

# **ALEXANDER COUNTY NORTH CAROLINA**

## **ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

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

---

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



**ALEXANDER COUNTY  
NORTH CAROLINA**

**BOARD OF COMMISSIONERS**

LARRY YODER, CHAIRMAN

RYAN MAYBERRY, VICE CHAIRMAN

JAMES JENNINGS

ANDREW FERGUSON

JUDY MOOSE

RICHARD L. FRENCH, COUNTY MANAGER

*This page left blank intentionally.*

**ALEXANDER COUNTY, NORTH CAROLINA**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-13
	<b>Basic Financial Statements:</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Position	14
B	Statement of Activities	15-16
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
G	Statement of Net Position - Proprietary Funds	21-22
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23-24
I	Statement of Cash Flows - Proprietary Funds	25-26
J	Statement of Fiduciary Net Position - Fiduciary Funds	27
	<b>Notes to the Financial Statements</b>	28-65

**ALEXANDER COUNTY, NORTH CAROLINA  
ANNUAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

<b><u>Schedule</u></b>		<b><u>Page</u></b>
	<b>Required Supplemental Financial Data:</b>	
	<b>Supplementary Information:</b>	
1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	66
2	Other Post-Employment Benefits - Required Supplementary Information	67
	<b>General Fund:</b>	
3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	68-71
	<b>Major Capital Project Fund:</b>	
	<b>Capital Improvements Fund:</b>	
4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	72
	<b>Nonmajor Governmental Funds:</b>	
5	Combining Balance Sheet	73-74
6	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	75-76
	<b>Fire Districts Fund:</b>	
7	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	77
	<b>Revaluation Fund:</b>	
8	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78
	<b>Multi-Year Operating Grants Fund:</b>	
9	Budgetary Basis (Non-GAAP) Schedule of Revenues and Expenditures - Budget and Actual	79-80

**ALEXANDER COUNTY, NORTH CAROLINA  
ANNUAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

<b><u>Schedule</u></b>		<b><u>Page</u></b>
	<b>Craftmaster Furniture Building Renovation Grant Project Fund:</b>	
10	Schedule of Revenues and Expenditures - Budget and Actual	81
	<b>Emergency Telephone System Fund:</b>	
11	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	82
	<b>Nonmajor Capital Project Fund: County Capital Projects Fund:</b>	
12	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	83
	<b>Major Enterprise Funds: County Water and Sewer Fund:</b>	
13	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	84
	<b>County Water and Sewer Capital Project Fund:</b>	
14	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	85
	<b>Bethlehem Water District:</b>	
15	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	86
	<b>Solid Waste Fund:</b>	
16	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	87
	<b>Landfill Closure Fund:</b>	
17	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	88

**ALEXANDER COUNTY, NORTH CAROLINA  
ANNUAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

<b><u>Schedule</u></b>		<b><u>Page</u></b>
	<b>Nonmajor Enterprise Funds:</b>	
18	Statement of Net Position	89
19	Statement of Revenues, Expenses, and Changes in Net Position	90
20	Statement of Cash Flows	91
	<b>Bethlehem Sewer Fund:</b>	
21	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	92
	<b>Agency Funds:</b>	
22	Combining Balance Sheet	93
23	Combining Statement of Changes in Assets and Liabilities	94
	<b>Other Supplemental Schedules:</b>	
24	Schedule of Ad Valorem Taxes Receivable	95
25	Analysis of Current Tax Levy - County-Wide Levy	96



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

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Alexander County  
Taylorsville, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County, North Carolina, as of June 30, 2014, 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, and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer 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 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 Alexander County's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of Alexander 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alexander County's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
December 8, 2014

*This page left blank intentionally.*

## Management's Discussion and Analysis

As management of Alexander County, we offer readers of Alexander County's financial statements this narrative overview and analysis of the financial activities of Alexander County for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

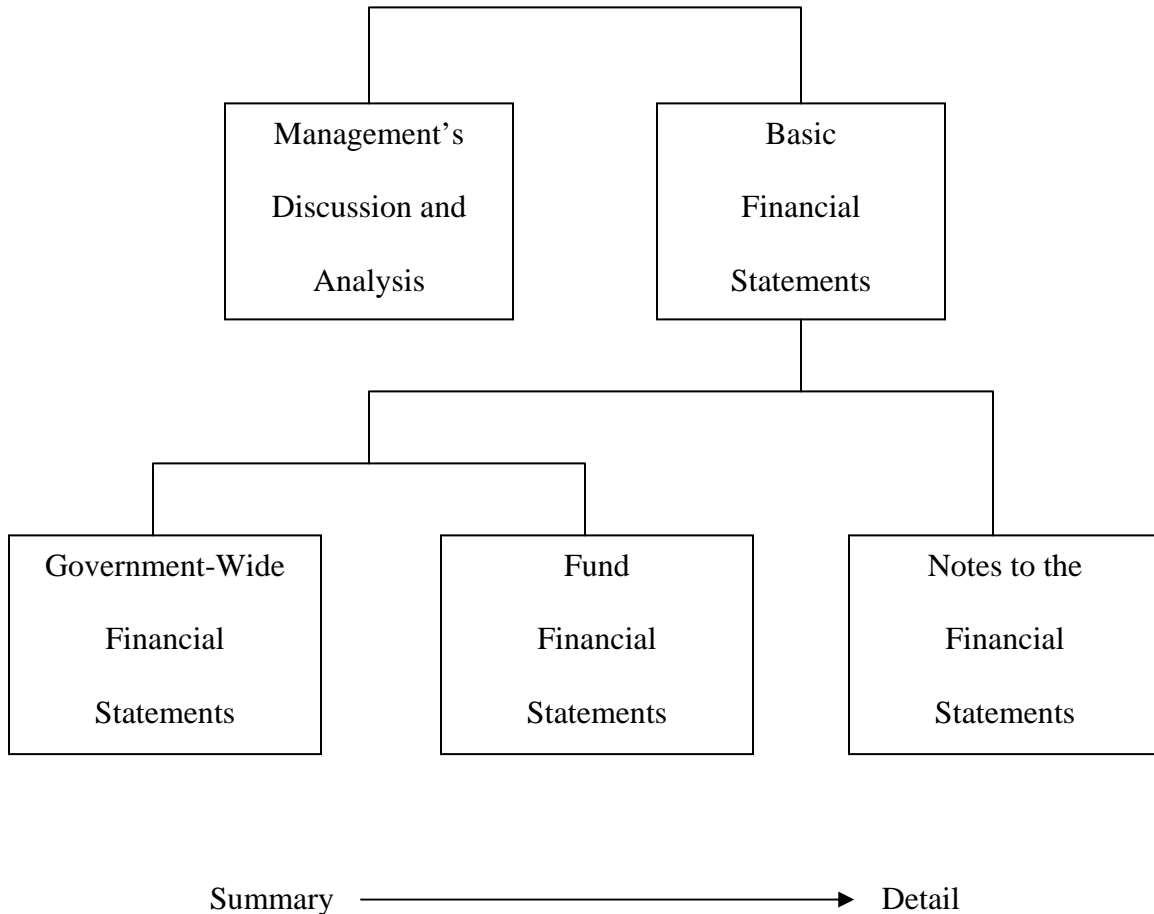
- The assets of Alexander County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,195,043 (*net position*).
- The government's total net position decreased by \$525,877, primarily due to decreased net position of governmental activities.
- As of the close of the current fiscal year, Alexander County's governmental funds reported combined ending fund balances of \$14,690,678 after a net decrease in fund balance of \$1,022,072. Approximately 51% of this total amount, or \$7,487,128, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,199,514, or 12.3%, of total General Fund expenditures and transfers out for the fiscal year.
- Alexander County's total debt decreased by \$1,986,788 (9.9%) during the current fiscal year. The key factor in this decrease is the timely payments of debt service as they come due during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Alexander County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Alexander 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, which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

### **Government-Wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, human services, education, and general government administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and landfill services offered by Alexander County.

The government-wide financial statements are 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. Alexander 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 Alexander 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.

Alexander County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds.** Alexander 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. Alexander County uses enterprise funds to account for its water and sewer activity and for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Alexander County has four fiduciary funds, which are agency funds.

