>
	<u>Emergency Telephone System Fund</u>	<u>Family Preservation Grant Fund</u>	<u>Public Safety</u>	
Assets:				
Cash and cash equivalents	\$ 90,122	\$ 41,981	\$ 101,705	\$ 233,808
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,724	\$ -	\$ -	\$ 1,724
Due to other funds	6,863	8,912	-	15,775
Total liabilities	8,587	8,912	-	17,499
Fund Balances:				
Restricted:				
Restricted for public safety	81,535	-	-	81,535
Restricted for human services	-	33,069	-	33,069
Committed	-	-	101,705	101,705
Total fund balances	81,535	33,069	101,705	216,309
Total liabilities and fund balances	\$ 90,122	\$ 41,981	\$ 101,705	\$ 233,808

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SWAIN COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds</u>	
	<u>Emergency Telephone System Fund</u>	<u>Family Preservation Grant Fund</u>
Revenues:		
Restricted intergovernmental revenues	\$ 252,336	\$ 123,867
Investment earnings	-	-
Total revenues	<u>252,336</u>	<u>123,867</u>
Expenditures:		
Current:		
Public safety	277,675	-
Human services	-	112,927
Total expenditures	<u>277,675</u>	<u>112,927</u>
Revenues over (under) expenditures	<u>(25,339)</u>	<u>10,940</u>
Other Financing Sources (Uses):		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	(25,339)	10,940
Fund Balances:		
Beginning of year - July 1	<u>106,874</u>	<u>22,129</u>
End of year - June 30	<u>\$ 81,535</u>	<u>\$ 33,069</u>

SWAIN COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Capital Projects Funds</u>			<u>Total</u>
	<u>Public Safety Fund</u>	<u>Museum Construction Fund</u>	<u>Steam Project Fund</u>	
Revenues:				
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ 376,203
Investment earnings	171	-	-	171
Total revenues	<u>171</u>	<u>-</u>	<u>-</u>	<u>376,374</u>
Expenditures:				
Current:				
Public safety	-	-	-	277,675
Human services	-	-	-	112,927
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,602</u>
Revenues over (under) expenditures	<u>171</u>	<u>-</u>	<u>-</u>	<u>(14,228)</u>
Other Financing Sources (Uses):				
Transfers in	130,000	-	-	130,000
Transfers out	<u>(121,360)</u>	<u>(2,350)</u>	<u>(6,333)</u>	<u>(130,043)</u>
Total other financing sources (uses)	<u>8,640</u>	<u>(2,350)</u>	<u>(6,333)</u>	<u>(43)</u>
Net change in fund balances	8,811	(2,350)	(6,333)	(14,271)
Fund Balances:				
Beginning of year - July 1	<u>92,894</u>	<u>2,350</u>	<u>6,333</u>	<u>230,580</u>
End of year - June 30	<u>\$ 101,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,309</u>

SWAIN COUNTY, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental:				
E-911 Grant	\$ -	\$ -	\$ -	\$ 125,171
Fees charged	329,010	252,336	(76,674)	262,309
Total revenues	329,010	252,336	(76,674)	387,480
Expenditures:				
Public safety:				
Implemental functions		82,975		68,775
Telephone and furniture		21,252		20,492
Software and software maintenance		64,285		47,947
Hardware and hardware maintenance		80,930		63,840
Training		6,262		4,205
Others		21,971		223,765
Total expenditures	329,010	277,675	51,335	429,024
Net change in fund balance	\$ -	(25,339)	\$ (25,339)	(41,544)
Fund Balance:				
Beginning of year - July 1		106,874		148,418
End of year - June 30		\$ 81,535		\$ 106,874

SWAIN COUNTY, NORTH CAROLINA

**FAMILY PRESERVATION GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental:				
Family Preservation Grant	\$ 150,000	\$ 123,867	\$ (26,133)	\$ 135,384
Investment earnings:				
Interest earned	-	-	-	25
Total revenues	<u>150,000</u>	<u>123,867</u>	<u>(26,133)</u>	<u>135,409</u>
Expenditures:				
Contract labor		88,282		91,406
Travel		346		717
Communications and telephone		5,851		14,318
Supplies		14,219		9,771
Flex funds		1,129		200
Other		3,100		3,100
Total expenditures	<u>150,000</u>	<u>112,927</u>	<u>37,073</u>	<u>119,512</u>
Net change in fund balance	<u>\$ -</u>	<u>10,940</u>	<u>\$ 10,940</u>	<u>15,897</u>
Fund Balance:				
Beginning of year - July 1		<u>22,129</u>		<u>6,232</u>
End of year - June 30		<u>\$ 33,069</u>		<u>\$ 22,129</u>

SWAIN COUNTY, NORTH CAROLINA

**CAPITAL PROJECTS - PUBLIC SAFETY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings:				
Interest earned	\$ -	\$ 171	\$ 171	\$ 145
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(130,000)	(121,360)	8,640	(116,221)
Transfers in:				
From General Fund	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Total other financing sources (uses)	<u>-</u>	<u>8,640</u>	<u>8,640</u>	<u>13,779</u>
Net change in fund balance	<u>\$ -</u>	<u>8,811</u>	<u>\$ 8,811</u>	<u>13,924</u>
Fund Balance:				
Beginning of year - July 1		<u>92,894</u>		<u>78,970</u>
End of year - June 30		<u>\$ 101,705</u>		<u>\$ 92,894</u>

SWAIN COUNTY, NORTH CAROLINA

CAPITAL PROJECTS - MUSEUM CONSTRUCTION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Investment earnings:				
Interest earned	\$ -	\$ 2,178	\$ -	\$ 2,178
Expenditures:				
Construction	800,000	675,092	-	675,092
Revenues over (under) expenditures	(800,000)	(672,914)	-	(672,914)
Other Financing Sources (Uses):				
Transfer from General Fund	815,000	685,679	-	685,679
Transfer to General Fund	(15,000)	(10,415)	(2,350)	(12,765)
Total other financing sources (uses)	800,000	675,264	(2,350)	672,914
Net change in fund balance	\$ -	\$ 2,350	\$ (2,350)	\$ -

SWAIN COUNTY, NORTH CAROLINA

CAPITAL PROJECTS - STEAM PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings:				
Interest earned	\$ -	\$ 177	\$ -	\$ 177
Expenditures:				
Construction	700,000	706,146	-	706,146
Revenues over (under) expenditures	(700,000)	(705,969)	-	(705,969)
Other Financing Sources (Uses):				
Transfer from General Fund	750,000	762,302	-	762,302
Transfer to General Fund	(50,000)	(50,000)	(6,333)	(56,333)
Total other financing sources (uses)	700,000	712,302	(6,333)	705,969
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,333</u>	<u>\$ (6,333)</u>	<u>\$ -</u>

SWAIN COUNTY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Solid waste charges	\$ 680,000	\$ 671,093	\$ (8,907)	\$ 693,344
Landfill use fee	70,000	83,151	13,151	62,384
Recycling	55,320	26,428	(28,892)	21,872
Scrap tire disposal fee	-	19,773	19,773	19,543
White goods tax	13,000	15,092	2,092	67,673
Cardboard fee	45,000	46,827	1,827	30,147
Disposal tax	-	8,475	8,475	2,597
Other	100	35,391	35,291	9,177
Total operating revenues	<u>863,420</u>	<u>906,230</u>	<u>42,810</u>	<u>906,737</u>
Expenditures:				
Solid waste disposal:				
Salaries		200,476		212,220
Social security		16,745		15,029
Group insurance		52,000		52,000
Retirement		14,648		12,247
Telephone		1,526		1,515
Utilities		6,095		6,525
Insurance - workers' comp		20,000		20,000
Maintenance and repairs		35,588		13,946
Supplies and materials		11,802		9,675
Fuel		2,673		12,808
Contracted service		24,831		12,296
Uniforms		6,565		5,289
Disposal		421,466		438,295
Insurance - vehicles		20,000		20,000
Use tax		16,170		21,125
Postage		-		6
General		5,670		-
Miscellaneous		709		1,821
Total solid waste disposal	<u>872,152</u>	<u>856,964</u>	<u>15,188</u>	<u>854,797</u>
Transfer Station Project	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>

SWAIN COUNTY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Budgetary appropriations:				
Debt interest	40,000	-	40,000	-
Capital outlay	125,000	123,743	1,257	273,162
Total budgetary appropriations	165,000	123,743	41,257	273,162
Total expenditures	1,038,152	980,707	57,445	1,127,959
Revenues over (under) expenditures	(174,732)	(74,477)	100,255	(221,222)
Other Financing Sources (Uses):				
Transfer (to) from other funds	74,732	74,731	(1)	273,162
Debt proceeds	100,000	-	(100,000)	-
Total other financing sources (uses)	174,732	74,731	(100,001)	273,162
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 254	\$ 254	\$ 51,940
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 254		
Reconciling items:				
Capital outlay		123,743		
Increase deferred outflows - pension		67,644		
Increase in net pension liability		(80,652)		
Increase deferred inflows - pension		7,338		
Pension expense		5,670		
Change in other post-employment benefits		(4,827)		
Change in accrued vacation pay		131		
Depreciation		(88,855)		
Change in net position		\$ 30,446		