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Alexander County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Schedules 1 and 2 after 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 exceeded liabilities and deferred inflows of resources by \$24,195,043 as of June 30, 2014. The County's net position decreased by \$525,877 for the fiscal year ended June 30, 2014. One of the largest portions, \$22,874,799 (94.54%), reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). Alexander County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Alexander County's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Alexander County's net position, \$6,014,653 (24.86%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$4,694,409 (19.40% deficit).



## Alexander County's Net Position

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Assets:</b>						
Current and other assets	\$ 17,800,654	\$ 18,011,551	\$ 2,476,509	\$ 2,224,368	\$ 20,277,163	\$ 20,235,919
Capital assets	19,049,178	19,577,525	15,405,372	15,040,894	34,454,550	34,618,419
Total assets	<u>36,849,832</u>	<u>37,589,076</u>	<u>17,881,881</u>	<u>17,265,262</u>	<u>54,731,713</u>	<u>54,854,338</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	20,979,476	22,263,831	6,968,794	6,550,858	27,948,270	28,814,689
Other liabilities	<u>2,044,331</u>	<u>1,093,316</u>	<u>372,702</u>	<u>103,106</u>	<u>2,417,033</u>	<u>1,196,422</u>
Total liabilities	<u>23,023,807</u>	<u>23,357,147</u>	<u>7,341,496</u>	<u>6,653,964</u>	<u>30,365,303</u>	<u>30,011,111</u>
Deferred inflows of resources	<u>13,844</u>	<u>122,307</u>	<u>-</u>	<u>-</u>	<u>13,844</u>	<u>122,307</u>
<b>Net Position:</b>						
Net investment in capital assets	11,550,361	10,795,386	11,324,438	11,176,897	22,874,799	21,972,283
Restricted	6,014,653	5,107,499	-	-	6,014,653	5,107,499
Unrestricted	<u>(3,897,279)</u>	<u>(1,793,263)</u>	<u>(797,130)</u>	<u>(565,599)</u>	<u>(4,694,409)</u>	<u>(2,358,862)</u>
Total net position	<u>\$ 13,667,735</u>	<u>\$ 14,109,622</u>	<u>\$ 10,527,308</u>	<u>\$ 10,611,298</u>	<u>\$ 24,195,043</u>	<u>\$ 24,720,920</u>

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

- Increased property tax revenue
- Increased sales tax revenue and Medicaid hold harmless revenue
- Increased charges for services revenue due to growth in the use of County service
- Continued low cost of debt due to low interest rates

## Alexander County's Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,270,722	\$ 4,631,885	\$ 3,676,075	\$ 3,539,684	\$ 8,946,797	\$ 8,171,569
Operating grants and contributions	5,380,926	4,849,944	-	-	5,380,926	4,849,944
Capital grants and contributions	104,071	631,110	-	165,355	104,071	796,465
General revenues:						
Property taxes	17,384,130	16,781,699	-	-	17,384,130	16,781,699
Other taxes	6,507,106	6,391,407	-	-	6,507,106	6,391,407
Grants and contributions not restricted to specific programs	-	-	153,981	84,171	153,981	84,171
Other	15,985	23,071	774	909	16,759	23,980
Total revenues	<u>34,662,940</u>	<u>33,309,116</u>	<u>3,830,830</u>	<u>3,790,119</u>	<u>38,493,770</u>	<u>37,099,235</u>
<b>Expenses:</b>						
General government	6,585,157	5,204,955	-	-	6,585,157	5,204,955
Public safety	9,685,724	8,352,048	-	-	9,685,724	8,352,048
Environmental protection	319,978	338,958	-	-	319,978	338,958
Economic and physical development	1,115,451	588,362	-	-	1,115,451	588,362
Human services	10,184,712	9,810,848	-	-	10,184,712	9,810,848
Cultural and recreation	912,851	961,578	-	-	912,851	961,578
Education	5,653,058	5,894,254	-	-	5,653,058	5,894,254
Interest and fees	472,088	594,889	-	-	472,088	594,889
Water and sewer	-	-	2,419,633	2,553,104	2,419,633	2,553,104
Solid waste	-	-	1,670,995	1,678,956	1,670,995	1,678,956
Total expenses	<u>34,929,019</u>	<u>31,745,891</u>	<u>4,090,628</u>	<u>4,232,060</u>	<u>39,019,647</u>	<u>35,977,951</u>
Increase (decrease) in net position before transfers	(266,079)	1,563,225	(259,798)	(441,941)	(525,877)	1,121,284
Transfers	<u>(175,808)</u>	<u>(176,719)</u>	<u>175,808</u>	<u>176,719</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(441,887)	1,386,506	(83,990)	(265,222)	(525,877)	1,121,284
<b>Net Position:</b>						
Beginning of year - July 1	<u>14,109,622</u>	<u>12,723,116</u>	<u>10,611,298</u>	<u>10,876,520</u>	<u>24,720,920</u>	<u>23,599,636</u>
End of year - June 30	<u>\$ 13,667,735</u>	<u>\$ 14,109,622</u>	<u>\$ 10,527,308</u>	<u>\$ 10,611,298</u>	<u>\$ 24,195,043</u>	<u>\$ 24,720,920</u>

**Governmental Activities.** Governmental activities decreased the County's net position by \$441,887, thereby accounting for 84% of the total decline in the net position of Alexander County. Key elements of this decrease are as follows:

- Increase in general government and human services expenses with no corresponding increase in revenues
- Increase in public safety expenses due to fiscal year 2013-2014 being the first full year of operations for the County's new detention center, which is larger than the former facility

**Business-Type Activities.** Business-type activities decreased Alexander County's net position by \$83,990, accounting for 16% of the total decline in the government's net position. Key elements of this decrease are as follows:

- Decrease in Federal and State grant revenue for water capital projects
- Decrease in Solid Waste Fund revenues

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

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

**Governmental Funds.** The focus of Alexander County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Alexander 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 Alexander County. At the end of the current fiscal year, Alexander County's fund balance available in the General Fund was \$6,550,189, while total fund balance reached \$9,578,817. The County currently has an available fund balance of 19.24% of total General Fund expenditures and transfers out, while total fund balance represents 28.14% of that same amount.

At June 30, 2014, the governmental funds of Alexander County reported a combined fund balance of \$14,690,678, a 6.5% decrease over last year. The primary reason for this decrease is the decrease in fund balance in the General Fund.

**General Fund Budgetary Highlights.** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased estimated revenues by approximately \$16,000 which is (0.05%) less than originally budgeted. The County received additional Federal and State funding during the year for public health and social services programs. The additional funding consisted of increases in grant revenues that were included in the original budget as well as new grants that had not been awarded when the original budget was adopted. However, public safety revenue estimates had to be revised downward during the year due to a later start date for housing out-of-County inmates in the new detention center. These items accounted for the primary difference between the originally adopted budget and the final budget.

**Proprietary Funds.** Alexander 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 major proprietary funds at the end of the fiscal year were as follows: County Water and Sewer Fund – \$665,949; Bethlehem Water Fund – \$1,078,737; Solid Waste Fund – (\$569,874) deficit; and Landfill Closure Fund – (\$2,051,869) deficit. The total decline in net position for these four major funds was (\$58,628) deficit. Other factors concerning the finances of these funds have already been addressed in the discussion of Alexander County's business-type activities.

## Capital Asset and Debt Administration

**Capital Assets.** Alexander County's capital assets for its governmental and business-type activities as of June 30, 2014, total \$34,454,550 (net of accumulated depreciation). These assets include buildings, land, equipment, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchase of vehicles and equipment for public safety programs
- Purchase of technology equipment for general government
- Sale of surplus public safety vehicles and equipment
- Purchase of landfill equipment
- Sale of surplus landfill vehicle and equipment
- Construction in progress for a water capital project
- Retirement of equipment and machinery items due to physical inventory for both governmental and business-type activities

## Alexander County's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,395,109	\$ 4,395,109	\$ 231,973	\$ 231,973	\$ 4,627,082	\$ 4,627,082
Construction in progress	-	95	926,869	-	926,869	95
Buildings	17,327,576	17,327,576	651,404	651,404	17,978,980	17,978,980
Other improvements	1,218,421	1,218,421	-	-	1,218,421	1,218,421
Equipment and machinery	3,691,498	4,162,064	607,152	785,603	4,298,650	4,947,667
Vehicles	2,685,837	2,624,311	334,987	370,840	3,020,824	2,995,151
Infrastructure	-	-	21,291,016	21,257,368	21,291,016	21,257,368
Furniture and fixtures	7,724	7,724	1,603	2,670	9,327	10,394
	29,326,165	29,735,300	24,045,004	23,299,858	53,371,169	53,035,158
Less: accumulated depreciation	(10,276,987)	(10,157,775)	(8,639,632)	(8,258,964)	(18,916,619)	(18,416,739)
Total	<u>\$ 19,049,178</u>	<u>\$ 19,577,525</u>	<u>\$ 15,405,372</u>	<u>\$ 15,040,894</u>	<u>\$ 34,454,550</u>	<u>\$ 34,618,419</u>

Additional information on the County's capital assets can be found in Note 3A of the basic financial statements.