SWAIN COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2017

	<u>Municipal Tax Fund</u>	<u>Inmate Trust Fund</u>	<u>Social Services Trust Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 3,039	\$ 41,678	\$ 17,812	\$ 62,529
Liabilities:				
Due to inmates	\$ -	\$ 41,678	\$ -	\$ 41,678
Due to DSS Trust Fund clients	-	-	17,812	17,812
Intergovernmental payable	<u>3,039</u>	<u>-</u>	<u>-</u>	<u>3,039</u>
Total liabilities	<u>\$ 3,039</u>	<u>\$ 41,678</u>	<u>\$ 17,812</u>	<u>\$ 62,529</u>

SWAIN COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 85,831	\$ 85,831	\$ -
Liabilities:				
Amount due Swain County Board of Education	\$ -	\$ 85,831	\$ 85,831	\$ -
Municipal Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,001	\$ 31,009	\$ 29,971	\$ 3,039
Liabilities:				
Motor vehicle taxes payable	\$ 2,001	\$ 31,009	\$ 29,971	\$ 3,039
Deed of Trust Fees Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 10,534	\$ 10,534	\$ -
Liabilities:				
Amount due to State Treasurer	\$ -	\$ 10,534	\$ 10,534	\$ -
Inmate Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 34,946	\$ 41,678	\$ 34,946	\$ 41,678
Liabilities:				
Amount due to inmates	\$ 34,946	\$ 41,678	\$ 34,946	\$ 41,678
Social Services Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 17,729	\$ 181,104	\$ 181,021	\$ 17,812
Liabilities:				
Amount due to DSS Trust Fund clients	\$ 17,729	\$ 181,104	\$ 181,021	\$ 17,812

SWAIN COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 54,676	\$ 350,156	\$ 342,303	\$ 62,529
Liabilities:				
Fines and forfeitures	\$ -	\$ 85,831	\$ 85,831	\$ -
Motor vehicle taxes	2,001	31,009	29,971	3,039
Deed of trust fees	-	10,534	10,534	-
Due to inmates	34,946	41,678	34,946	41,678
Due to DSS Trust Fund clients	17,729	181,104	181,021	17,812
Total liabilities	\$ 54,676	\$ 350,156	\$ 342,303	\$ 62,529

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
JUNE 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 5,880,505	\$ 5,655,804	\$ 224,701
2015-2016	267,822	-	124,702	143,120
2014-2015	152,227	-	55,516	96,711
2013-2014	103,323	-	25,549	77,774
2012-2013	63,755	-	9,879	53,876
2011-2012	44,361	-	8,363	35,998
2010-2011	29,254	-	5,679	23,575
2009-2010	17,877	-	1,917	15,960
2008-2009	15,823	-	698	15,125
2007-2008	11,840	-	670	11,170
2006-2007	11,849	-	11,849	-
Total	\$ 718,131	\$ 5,880,505	\$ 5,900,626	698,010
Less allowance for uncollectible ad valorem taxes receivable				<u>(483,694)</u>
Ad valorem taxes receivable - net				<u>\$ 214,316</u>
Reconciliation with Revenues:				
Taxes - ad valorem - General Fund			\$ 5,976,047	
Less: penalties and interest collected			(99,821)	
Reconciling items:				
Releases - prior years				24,115
Amounts written off per Statute of Limitations				11,849
Miscellaneous				<u>(11,564)</u>
Total collections and credits			\$ 5,900,626	

SWAIN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2017

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,469,869,167	\$ 0.360	\$ 5,291,529	\$ 5,291,529	\$ -
Motor vehicles taxed at current year's rate	92,378,056	0.360	334,783	-	334,783
Total	<u>1,562,247,223</u>		<u>5,626,312</u>	<u>5,291,529</u>	<u>334,783</u>
Discoveries:					
Current year taxes	77,307,778	0.360	278,308	278,308	-
Less releases and adjustments	<u>(6,698,611)</u>	0.360	<u>(24,115)</u>	<u>(24,115)</u>	<u>-</u>
Total property valuation	<u>\$ 1,632,856,390</u>				
Net Levy			5,880,505	5,545,722	334,783
Uncollected taxes at June 30, 2017			<u>(224,701)</u>	<u>(224,701)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 5,655,804</u>	<u>\$ 5,321,021</u>	<u>\$ 334,783</u>
Current Levy Collection Percentage			<u>96.18%</u>	<u>95.95%</u>	<u>100.00%</u>