**Long-Term Debt.** As of June 30, 2014, Alexander County had total debt outstanding of \$18,010,632, all of which is debt backed by the full-faith and credit of the County.

**Alexander County's Outstanding Debt  
Notes Payable and General Obligation Bonds**

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Notes payable	\$ 13,929,698	\$ 16,133,423	\$ 3,395,079	\$ 3,000,538	\$ 17,324,777	\$ 19,133,961
General obligation bonds	-	-	685,855	863,459	685,855	863,459
Total	\$ 13,929,698	\$ 16,133,423	\$ 4,080,934	\$ 3,863,997	\$ 18,010,632	\$ 19,997,420

Alexander County's total debt decreased by \$1,986,788 (9.9%) during the past fiscal year, primarily due to timely debt service payments.

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 Alexander County is approximately \$196,701,000.

Additional information regarding Alexander County's long-term debt can be found in Note 3B 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.

- The County was experiencing an unemployment rate of 6.1% at June 30, 2014. This was lower than the State average of 6.5%.

**Budget Highlights for the Fiscal Year Ending June 30, 2015**

**Governmental Activities.** General Fund revenues, excluding transfers, are projected to increase \$636,000 (1.9%) from 2014 amounts. This is due to an increase in the property tax rate coupled with an expected decrease in grant funds.

General Fund expenditures, excluding transfers, are projected to increase \$507,000 (1.5 %) from 2014 amounts. The main factors for this include increases in health insurance costs, human services programs, and public safety operations.

**Business-Type Activities.** Budgeted expenditures in the Solid Waste Fund are expected to remain at the same level as 2014. Water rates will increase 1.5% to cover increased operating costs passed on from the County's water supplier.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information (including information related to the Bethlehem Water District, a blended component unit), should be directed to the Finance Director, Alexander County, 621 Liledoun Road, Taylorsville, North Carolina 28681. You can also call (828) 632-4591, visit our website [www.alexandercountync.gov](http://www.alexandercountync.gov), or send an email to [jherman@alexandercountync.gov](mailto:jherman@alexandercountync.gov) for more information.

## ALEXANDER COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 11,358,092	\$ 2,617,054	\$ 13,975,146
Taxes receivable, net	998,029	-	998,029
Accounts receivable, net	1,849,114	350,947	2,200,061
Due from other governments	1,234,010	-	1,234,010
Internal balances	491,492	(491,492)	-
Prepaid items	6,265	-	6,265
Cash and investments, restricted	1,863,652	-	1,863,652
Capital assets:			
Land and other non-depreciable assets	4,395,109	1,158,842	5,553,951
Depreciable assets, net	14,654,069	14,246,530	28,900,599
Total assets	<u>36,849,832</u>	<u>17,881,881</u>	<u>54,731,713</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	1,295,854	362,296	1,658,150
Miscellaneous liabilities	748,477	10,406	758,883
Accrued interest	144,446	13,077	157,523
Current portion of compensated absences	411,000	6,500	417,500
Current portion of long-term debt	2,229,294	379,891	2,609,185
Non-current liabilities:			
Accrued landfill post-closure care costs	-	2,648,800	2,648,800
Non-current compensated absences	543,340	23,018	566,358
Non-current other post-employment benefits	5,719,329	209,542	5,928,871
Non-current portion of long-term debt	12,076,513	3,701,043	15,777,556
Total liabilities	<u>23,168,253</u>	<u>7,354,573</u>	<u>30,522,826</u>
<b>Deferred Inflows of Resources:</b>			
Prepaid taxes	<u>13,844</u>	<u>-</u>	<u>13,844</u>
<b>Net Position:</b>			
Net investment in capital assets	11,550,361	11,324,438	22,874,799
Restricted for:			
Stabilization for State statute	3,581,912	-	3,581,912
Register of Deeds	37,140	-	37,140
Public safety	818,019	-	818,019
General government	25,064	-	25,064
Human services	30,971	-	30,971
Economic and physical development	7,547	-	7,547
Education	1,514,000	-	1,514,000
Unrestricted (deficit)	<u>(3,897,279)</u>	<u>(797,130)</u>	<u>(4,694,409)</u>
Total net position	<u>\$ 13,667,735</u>	<u>\$ 10,527,308</u>	<u>\$ 24,195,043</u>

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

# ALEXANDER COUNTY, NORTH CAROLINA

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 6,585,157	\$ 447,779	\$ 39,329	\$ -
Public safety	9,685,724	2,302,957	87,518	-
Environmental protection	319,978	67,767	-	-
Economic and physical development	1,115,451	24,188	686,362	-
Human services	10,184,712	2,351,696	4,476,331	-
Cultural and recreation	912,851	76,335	91,386	-
Education	5,653,058	-	-	104,071
Interest and fees	472,088	-	-	-
Total governmental activities	<u>34,929,019</u>	<u>5,270,722</u>	<u>5,380,926</u>	<u>104,071</u>
<b>Business-Type Activities:</b>				
Water and sewer	2,419,633	2,571,114	-	-
Solid waste	1,670,995	1,104,961	-	-
Total business-type activities	<u>4,090,628</u>	<u>3,676,075</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 39,019,647</u>	<u>\$ 8,946,797</u>	<u>\$ 5,380,926</u>	<u>\$ 104,071</u>

### General Revenues:

Ad valorem taxes  
 Local option sales taxes  
 Other taxes and licenses  
 Unrestricted intergovernmental revenues  
 Investment earnings, unrestricted  
 Total general revenues, excluding transfers  
 Transfers  
 Total general revenues and transfers

Change in net position

### Net Position:

Beginning of year - July 1

End of year - June 30

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



**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (6,098,049)	\$ -	\$ (6,098,049)
(7,295,249)	-	(7,295,249)
(252,211)	-	(252,211)
(404,901)	-	(404,901)
(3,356,685)	-	(3,356,685)
(745,130)	-	(745,130)
(5,548,987)	-	(5,548,987)
(472,088)	-	(472,088)
<u>(24,173,300)</u>	<u>-</u>	<u>(24,173,300)</u>
-	151,481	151,481
-	<u>(566,034)</u>	<u>(566,034)</u>
-	<u>(414,553)</u>	<u>(414,553)</u>
<u>(24,173,300)</u>	<u>(414,553)</u>	<u>(24,587,853)</u>
17,384,130	-	17,384,130
6,150,069	-	6,150,069
357,037	-	357,037
-	153,981	153,981
15,985	774	16,759
<u>23,907,221</u>	<u>154,755</u>	<u>24,061,976</u>
<u>(175,808)</u>	<u>175,808</u>	<u>-</u>
<u>23,731,413</u>	<u>330,563</u>	<u>24,061,976</u>
(441,887)	(83,990)	(525,877)
<u>14,109,622</u>	<u>10,611,298</u>	<u>24,720,920</u>
<u>\$ 13,667,735</u>	<u>\$ 10,527,308</u>	<u>\$ 24,195,043</u>