SWAIN COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
PSAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP Revenue - Expenditure Report because:

Ending fund balance, reported on budget to actual (Schedule D-3)	\$ 81,535
Cumulative prior period net revenues and expenditures not reported in the fund (difference in beginning Fund Balance - budget to actual vs. PSAP report)	(106,874)
Additional revenues reported on PSAP report not reported in Emergency Telephone System Fund	131,462
Additional expenditures reported in Emergency Telephone System Fund not reported on PSAP report	<u>21,971</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 128,094</u>

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Board of County Commissioners
Swain County
Bryson City, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Swain County's basic financial statements, and have issued our report thereon dated January 12, 2018. Our report includes a reference to other auditors who audited the financial statements of the Swain County Tourist Development Authority, as described in our report on Swain County's financial statements. The financial statements of the Swain County Tourist Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County'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 over financial reporting 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swain 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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Swain County's Responses to Findings

Swain County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 12, 2018

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

To the Board of Commissioners
Swain County
Bryson City, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Swain 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 Swain County's major federal programs for the year ended June 30, 2017. Swain County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Swain County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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, Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Swain County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA # 93.778, 93.775, 93.777 Medicaid Cluster

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Swain County did not comply with eligibility requirements regarding CFDA # 93.778, 93.775, 93.777 Medicaid Cluster as described in finding number 2017-003. Compliance with such requirements is necessary, in our opinion, for Swain County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA # 93.778, 93.775, 93.777 Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Swain County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 reasonable possibility that material non-compliance 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2017-003, 2017-004, and 2017-005 that we consider to be material weaknesses.

Swain County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Swain County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 12, 2018

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

To the Board of Commissioners
Swain County
Bryson City, North Carolina

Report on Compliance for Each Major State Program

We have audited Swain County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Swain County's major State programs for the year ended June 30, 2017. Swain County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Swain County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Swain County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA # 93.778, 93.775, 93.777 Medicaid Cluster

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Swain County did not comply with eligibility requirements regarding CFDA # 93.778, 93.775, 93.777 Medicaid Cluster as described in finding number 2017-003. Compliance with such requirements is necessary, in our opinion, for Swain County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA # 93.778, 93.775, 93.777 Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Swain County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Swain County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Swain County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Findings 2017-003, 2017-004, and 2017-005 that we consider to be material weaknesses.

Swain County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Swain County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 12, 2018

SWAIN COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results:

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Non-compliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

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

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

Federal Program/Cluster Name
Medicaid Cluster

CFDA #
93.778, 93.775, 93.777

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings:

Finding: 2017-001

MATERIAL WEAKNESS

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

Condition: Controls over journal entries and payroll have been designed but not properly implemented. Journal entries are being entered without the proper supporting documentation, approval, or review. We also noted lack of approval on timesheets by the department supervisor.

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

Cause: The County's Finance Department does not have adequate safeguards in place to monitor internal control over journal entries or timesheets and the payroll system.

Recommendation: The County should strengthen internal controls over journal entry review and timesheet approval.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.

SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings (continued):

Finding: 2017-002

MATERIAL WEAKNESS

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

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been except through our auditing procedures. The existence of such material adjustments indicated that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect: Financial reports used for budget monitoring throughout the year do not properly reflect the account balances.

Cause: Inadequate monitoring by management.

Recommendation: The County should examine the adjustments required as a result of our audit and the finance director should assure they are reconciled and posted prior to the audit.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section III – Federal Award Findings, Responses, 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)

CFDA # 93.778

Grant Number: XIX-MAP17

Finding: 2017-003

MATERIAL NONCOMPLIANCE

MATERIAL WEAKNESS

Criteria: In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. Per Medicaid manual, MA-2320, financial resources must be verified to determine the availability and whether available resources are countable at initial application and redetermination.

Condition: Four applicants had a change in SSI benefits prior to the recertification period. The change of benefits was not considered in determining eligibility of applicant for Medicaid. Two applicants' files in NCFAST did not show correct resources. After review, each of the six cases were determined ineligible.