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

## ALEXANDER COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Major		Other	
	General Fund	Capital Improvements Fund	Governmental Funds	Total
<b>Assets:</b>				
Cash and investments	\$ 7,980,035	\$ 2,566,346	\$ 811,711	\$ 11,358,092
Taxes receivable, net	929,815	-	68,214	998,029
Accounts receivable, net	1,310,810	-	538,304	1,849,114
Due from other governments	1,234,010	-	-	1,234,010
Due from other funds	537,580	14,980	-	552,560
Prepaid items	-	-	6,265	6,265
Restricted assets:				
Cash and investments	106,960	-	1,756,692	1,863,652
Total assets	<u>\$ 12,099,210</u>	<u>\$ 2,581,326</u>	<u>\$ 3,181,186</u>	<u>\$ 17,861,722</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 759,505	\$ -	\$ 536,349	\$ 1,295,854
Due to other funds	14,980	-	46,088	61,068
Miscellaneous liabilities	748,477	-	-	748,477
Total liabilities	<u>1,522,962</u>	<u>-</u>	<u>582,437</u>	<u>2,105,399</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	929,815	-	68,214	998,029
Health Department receivables	53,772	-	-	53,772
Prepaid taxes	13,844	-	-	13,844
Total deferred inflows of resources	<u>997,431</u>	<u>-</u>	<u>68,214</u>	<u>1,065,645</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepaid items	-	-	6,265	6,265
Restricted:				
Stabilization for State statute	3,028,628	14,980	538,304	3,581,912
Restricted, all other	1,158,100	500,000	2,240,851	3,898,951
Committed	140,000	2,066,346	270,117	2,476,463
Assigned	1,052,575	-	-	1,052,575
Unassigned	4,199,514	-	(525,002)	3,674,512
Total fund balances	<u>9,578,817</u>	<u>2,581,326</u>	<u>2,530,535</u>	<u>14,690,678</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,099,210</u>	<u>\$ 2,581,326</u>	<u>\$ 3,181,186</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,049,178
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(21,123,922)
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net assets in the Statement of Net Position.	1,051,801
Net position of governmental activities	<u>\$ 13,667,735</u>

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

## ALEXANDER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	<b>Major</b>		<b>Other</b>	
	<b>General</b>	<b>Capital</b>	<b>Governmental</b>	<b>Total</b>
	<b>Fund</b>	<b>Improvements</b>	<b>Funds</b>	
		<b>Fund</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 16,388,427	\$ -	\$ 1,033,259	\$ 17,421,686
Local option sales taxes	6,150,069	-	-	6,150,069
Other taxes and licenses	217,916	-	139,121	357,037
Restricted intergovernmental revenues	4,694,564	104,071	686,362	5,484,997
Permits and fees	440,246	-	-	440,246
Sales and services	4,671,081	-	-	4,671,081
Interest earned on investments	12,371	241	3,373	15,985
Miscellaneous	153,216	-	-	153,216
Total revenues	<u>32,727,890</u>	<u>104,312</u>	<u>1,862,115</u>	<u>34,694,317</u>
<b>Expenditures:</b>				
General government	6,038,423	-	324,998	6,363,421
Public safety	7,910,890	-	1,061,272	8,972,162
Environmental protection	311,736	-	-	311,736
Economic and physical development	338,657	-	710,362	1,049,019
Human services	9,751,097	-	-	9,751,097
Cultural and recreation	821,860	-	-	821,860
Education	5,466,331	129,142	-	5,595,473
Debt service:				
Principal repayments	2,203,725	-	-	2,203,725
Interest	472,088	-	-	472,088
Total expenditures	<u>33,314,807</u>	<u>129,142</u>	<u>2,096,632</u>	<u>35,540,581</u>
Revenues over (under) expenditures	<u>(586,917)</u>	<u>(24,830)</u>	<u>(234,517)</u>	<u>(846,264)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	243,522	524,989	26,186	794,697
Transfers (out)	<u>(726,983)</u>	<u>-</u>	<u>(243,522)</u>	<u>(970,505)</u>
Total other financing sources (uses)	<u>(483,461)</u>	<u>524,989</u>	<u>(217,336)</u>	<u>(175,808)</u>
Net change in fund balances	(1,070,378)	500,159	(451,853)	(1,022,072)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>10,649,195</u>	<u>2,081,167</u>	<u>2,982,388</u>	<u>15,712,750</u>
End of year - June 30	<u>\$ 9,578,817</u>	<u>\$ 2,581,326</u>	<u>\$ 2,530,535</u>	<u>\$ 14,690,678</u>

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

# ALEXANDER 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, 2014

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 (Exhibit D)	\$ (1,022,072)
Property tax revenues in the Statement of Activities earned in prior periods are reported as revenues in the governmental funds statement.	(37,556)
Health Department fees in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	6,179
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(46,825)
Expenses related to accrued interest that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(144,446)
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.	677,306
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,205,653)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	2,203,725
Net pension obligation and other Post-Employment Benefit expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(872,545)</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ (441,887)</u></u>

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

## ALEXANDER COUNTY, NORTH CAROLINA

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 15,611,400	\$ 15,646,400	\$ 16,388,427	\$ 742,027
Local option sales taxes	5,759,000	5,790,000	6,150,069	360,069
Other taxes and licenses	212,900	212,900	217,916	5,016
Restricted intergovernmental revenues	4,712,210	4,915,731	4,694,564	(221,167)
Permits and fees	328,650	328,650	440,246	111,596
Sales and services	5,162,012	4,820,781	4,671,081	(149,700)
Investment earnings	18,000	18,000	12,371	(5,629)
Miscellaneous	72,228	127,878	153,216	25,338
Total revenues	31,876,400	31,860,340	32,727,890	867,550
<b>Expenditures:</b>				
General government	5,498,449	6,090,228	6,038,423	51,805
Public safety	8,370,511	8,474,286	7,910,890	563,396
Environmental protection	302,133	332,417	311,736	20,681
Economic and physical development	355,251	357,403	338,657	18,746
Human services	10,378,416	10,482,416	9,751,097	731,319
Cultural and recreation	904,269	930,251	821,860	108,391
Education	5,469,500	5,469,500	5,466,331	3,169
Debt service:				
Principal retirement	2,211,000	2,211,000	2,203,725	7,275
Interest and fees	480,000	480,000	472,088	7,912
Contingency	748,762	38,595	-	38,595
Total expenditures	34,718,291	34,866,096	33,314,807	1,551,289
Revenues over (under) expenditures	(2,841,891)	(3,005,756)	(586,917)	2,418,839
<b>Other Financing Sources (Uses):</b>				
Transfers in	243,400	243,524	243,522	(2)
Transfers out	(763,500)	(768,994)	(726,983)	42,011
Appropriated fund balance	3,361,991	3,531,226	-	(3,531,226)
Total other financing sources (uses)	2,841,891	3,005,756	(483,461)	(3,489,217)
Net change in fund balance	\$ -	\$ -	(1,070,378)	\$ (1,070,378)
<b>Fund Balance:</b>				
Beginning of year - July 1			10,649,195	
End of year - June 30			\$ 9,578,817	

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

# ALEXANDER COUNTY, NORTH CAROLINA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2014

	Enterprise		
	County Water and Sewer Fund	Bethlehem Water District Fund	Solid Waste Fund
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 939,864	\$ 987,026	\$ 2,001
Accounts receivable, net	155,013	99,976	95,958
Due from other funds	-	-	-
Total current assets	<u>1,094,877</u>	<u>1,087,002</u>	<u>97,959</u>
Non-current assets:			
Land and other non-depreciable assets	926,869	-	231,973
Depreciable assets, net of depreciation	<u>11,153,324</u>	<u>1,622,580</u>	<u>647,310</u>
Total non-current assets	<u>12,080,193</u>	<u>1,622,580</u>	<u>879,283</u>
Total assets	<u>13,175,070</u>	<u>2,709,582</u>	<u>977,242</u>
<b>Liabilities and Net Position:</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	259,363	-	86,638
Due to other funds	134,544	4,990	356,948
Miscellaneous liabilities	2,779	-	7,627
Accrued interest	9,802	3,275	-
Accrued landfill post-closure care costs	-	-	-
Current portion of long-term debt	200,035	179,856	-
Current portion of compensated absences	<u>1,600</u>	<u>-</u>	<u>4,900</u>
Total current liabilities	<u>608,123</u>	<u>188,121</u>	<u>456,113</u>
Non-current liabilities:			
Non-current compensated absences	785	-	22,233
Non-current other post-employment benefits	20,055	-	189,487
Non-current portion of long-term debt	<u>3,195,044</u>	<u>505,999</u>	<u>-</u>
Total non-current liabilities	<u>3,215,884</u>	<u>505,999</u>	<u>211,720</u>
Total liabilities	<u>3,824,007</u>	<u>694,120</u>	<u>667,833</u>
<b>Net Position:</b>			
Net investment in capital assets	8,685,114	936,725	879,283
Unrestricted	<u>665,949</u>	<u>1,078,737</u>	<u>(569,874)</u>
Total net position	<u>\$ 9,351,063</u>	<u>\$ 2,015,462</u>	<u>\$ 309,409</u>