Context: Of the 1,371 casefiles, we examined 78. We determined that four (5%) applicants were not re-determined timely. Two (3%) applicants did not have correct resources documented in NCFAST.

Effect: Ineligible applicants received benefits.

Cause: The caseworkers did not properly re-determine the applicants' eligibility within four months of SSI benefit termination and did not include the required client resources when entering financial information in NCFAST prior to approving applicants for benefits.

Questioned Costs: \$131,404 is the amount provided by NCDHHS as the total amount of costs reported. In accordance with federal regulations 2 CFR 200, auditors must report known questioned costs when likely questioned costs are greater than \$25,000. Therefore, the overpayments of \$131,404 (federal share of \$86,988) are being questioned.

Recommendation: Caseworkers should ensure they properly re-determine applicants within the required timeframe after SSI benefits have been terminated and review their eligibility determinations and ensure all items on their checklist of required items are complete before approving benefits and the documentation is contained in the casefile.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section III – Federal Award Findings, Responses, and Questioned Costs (continued):

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)

CFDA # 93.778

Grant Number: XIX-MAP17

Finding: 2017-004

MATERIAL WEAKNESS

Criteria: In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. Per Medicaid manual, MA-2320, financial resources must be verified to determine the availability and whether available resources are countable at initial application and redetermination.

Condition: Six applicants' files in NCFAST did not contain all required documentation of resources needed for eligibility determination. Upon further review and recalculation, the six applicants were deemed eligible.

Context: Of the 1,371 casefiles, we examined 78. We determined that six (8%) did not have all required resources documented in NCFAST. Upon further review, necessary verifications were provided and recalculation was completed. The six applicants were deemed eligible.

Effect: Casefiles could be missing the required documentation which would allow benefits to be provided to individuals who were ineligible.

Cause: The caseworker did not obtain the required documentation of resources needed for eligibility determination prior to approving applicants for benefits.

Questioned Costs: None. The County was able to substantiate that the applicants were eligible to receive benefits.

Recommendation: Caseworkers should review their eligibility determinations and ensure all items on their checklist of items required are complete before approving benefits and are contained in the casefile.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section III – Federal Award Findings, Responses, and Questioned Costs (continued):

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)

CFDA # 93.778

Grant Number: XIX-MAP17

Finding: 2017-005

MATERIAL WEAKNESS

Criteria: Per federal regulations 2 CFR 200, management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. Verification of accuracy of information used in determining eligibility should be performed by management. Evidence of the review should be documented and include authorized signatures.

Condition: The County Department of Social Services did not have adequate review controls in place to ensure the proper eligibility determinations were being made and documented. The County did not have a formal review policy in place covering the entire period under audit. During the months that the review policy was in place, errors were found but not being corrected.

Context: The County did not have a review policy formally in place for the entire period under audit and when it was in place, the policy was not functioning correctly. While a policy was in place, errors were noted but not fixed.

Effect: Casefiles could be missing the required documentation which would allow benefits to be provided to individuals who were not eligible.

Cause: Weakness in implementation of controls over second party review procedures performed by management.

Questioned Costs: The finding represents an internal control issue; therefore, no questioned costs are applicable.

Recommendation: Management should adopt and adhere to a policy on second party reviews. Evidence of documentation of reviews should be retained and include signatures of all parties involved during the review. Any deficiencies noted during the review should be corrected within a timely manner and documented as such.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section IV – State Award Findings, Responses, and Questioned Costs:

N.C. Department of Health and Human Services

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

Finding: 2017-003 – In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. See Finding 2017-003 in Section III – Federal Award Findings, Responses, and Questioned Costs.

N.C. Department of Health and Human Services

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

Finding: 2017-004 – In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. See Finding 2017-004 in Section III – Federal Award Findings, Responses, and Questioned Costs.

N.C. Department of Health and Human Services

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

Finding: 2017-005 – Per federal regulations 2 CFR 200, management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. See Finding 2017-005 in Section III – Federal Award Findings, Responses, and Questioned Costs.