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

## Exhibit G

### Funds

<u>Landfill Closure Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 604,101	\$ 84,062	\$ 2,617,054
-	-	350,947
-	4,990	4,990
<u>604,101</u>	<u>89,052</u>	<u>2,972,991</u>
-	-	1,158,842
-	823,316	14,246,530
-	823,316	15,405,372
<u>604,101</u>	<u>912,368</u>	<u>18,378,363</u>
7,170	9,125	362,296
-	-	496,482
-	-	10,406
-	-	13,077
2,648,800	-	2,648,800
-	-	379,891
-	-	6,500
<u>2,655,970</u>	<u>9,125</u>	<u>3,917,452</u>
-	-	23,018
-	-	209,542
-	-	3,701,043
-	-	3,933,603
<u>2,655,970</u>	<u>9,125</u>	<u>7,851,055</u>
-	823,316	11,324,438
(2,051,869)	79,927	(797,130)
<u>\$ (2,051,869)</u>	<u>\$ 903,243</u>	<u>\$ 10,527,308</u>

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

# ALEXANDER COUNTY, NORTH CAROLINA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise		
	County Water and Sewer Fund	Bethlehem Water District Fund	Solid Waste Fund
<b>Operating Revenues:</b>			
Water and sewer sales	\$ 1,155,628	\$ 1,154,021	\$ -
Sewer capital reserve fees	-	-	-
Convenience centers	-	-	191,336
Landfill	-	-	1,104,961
Total operating revenues	<u>1,155,628</u>	<u>1,154,021</u>	<u>1,296,297</u>
<b>Operating Expenses:</b>			
Administration	-	90,795	-
Convenience centers	-	-	178,842
Water and sewer operations	765,033	793,559	-
Landfill operations	-	-	1,214,661
Depreciation and amortization	<u>553,470</u>	<u>95,548</u>	<u>66,998</u>
Total operating expenses	<u>1,318,503</u>	<u>979,902</u>	<u>1,460,501</u>
Operating income (loss)	<u>(162,875)</u>	<u>174,119</u>	<u>(164,204)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	10	700	-
Intergovernmental revenues	75,000	-	78,981
Interest and fees paid	(62,311)	(14,222)	-
Miscellaneous revenues	<u>24,002</u>	<u>-</u>	<u>26,794</u>
Total non-operating revenues (expenses)	<u>36,701</u>	<u>(13,522)</u>	<u>105,775</u>
Income (loss) before transfers	(126,174)	160,597	(58,429)
<b>Transfers In (Out):</b>			
Transfers in (out)	<u>(45,415)</u>	<u>45,415</u>	<u>(14,192)</u>
Change in net position	(171,589)	206,012	(72,621)
<b>Net Position:</b>			
Beginning of year - July 1	<u>9,522,652</u>	<u>1,809,450</u>	<u>382,030</u>
End of year - June 30	<u>\$ 9,351,063</u>	<u>\$ 2,015,462</u>	<u>\$ 309,409</u>

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



# Exhibit H

## Funds

<u>Landfill Closure Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 2,309,649
-	19,333	19,333
-	-	191,336
-	-	1,104,961
-	19,333	3,625,279
-	-	90,795
-	-	178,842
-	9,125	1,567,717
210,494	-	1,425,155
-	35,570	751,586
210,494	44,695	4,014,095
(210,494)	(25,362)	(388,816)
64	-	774
-	-	153,981
-	-	(76,533)
-	-	50,796
64	-	129,018
(210,430)	(25,362)	(259,798)
190,000	-	175,808
(20,430)	(25,362)	(83,990)
(2,031,439)	928,605	10,611,298
<u>\$ (2,051,869)</u>	<u>\$ 903,243</u>	<u>\$ 10,527,308</u>

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

# ALEXANDER COUNTY, NORTH CAROLINA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

			Enterprise
	County Water and Sewer Fund	Bethlehem Water District Fund	Solid Waste Fund
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,145,193	\$ 1,156,237	\$ 1,303,874
Cash paid for goods and services	(448,507)	(884,354)	(1,062,732)
Cash paid to employees for services	(69,289)	-	(257,032)
Net cash provided (used) by operating activities	<u>627,397</u>	<u>271,883</u>	<u>(15,890)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Other non-operating revenues (expenses)	99,002	-	105,776
Change in due to/from other funds	134,544	238	81,336
Interfund transfer in (out)	(45,415)	45,415	(14,192)
Net cash provided (used) by non-capital financing activities	<u>188,131</u>	<u>45,653</u>	<u>172,920</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(960,517)	-	(155,548)
Principal paid on bonds and notes payable	(200,036)	(177,604)	-
Issuance of long-term debt	594,577	-	-
Interest and fees paid on bonds	(63,717)	(14,497)	-
Net cash provided (used) by capital and related financing activities	<u>(629,693)</u>	<u>(192,101)</u>	<u>(155,548)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>10</u>	<u>700</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	185,845	126,135	1,482
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>754,019</u>	<u>860,891</u>	<u>519</u>
End of year - June 30	<u>\$ 939,864</u>	<u>\$ 987,026</u>	<u>\$ 2,001</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (162,875)	\$ 174,119	\$ (164,204)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	553,470	95,548	66,998
(Increase) decrease in accounts receivable	(10,435)	2,216	7,577
Increase (decrease) in accounts payable	238,908	-	46,036
Increase (decrease) in accrued salaries	-	-	(57)
Increase (decrease) in other post-employment benefits	6,357	-	26,028
Increase (decrease) in landfill post-closure liability	-	-	-
Increase (decrease) in accrued vacation pay	<u>1,972</u>	<u>-</u>	<u>1,732</u>
Net cash provided (used) by operating activities	<u>\$ 627,397</u>	<u>\$ 271,883</u>	<u>\$ (15,890)</u>

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

**Exhibit I**

**Funds**

<b>Landfill Closure Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ -	\$ 19,333	\$ 3,624,637
(55,242)	-	(2,450,835)
-	-	(326,321)
<u>(55,242)</u>	<u>19,333</u>	<u>847,481</u>
-	-	204,778
-	(238)	215,880
190,000	-	175,808
<u>190,000</u>	<u>(238)</u>	<u>596,466</u>
-	-	(1,116,065)
-	-	(377,640)
-	-	594,577
-	-	(78,214)
<u>-</u>	<u>-</u>	<u>(977,342)</u>
64	-	774
134,822	19,095	467,379
<u>469,279</u>	<u>64,967</u>	<u>2,149,675</u>
<u>\$ 604,101</u>	<u>\$ 84,062</u>	<u>\$ 2,617,054</u>
\$ (210,494)	\$ (25,362)	\$ (388,816)
-	35,570	751,586
-	-	(642)
(9,658)	9,125	284,411
-	-	(57)
-	-	32,385
164,910	-	164,910
<u>-</u>	<u>-</u>	<u>3,704</u>
<u>\$ (55,242)</u>	<u>\$ 19,333</u>	<u>\$ 847,481</u>

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

## ALEXANDER COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 27,987
<b>Liabilities:</b>	
Accounts payable	\$ 27,649
Intergovernmental payable - State of North Carolina	338
Total liabilities	<u>\$ 27,987</u>

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

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 1. Summary of Significant Accounting Policies

The accounting policies of Alexander County (the "County") and its blended component units conform to generally accepted accounting principles as they apply 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 units, legally separate entities for which the County is financially accountable. The blended component units, although they are legally separate entities, are in substance, part of the County's operations.

#### Component Units

##### Blended Component Unit

The Bethlehem Water District exists to provide and maintain a water system for the County residents within its district. Under State law (G.S. 162A-89), the County's Board of Commissioners also serve as the governing board for the District. Therefore, the District is reported as an enterprise fund in the County's financial statements.

The Bethlehem Water District issues separate financial statements.

#### B. Basis of Presentation, Basis of Accounting

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

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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

**Governmental Funds.** Governmental funds are used to account for the County's general governmental activities.

Governmental funds include the following fund types:

**General Fund.** The General Fund is the general operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in another fund.

**Special Revenue Funds.** Special revenue funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County has the following special revenue funds: Fire Districts Fund, Revaluation Fund, Multi-Year Operating Grants Fund, Craftmaster Furniture Building Renovation Grant Project Fund, and Emergency Telephone System Fund.