Board of Commissioners

Phil Carson, Chair
Ben Bushyhead, Vice-Chair
Danny Burns, Member
Kenneth Parton, Member
Roger Parsons, Member

Clerk to the Board

Cindi C. Woodard
c_woodard@swaincountync.gov

County Manager

Kevin S. King
manager@swaincountync.gov

Swain County

101 Mitchell Street
P.O. Box 2321
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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings:

Finding: 2017-001

Name of Contact Person: Kevin King, County Manager

Corrective Action/Management’s Response: Management concurs with the condition, context and recommendations. Management and the Board will institute a policy immediately that will correct the internal control weakness by placing added personnel to review journal entries before they are posted and to reconcile the entries after they have been completed. Additionally we will segregate duties to review and audit the timesheets on a bi-monthly bases to ensure that all documentation has adequately been filled out and signed correctly.

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

2017-002

Name of Contact Person: Kevin King, County Manager

Corrective Action/Management’s Response: Management concurs with the condition, context and recommendations. Management will correct this deficiency immediately by working with the auditors prior to the audit process to identify and correct any reconciliation of accounts prior to the audit being conducted. The Finance Officer will make sure all adjusting entries are accounted for and that all entries are made prior to final audit.

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



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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

Section III - Federal Award Findings and Questioned Costs:

Finding: 2017-003

Name of Contact Person: Sheila Sutton, DSS Director

Corrective Action/Management's Response: Management accepts the condition, context and recommendations. Caseworkers will receive refresher training related to required timeframes for properly re-determining eligibility after SSI benefits have been terminated. Supervisors will continue to perform second party reviews on cases and we will strengthen the procedures and tracking around this process. Results will be compiled and provided to management for review. We will incorporate measures into our County Performance Management standards next year in order to ensure compliance and monitoring of compliance standards. County agency will continue to check the SSI work queue daily and work the tasks sent from SSI. At this point, the case will be re-evaluated and terminated or placed in the appropriate aide category.

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

2017-004

Name of Contact Person: Sheila Sutton, DSS Director

Corrective Action/Management's Response: Management accepts the condition, context and recommendations. Caseworkers will receive training related to required documentation needed for approving benefits. Supervisors will continue to perform second party reviews on cases and we will strengthen the procedures and tracking around this process. Results will be compiled and provided to management for review. We will incorporate measures into our County Performance Management standards next year in order to ensure compliance and monitoring of compliance standards. Training was conducted with all Medicaid staff after the initial visit from the auditors. This was all sent to the auditors along with the agenda and sign-in sheet. Supervisor and Lead workers now track all second party reviews using the monitoring tool for the Single County Audit used by the State. All cases that are monitored are logged on the spreadsheet and the tool is scanned to the case that was monitored.

Proposed Completion Date: Management will implement the above procedure immediately



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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

Section III - Federal Award Findings and Questioned Costs (continued):

Finding: 2017-005

Name of Contact Person: Sheila Sutton, DSS Director

Corrective Action/Management's Response: Management accepts the condition, context and recommendations. Supervisors will continue to perform second party reviews on cases and we will strengthen the procedures and tracking around this process. Results will be compiled and provided to management for review. We will incorporate measures into our County Performance Management standards next year in order to ensure compliance and monitoring of compliance standards. Supervisor and Lead workers now track all second party reviews using the monitoring tool for the Single County Audit used by the State. All cases that are monitored are logged on the spreadsheet and the tool is scanned to the case that was monitored. The results from the monitoring are sent in quarterly to the State per DMA policy.

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



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**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Section IV – State Award Findings and Questioned Costs

Finding:

2017-003

See Finding 2017-003 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

2017-004

See Finding 2017-004 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

2017-005

See Finding 2017-005 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

SWAIN COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards					
<u>U.S. Department of Agriculture</u>					
Food and Nutrition Service					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
Supplemental Nutrition Assistance Program Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
	10.561	175NC406S2514	\$ 191,607	\$ 46,331	\$ -
Total Supplemental Nutrition Assistance Program Cluster:					
			191,607	46,331	-
Passed through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, and Children					
	10.557	5NC700705	76,204	-	-
Direct Benefit Payment:					
Special Supplemental Nutrition Program for Women, Infants, & Children					
	10.557	5NC700705	224,601	-	-
Direct Program:					
Forest Service Schools and Road Cluster					
Schools and Roads - Grants to States					
	10.665	LEA870	8,673	-	-
Total U.S. Department of Agriculture					
			501,085	46,331	-
<u>U.S. Department of Justice</u>					
Direct Program:					
Public Safety Partnership and Community Policing Grants					
	16.710	COPS2013	31,338	-	-
Juvenile Justice and Delinquency Prevention - Allocation to States					
	16.540	JCPC0715	65,395	-	-
Total U.S. Department of Justice					
			96,733	-	-
<u>Appalachian Regional Commission</u>					
Appalachian Area Development					
	23.002	NC-18338	29,272	-	-
<u>U.S. Department of Homeland Security</u>					
Passed through the N.C. Department of Public Safety:					
Flood Mitigation Assistance					
	97.029	EMFM2015	38,584	-	-
Homeland Security Grant Program					
	97.067	EMW2016-1646	110,000	-	-
Total U.S. Department of Homeland Security					
			148,584	-	-
<u>U.S. Department of Health and Human Services</u>					
Administration for Children and Families:					
Passed through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Foster and Adoption Cluster (Note 3):					
Foster Care - Title IV-E - Administration					
	93.658	1701NCFOST	147,153	42,379	-
Foster Care - Title IV-E - Direct Benefit Payment					
	93.658	1701NCFOST	190,000	77,702	-
Adoption Assistance - Administration					
	93.659	1701NCADPT	6,884	5,434	-
Adoption Assistance - Direct Benefit Payment					
	93.659	1701NCADPT	62,531	18,377	-
Total Foster Care and Adoption Cluster (Note 3)					
			406,568	143,892	-
Temporary Assistance for Needy Families Cluster:					
Temporary Assistance for Needy Families - Administration					
	93.558	G1602NCTANF	58,448	-	-
Temporary Assistance for Needy Families - Service					
	93.558	G1602NCTANF	118,095	-	-
Temporary Assistance for Needy Families - Direct Benefit Payment					
	93.558	G1602NCTANF	48,012	-	-
Temporary Assistance for Needy Families					
	93.558	G1602NCTANF	2,745	-	-
Total Temporary Assistance for Needy Families Cluster					
			227,300	-	-
N.C. Child Support Enforcement Section:					
Child Support Enforcement					
	93.563	1704NC4005	185,244	-	-
Child Support Enforcement IV-D Offset Fees - ESC					
	93.563	1704NC4005	3	-	-
Child Support Enforcement - Federal					
	93.563	1704NC4005	270	-	-
Low-Income Home Energy Assistance					
	93.568	G17B1NCLIEA	122,232	-	-
Stephanie Tubbs Jones Child Welfare Services Program					
	93.645	G1701NCCWSS	7,827	-	-
Social Services Block Grant					
	93.667	G1701NCSOSR	185,387	28,021	-
Chafee Foster Care Independence Program					
	93.674	1701NC1420	2,999	750	-
Special Children Adoption Fund (Adoption Promotion Program Fund) Cluster					
Promoting Safe and Stable Families - Administration					
	93.556	1701NCFPSS	25,255	-	-
Promoting Safe and Stable Families					
	93.556	1701NCFPSS	123,867	-	-
Total Special Children Adoption Fund (Adoption Promotion Program Fund) Cluster					
			149,122	-	-
Division of Social Services:					
Childcare and Development Fund Cluster					
Child Care Mandatory and Matching Funds of the					
Child Care and Development Fund - Administration					
	93.596	G1701NCCCDF	80,000	-	-

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Division of Child Development:					
Child Care and Development Block Grant -- Discretionary	93.575	267507.66	250,141	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund -- Match	93.596	73218.97	81,033	27,741	-
Total Child Care Development Fund Cluster			411,174	27,741	-
Temporary Assistance for Needy Families	93.558	87420.80	76,981	-	-
Foster Care - Title IV-E	93.658	8613.16	7,825	3,911	-
Smart Start			-	3,166	-
State Appropriations		127510.55	-	187,288	-
TANF-MOE		69487.86	-	98,790	-
Total Subsidized Child Care (Note 3)			495,980	320,896	-
Total Administration for Children and Families			1,782,932	493,559	-
Centers for Medicare and Medicaid Services:					
Passed through the N.C. Department of Health and Human Services: Medicaid Cluster:					
Division of Medical Assistance:					
Direct Benefit Payment:					
Medical Assistance Program	93.778	XIX-MAP17	16,281,041	8,684,167	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XIX-MAP17	558,083	56,692	-
Total Medicaid Cluster			16,839,124	8,740,859	-
Division of Medical Assistance:					
Direct Benefit Payment:					
Children's Health Insurance Program	93.767	CHIP17	615,264	1,583	-
Division of Social Services:					
Administration:					
Children's Health Insurance Program	93.767	CHIP17	16,643	22	-
Total Centers for Medicare and Medicaid Services			17,471,031	8,742,464	-
Centers for Disease Control and Prevention:					
Passed through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Immunization Cooperative Agreements	93.268	536260715	2,871	-	-
Hospital Preparedness Program (HPP) and Public Health					
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	12642680M887	36,267	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	536260465	8,163	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	536260551	50	-	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	117583CFKD	1,500	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization					
Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	H23IP000759	4,066	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	FPHPA046226-01	5,610	-	-
Preventive Health and Health Services Block Grant funded solely with					
Prevention and Public Health Funds (PPHF)	93.758	12615503PF87	26,708	-	-
HIV Cluster					
HIV Prevention Activities - Health Department Based	93.940	1311981DHV87	3,000	-	-
Preventative Health Services - Sexually Transmitted Diseases Control Grants	93.977	536260610	472	-	-
Total HIV Cluster:			3,472	-	-
Total Centers for Disease Control and Prevention			88,707	-	-
Health Resources and Service Administration:					
Passed through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant to the States	93.994	536260151	70,079	23,687	-
Office of Population Affairs					
Passed through the N.C. Department of Health and Human Services:					
Office of Population Affairs:					
Family Planning - Services	93.217	FPHPA046226-01	18,044	-	-
Total U.S. Department of Health and Human Services			19,430,793	9,259,710	-
Total Federal Assistance			20,206,467	9,306,041	-