**Capital Project Funds.** Capital project funds are used to account for the acquisition and or construction of major governmental capital assets. The County has two capital project funds, the County Capital Project Fund and the Capital Improvements Fund.

### **Proprietary Funds**

**Enterprise Funds.** The enterprise funds are used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

capital maintenance, public policy, management control, accountability or other purposes. The County reported the following enterprise funds: Bethlehem Sewer Fund, County Water and Sewer Fund, Bethlehem Water District Fund, Solid Waste Fund, and Landfill Closure Fund. The County has one enterprise fund – Capital Project Fund. The Bethlehem-Ellendale Water System Improvements Capital Project Fund is consolidated with the County Water and Sewer Fund for reporting purposes.

**Fiduciary Funds.** Fiduciary funds account for the assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

**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 four agency funds: Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; Sheriff's Civil Executions Fund, which accounts for monies collected by the Sheriff's Office for civil judgments; the 3% Interest Payable to State Fund, which accounts for the 3% interest collected on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Deed of Trust Fees Fund, which accounts for the additional fees for recorded deeds of trust or mortgages collected by the County and remitted to the State Treasurer; and the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Alexander County Board of Education.

**Major Funds.** The General Fund, Capital Improvements Fund, County Water and Sewer Fund, Bethlehem Water District Fund, Solid Waste Fund, and Landfill Closure Fund are major funds for the year ended June 30, 2014.

*General Fund* – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in another fund.

*Capital Improvements Fund* – The Capital Improvements Fund is used to account for school system capital improvements, including those funded by lottery revenues.

*County Water and Sewer Fund* – The County Water and Sewer Fund is used to account for the water and sewer operations for all areas of the County, except the Bethlehem Water District.

*Bethlehem Water District Fund* – The Bethlehem Water District Fund is used to account for the water system operations of the geographic area of the County designated as the Bethlehem Water District.

*Solid Waste Fund* – The Solid Waste Fund is used to account for the operations of the County's landfill, solid waste transfer station, and garbage disposal and recycling convenience centers.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

*Landfill Closure Fund* – The Landfill Closure Fund is used to account for the closure and post-closure care costs of the County's landfill facility.

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

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

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

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



# **ALEXANDER COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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

### **C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds (excluding the Multi-Year Operating Grants Fund and the Craftmaster Building Renovation Project Fund), the Capital Improvements Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Multi-Year Operating Grants Fund and the Craftmaster Furniture Building Renovation Grant Project Fund, which are special revenue funds, and the County Capital Projects Fund. A project ordinance is adopted for the Bethlehem-Ellendale Water System Improvements Capital Project Fund, which is an enterprise fund capital project. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The County Manager is authorized by the budget ordinance to transfer appropriations between departmental areas within a fund up to \$10,000; however, any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$10,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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.

## **ALEXANDER COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

#### **D. Estimates**

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

#### **E. Assets, Liabilities, Deferred Inflows and Outflows, 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).

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

##### **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.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Restricted Assets

Restricted assets in the General Fund consist of cash restricted for the purposes outlined below by external third parties or by law. Money in the Revaluation Fund is also classified as restricted because its use is restricted per North Carolina General Statute 153A-150. The unexpended debt proceeds in the County Capital Project Fund are classified as restricted assets within the fund because their use is completely restricted to the purpose for which the debt was originally issued.

<u>Restricted Cash</u>	<u>Purpose</u>	<u>Amount</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General Fund:			
Public safety	Sheriff/substance abuse	\$ 43,378	
Human services	Adoption services	30,971	
Economic and physical development	Cooperative extension services	7,547	
General government	PEG Channel	25,064	
Total General Fund			\$ 106,960
Other governmental funds:			
Revaluation Fund	Tax revaluation	\$ 290,482	
County Capital Project Fund	Unspent debt proceeds	1,466,210	
Total other governmental funds			<u>1,756,692</u>
Total governmental activities			<u>\$ 1,863,652</u>

### Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

### 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.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

### Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated assets are listed at the market value at the date of donation. The County has elected not to capitalize those interest costs which are incurred during the construction period of capital assets.

Minimum capitalization costs are as follows: land, \$5,000; other improvements, \$5,000; equipment and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Capital assets in the enterprise funds of the County are recorded at original cost at the time of acquisition. Capital assets donated to the Enterprise Fund operations are recorded at the estimated fair market value at the date of donation.

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Other improvements	10-40 years
Equipment and vehicles	3-10 years

# **ALEXANDER COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County does not have any items that meet this criterion. 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 three items that meet the criterion for this category – prepaid taxes, taxes receivable, and health department receivables.

### **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 in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Included within the governmental activities long-term obligations are several notes payable issued for the benefit of the Alexander County Board of Education. The debt service of the Alexander County Board of Education notes payable is covered by a reduction in the local option sales tax or the general allocation due to the Board from the County.

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

The County's long-term debt for the water districts and landfill is carried within the Enterprise Fund. The debt service requirements for the water districts' debt are being met by water revenues, but the taxing power of the County is pledged to make these payments if water revenues should ever be insufficient.

### **Net Position/Fund Balances**

#### **Net Position**

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

#### **Fund Balances**

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

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

*Prepaid items* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

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

*Stabilization for State Statute* – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

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

*Restricted for General Government* – portion of fund balance restricted by revenue source for general government purposes.

*Restricted for Education* – portion of fund balance restricted by revenue source for school debt service and school capital outlay.

*Restricted for Human Services* – portion of fund balance restricted by revenue source for DSS Adoption Enhancement funds – State.

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

*Restricted for Economic and Physical Development* – portion of fund balance restricted by revenue source for economic and physical development purposes.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted fund balance at June 30, 2014, is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>
<b>Restricted, all other:</b>			
Register of Deeds	\$ 37,140	\$ -	\$ -
General government	25,064	-	-
General government - Courthouse project	-	-	1,466,210
Education	1,014,000	500,000	-
Human services	30,971	-	-
Economic and physical development	7,547	-	-
Public safety	-	-	774,641
Public safety - Federal Shared Asset Program	42,040	-	-
Public safety - State unauthorized substance	1,338	-	-
Total	<u>\$ 1,158,100</u>	<u>\$ 500,000</u>	<u>\$ 2,240,851</u>

Restricted fund balance on Exhibit C differs from restricted net position on Exhibit A due to unspent debt proceeds of \$1,466,210.

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

*Committed for General Government* – portion of fund balance budgeted by the Board to be used for the purchase of voting equipment.

*Committed for Tax Revaluation* – portion of fund balance budgeted by the Board to be used for tax revaluation.

*Committed for Future Capital Projects* – portion of fund balance budgeted by the Board to be used for future capital projects.

## ALEXANDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Committed fund balance at June 30, 2014, is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>
General government- voting equipment	\$ 140,000	\$ -	\$ -
Tax revaluation	-	-	270,117
Future capital projects	-	2,066,346	-
Total	<u>\$ 140,000</u>	<u>\$ 2,066,346</u>	<u>\$ 270,117</u>

**Assigned Fund Balance.** Assigned fund balance is the portion of fund balance that Alexander County intends to use for specific purposes. The County's governing body has the authority to assign fund balance.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager to modify appropriations up to \$10,000 between departments within a fund.

Assigned fund balance at June 30, 2014, is as follows:

<u>Purpose</u>	<u>General Fund</u>
Subsequent year's expenditures	<u>\$ 1,052,575</u>

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

Alexander 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 or when required by grant or other contractual agreements.

The County has not officially adopted a minimum fund balance policy.



# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 9,578,817
<b>Less:</b>	
Stabilization for State statute	<u>(3,028,628)</u>
Fund balance available for appropriation	<u><u>\$ 6,550,189</u></u>

### **F. Revenues, Expenditures, and Expenses**

#### **Compensated Absences**

The vacation policy of the County provides for the accumulation of up to two hundred forty (240) hours earned vacation leave, with such leave being fully vested when earned. In the County's governmental and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The County has assumed a FIFO method of using accumulated compensation 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 statements.

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

#### **A. Deficit Fund Balance or Net Position of Individual Funds**

The Landfill Closure Fund had deficit net position of \$2,051,869 at June 30, 2014. The deficit will be offset by future revenues or transfers.

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

For the fiscal year ended June 30, 2014, the expenditures made in the County's General Fund exceeded the authorized appropriations made by the governing board for the governing body department by \$407,646. This over-expenditure occurred because of unplanned expenditures related to the health insurance liabilities for claims that have been incurred but not reported (IBNR). Management and the Board will more closely review the budget reports to ensure compliance in future years.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 3. 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 its 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 County's agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institutions 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, 2014, the County's deposits had a carrying amount of \$3,746,765 and a bank balance of \$4,066,672. Of the bank balance, \$750,000 was covered by federal depository insurance and \$3,316,672 by collateral held under the Pooling Method. Cash on hand was \$3,970 at June 30, 2014.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Investments

At June 30, 2014, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>
N.C. Capital Management Trust - Term Portfolio*	\$ 2,006,833	\$ -	\$ 2,006,833	\$ -
N.C. Capital Management Trust - Cash Portfolio	10,109,217	N/A	N/A	N/A
Total investments	<u>\$ 12,116,050</u>	<u>\$ -</u>	<u>\$ 2,006,833</u>	<u>\$ -</u>

\* Because the NC Capital Management Trust Term Portfolio had a duration of less than one year, it was presented as an investment with a maturity of 6-12 months.

*Interest Rate Risk.* The County has not adopted a formal investment policy addressing interest rate risk.

*Credit Risk.* The County has no policy regarding credit risk. The County's investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2014.

### Property Tax – Use-Value Assessment on Certain Lands

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

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,285,408	\$ 411,331	\$ 1,696,739
2012	1,317,899	316,296	1,634,195
2013	1,357,258	217,161	1,574,419
2014	1,380,234	110,419	1,490,653
Total	<u>\$ 5,340,799</u>	<u>\$ 1,055,207</u>	<u>\$ 6,396,006</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Receivables

Receivables at the government-wide level (Exhibit A) at June 30, 2014, were as follows:

	<u>Accounts Receivable</u>	<u>Taxes Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 1,501,986	\$ 1,324,605	\$ 1,234,010	\$ 4,060,601
Other governmental	538,304	80,424	-	618,728
Total receivables	2,040,290	1,405,029	1,234,010	4,679,329
Allowance for doubtful accounts	(191,176)	(407,000)	-	(598,176)
Total governmental activities	<u>\$ 1,849,114</u>	<u>\$ 998,029</u>	<u>\$ 1,234,010</u>	<u>\$ 4,081,153</u>
<b>Business-Type Activities:</b>				
County water and sewer	\$ 163,172	\$ -	\$ -	\$ 163,172
Bethlehem water	109,331	-	-	109,331
Solid waste	100,738	-	-	100,738
Total receivables	373,241	-	-	373,241
Allowance for doubtful accounts	(22,294)	-	-	(22,294)
Total business-type activities	<u>\$ 350,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,947</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 920,748
Sales tax refund	<u>313,262</u>
Total	<u>\$ 1,234,010</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Capital Assets

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

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 4,395,109	\$ -	\$ -	\$ -	\$ 4,395,109
Construction in progress	95	-	(95)	-	-
<b>Depreciable Assets:</b>					
Buildings	17,327,576	-	-	-	17,327,576
Other improvements	1,218,421	-	-	-	1,218,421
Equipment and machinery	4,162,064	487,281	(964,162)	6,315	3,691,498
Vehicles	2,624,311	190,120	(117,190)	(11,404)	2,685,837
Furniture and fixtures	7,724	-	-	-	7,724
Total assets	<u>29,735,300</u>	<u>677,401</u>	<u>(1,081,447)</u>	<u>(5,089)</u>	<u>29,326,165</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	(4,064,650)	(478,682)	-	-	(4,543,332)
Other improvements	(633,341)	(97,217)	-	-	(730,558)
Equipment and machinery	(3,391,996)	(381,369)	964,162	(6,315)	(2,815,518)
Vehicles	(2,060,064)	(248,385)	117,190	11,404	(2,179,855)
Furniture and fixtures	(7,724)	-	-	-	(7,724)
Total accumulated depreciation	<u>(10,157,775)</u>	<u>(1,205,653)</u>	<u>1,081,352</u>	<u>5,089</u>	<u>(10,276,987)</u>
Capital assets, net	<u>\$ 19,577,525</u>	<u>\$ (528,252)</u>	<u>\$ (95)</u>	<u>\$ -</u>	<u>\$ 19,049,178</u>

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

<b>Governmental Activities:</b>	
General government	\$ 283,248
Public safety	622,110
Environmental protection	13,279
Human services	110,373
Cultural and recreation	54,402
Economic and physical development	64,656
Education	57,585
Total	<u>\$ 1,205,653</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2014 are as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
<b>Business-Type Activities:</b>					
<b>County Water and Sewer Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Construction in progress	\$ -	\$ 926,869	\$ -	\$ -	\$ 926,869
<b>Depreciable Assets:</b>					
Infrastructure	15,846,219	33,648	-	-	15,879,867
Vehicles	30,851	-	(3,432)	(27,419)	-
Equipment and machinery	-	-	-	8,500	8,500
Furniture and fixtures	1,603	-	-	-	1,603
Total assets	<u>15,878,673</u>	<u>960,517</u>	<u>(3,432)</u>	<u>(18,919)</u>	<u>16,816,839</u>
<b>Less Accumulated Depreciation:</b>					
Infrastructure	(4,173,073)	(553,470)	-	-	(4,726,543)
Vehicles	(30,851)	-	3,432	27,419	-
Equipment and machinery	-	-	-	(8,500)	(8,500)
Furniture and fixtures	(1,603)	-	-	-	(1,603)
Total accumulated depreciation	<u>(4,205,527)</u>	<u>\$ (553,470)</u>	<u>\$ 3,432</u>	<u>\$ 18,919</u>	<u>(4,736,646)</u>
County water and sewer capital assets, net	<u>11,673,146</u>				<u>12,080,193</u>
<b>Bethlehem Water Fund:</b>					
<b>Depreciable Assets:</b>					
Infrastructure	<u>3,770,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,770,941</u>
<b>Less Accumulated Depreciation:</b>					
Infrastructure	<u>(2,052,813)</u>	<u>\$ (95,548)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,148,361)</u>
Bethlehem Water capital assets, net	<u>1,718,128</u>				<u>1,622,580</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
<b>Business-Type Activities (cont):</b>					
<b>Solid Waste Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	231,973	\$ -	\$ -	\$ -	231,973
<b>Depreciable Assets:</b>					
Buildings	651,404	-	-	-	651,404
Infrastructure	217,411	-	-	-	217,411
Vehicles	339,989	-	(29,010)	24,008	334,987
Equipment and machinery	785,603	155,547	(342,498)	-	598,652
Furniture and fixtures	1,067	-	(1,067)	-	-
Total assets	<u>2,227,447</u>	<u>155,547</u>	<u>(372,575)</u>	<u>24,008</u>	<u>2,034,427</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	(254,652)	(16,626)	-	-	(271,278)
Infrastructure	(216,472)	(34)	-	-	(216,506)
Vehicles	(270,369)	(24,323)	29,010	(24,008)	(289,690)
Equipment and machinery	(694,153)	(26,015)	342,498	-	(377,670)
Furniture and fixtures	(1,067)	-	1,067	-	-
Total accumulated depreciation	<u>(1,436,713)</u>	<u>\$ (66,998)</u>	<u>\$ 372,575</u>	<u>\$ (24,008)</u>	<u>(1,155,144)</u>
Solid Waste capital assets, net	<u>790,734</u>				<u>879,283</u>
<b>Bethlehem Sewer Fund:</b>					
<b>Depreciable Assets:</b>					
Infrastructure	<u>1,422,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,422,797</u>
<b>Less Accumulated Depreciation:</b>					
Infrastructure	<u>(563,911)</u>	<u>\$ (35,570)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(599,481)</u>
Bethlehem Sewer capital assets, net	<u>858,886</u>				<u>823,316</u>
<b>Total business-type activities capital assets, net</b>	<u>\$ 15,040,894</u>				<u>\$ 15,405,372</u>

The County contracts with the City of Hickory to provide billing and collection services, as well as maintenance on the water lines for the County Water and Sewer Fund and Bethlehem Water District. Total service fees paid for the year ending June 30, 2014, were \$502,057 for the County Water and Sewer Fund and \$769,426 for the Bethlehem Water District.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014, is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 19,049,178	\$ 15,405,372
Long-term debt	(13,929,698)	(4,080,934)
Long-term debt for assets not owned by the County	4,964,671	-
Unspent debt proceeds	1,466,210	-
Net investment in capital assets	<u>\$ 11,550,361</u>	<u>\$ 11,324,438</u>

### B. Liabilities

#### Payables

Payables at the government-wide level (Exhibit A) at June 30, 2014, were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Insurance Claims Incurred, But Not Reported</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	\$ 647,082	\$ 437,540	\$ 423,360	\$ 1,507,982
Other governmental	536,349	-	-	536,349
Total governmental activities	<u>\$ 1,183,431</u>	<u>\$ 437,540</u>	<u>\$ 423,360</u>	<u>\$ 2,044,331</u>
<b>Business-Type Activities:</b>				
County water and sewer	\$ 259,363	\$ 2,779	\$ -	\$ 262,142
Solid waste	86,638	7,627	-	94,265
Landfill closure	7,170	-	-	7,170
Bethlehem sewer	9,125	-	-	9,125
Total business-type activities	<u>\$ 362,296</u>	<u>\$ 10,406</u>	<u>\$ -</u>	<u>\$ 372,702</u>



# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Pension Plan and Other Post-Employment Obligations

#### Local Governmental Employees' Retirement System

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

**Funding Policy.** Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$769,354, \$672,016, and \$662,225, respectively. The contributions made by the County equaled the required contributions for each year.