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
State Awards					
<u>N.C. Department of Health and Human Services</u>					
<u>Division of Aging and Adult Services:</u>					
<u>Division of Social Services:</u>					
Administration:					
State Child Welfare			-	36,457	-
AFDC Incent/Prog Integrity			-	7	-
Direct Benefit Payment:					
State Foster Home			-	104,177	-
CWS Adopt Subsidy & Vendor			-	11,829	-
SAA/SAD HB 1030			-	2,720	-
SC/SA Domiciliary Care			-	59,036	-
SFHF Maximization			-	111,614	-
F/C At Risk Maximization			-	20,443	-
Total Division of Social Services			-	346,283	-
<u>Division of Public Health:</u>					
<u>Other Receipts / State Supported Expenditures</u>					
Food and Lodging Fees		11534752SZ87	-	3,025	-
General Aid to Counties		116141100087	-	103,796	-
General Communicable Disease Control		117545100087	-	10,535	-
Breast and Cervical Cancer Control		132055990087	-	4,845	-
Child Health		127157450087	-	1,292	-
HMHC-Family Planning		13A157350087	-	8,434	-
Maternal Health (HMHC)		13A157400087	-	1,864	-
Women's Health Service Fund		13A16016FR87	-	6,199	-
HIV/STD State			-	100	-
HIV/STD SSBG Aid		536260536	-	400	-
Sexually Transmitted Diseases		536260894	-	228	-
Tuberculosis		146045510087	-	1,720	-
TB Medical Service		146045540087	-	540	-
Electronic Health Record			-	20,000	-
Total Division of Public Health			-	162,978	-
Total N.C. Department of Health and Human Services					
			-	509,261	-
<u>N.C. Department of Administration</u>					
Veterans Service		041216-2828	-	2,130	-
<u>N.C. Department of Environmental Quality</u>					
Convenience Center Commingled Recycling Collection Grant & Community Waste Reduction and Recycling Grant					
		6579 & 6580	-	35,391	-
Total N.C. Department of Environmental Quality					
			-	35,391	-
<u>N.C. Department of Transportation</u>					
Rural Operating Assistance Cluster:					
ROAP-Employment		36236.11.6.1	-	6,680	-
ROAP-EDTAP		36220.10.7.1	-	50,896	-
ROAP-RGP		36228.22.7.1	-	46,688	-
Total Rural Operating Assistance Cluster			-	104,264	-
<u>N.C. Department of Agriculture and Consumer Services</u>					
Cooperative Extension		991814.000	-	140,346	-
Soil and Water Conservation District Technician		Swai160101	-	46,131	-
Total N.C. Department of Agriculture and Consumer Services					
			-	186,477	-
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds		LEA870	-	81,684	-
Total State Assistance					
			-	919,207	-
Total Federal and State Assistance					
			\$ 20,206,467	\$ 10,225,248	\$ -

SWAIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
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Notes to the Schedule of Expenditures of Federal and State Awards:1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Swain County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Swain County, it is not intended to and does not present the financial position, changes in net position or cash flows of Swain County.

2. Summary of Significant Accounting Policies

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

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, and HIV.