#### Law Enforcement Officers' Special Separation Allowance

**Plan Description.** The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% 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. The plan does not issue a separate stand-alone financial report.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	49
Total	<u>50</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Summary of Significant Accounting Policies

*Basis of Accounting.* Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

**Contributions.** The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2012, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both item (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar pay on a closed basis. The remaining amortization period at December 31, 2012, was 18 years.

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 33,632	0.00%	\$ 328,675
6/30/2013	33,639	25.33%	353,792
6/30/2014	33,679	33.74%	376,109

**Funded Status and Funding Progress.** As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$406,814. The covered payroll (annual payroll of active employees covered by the plan) was \$1,500,151, and the ratio of the UAAL to the covered payroll was 27.12%.

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## ALEXANDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

**Annual Pension Cost and Net Pension Obligation.** The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 44,813
Interest on net pension obligation	17,690
Adjustment to annual required contribution	<u>(28,824)</u>
Annual pension cost	33,679
Less: contributions made	<u>11,362</u>
Increase in net pension obligation	22,317
Net pension obligation, beginning of year	<u>353,792</u>
Net pension obligation, end of year	<u>\$ 376,109</u>

#### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 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. Contributions for the year ended June 30, 2014, were \$100,921, which consisted of \$73,024 from the County and \$27,897 from the law enforcement officers.

#### **Register of Deeds' Supplemental Pension Fund**

**Plan Description.** The County contributes to the Register of Deeds' Supplemental Pension Fund (the "Fund"), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible County Register of Deeds that is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$2,384.

### **Other Post-Employment Benefits**

**Plan Description.** The County (by local policy) provides post-employment medical insurance benefits to retirees of the County through a single employer defined benefit plan, provided they retire through the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following requirements.

For employees hired prior to July 1, 2008: At the date of retirement, the participant occupies a full-time or part-time with benefits budgeted position (50% or greater) and has completed: 1) a minimum of fifteen (15) consecutive years of employment with the County for reduced retiree health benefits or 2) twenty (20) consecutive years of employment with the County for retiree health benefits.

For employees hired on or after July 1, 2008 and before July 1, 2009: At the date of retirement, the participant occupies a full-time position and has completed a minimum of thirty (30) consecutive years of employment with the County for retiree health benefits.

The post-employment medical insurance benefits are not available to employees hired on or after July 1, 2009.

Medical insurance coverage will only be extended to qualified retirees until they become eligible for Medicare. For participants in the non-reduced retiree health benefits plan: When the qualified retiree becomes eligible for Medicare, the County will provide retiree health benefits by supplemental medical insurance only. For participants in the reduced retiree health benefits plan: When the qualified retiree becomes eligible for Medicare, participation in the County's group health plan will cease. The County Commissioners may amend the benefit provisions. A separate report was not issued for the Plan.

## ALEXANDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Membership of the Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees receiving benefits	24	5
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	153	21
Total	177	26

**Funding Policy.** The County employees that retire with 15 years up to 20 years of service and were hired before July 1, 2008, may participate in the County's group medical insurance plan and pay for the full cost themselves. Dependent coverage is not available. Those members that retire with 20 or more years of service and were hired before July 1, 2008, will receive individual medical insurance coverage at no cost to the retiree, except those retirees paying a pro-rated share for their medical insurance at retirement will continue to pay their pro-rated share. Dependent coverage is not available. The County employees that retire with 30 or more years of service and were hired on or after July 1, 2008, and before July 1, 2009, will receive medical insurance coverage at no cost to the retiree, except those retirees paying a pro-rated share for their medical insurance at retirement will continue to pay their pro-rated share. Dependent coverage is not available. The County has chosen to fund the medical insurance benefits on a pay-as-you-go basis.

The current ARC rate is 15.98% of annual covered payroll. For the current year, the County contributed \$112,463, or 1.67%, of annual covered payroll. The County purchases insurance from a private carrier for healthcare coverage. Under a County resolution, the County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 1.57% and 2.49% of covered payroll, respectively. There were no contributions made by employees. The County's obligation to contribute to the Plan is established and may be amended by the Board of County Commissioners.

**Summary of Significant Accounting Policies.** Post-employment expenditures are made from the General Fund which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are budgeted on an annual basis to be paid as they come due.

**Annual OPEB Cost and Net OPEB Obligation.** The County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation for the healthcare benefits:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Annual required contribution	\$ 1,038,880	\$ 34,948	\$ 1,073,828
Interest on net OPEB obligation	195,281	6,569	201,850
Adjustments to annual required contribution	(271,470)	(9,132)	(280,602)
Annual OPEB cost (expense)	962,691	32,385	995,076
Contributions made	(112,463)	-	(112,463)
Increase (decrease) in net OPEB obligation	850,228	32,385	882,613
Net OPEB obligation, beginning of year	4,869,101	177,157	5,046,258
Net OPEB obligation, end of year	<u>\$ 5,719,329</u>	<u>\$ 209,542</u>	<u>\$ 5,928,871</u>

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

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 1,137,773	12.79%	\$ 4,177,821
2013	1,008,629	13.90%	5,046,258
2014	995,076	11.30%	5,928,871

**Funding Status and Funding Progress.** As of December 31, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$9,315,846. The covered payroll (annual payroll of active employees covered by the Plan) was \$6,721,626, and the ratio of the UAAL to the covered payroll was 138.6%.

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

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

In the December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% 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, and an annual medical cost trend increase of 8.50% to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

As of June 30, 2014, management has decided not to set aside funds for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year.

### **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 Death Benefit Plan, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the Death Benefit Plan 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. The County considers these contributions to be immaterial.

The County provides life insurance in the amount of \$12,500 to all full-time and eligible part-time employees. Internal Revenue Service (IRS) regulations dictate that the cost of group-term life insurance provided to an employee by his employer for coverage that exceeds \$50,000 is taxable to the employee as a fringe benefit.

## **ALEXANDER COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

#### **Closure and Post-Closure Care Costs – Landfill Facility**

Federal and State laws and regulations require the County to place a final cover on its current operating cell at the landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County also has a closed cell at the landfill facility for which the entire amount of the closure and post-closure costs has been recognized as the cell capacity was used. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,648,800 reported as landfill closure and post-closure care liability at June 30, 2014, represents a cumulative amount reported to date based on the use of 83% of the total estimated capacity of the construction and demolition operating cell of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$542,516 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2014. The County closed the material solid waste operating cell at the landfill facility in fiscal year 1998 and expects to close the construction and demolition operating cell in 2033. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under Federal and State laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. However, the County has elected to establish a Landfill Closure Fund, a proprietary fund type, to accumulate resources for the payment of closure and post-closure care costs. A transfer of \$190,000 was made to the Landfill Closure Fund during the fiscal year ended June 30, 2014. The Landfill Closure Fund has \$604,101 in cash at June 30, 2014.

The County expects that future inflation costs will be paid from the interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.



## ALEXANDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

#### Deferred Outflows and Inflows of Resources

The balance in deferred inflows of resources (unavailable revenue) on the fund statements and unearned revenues on the government-wide statements at June 30, 2014, is composed of the following elements:

	<u>Unavailable Revenues</u>		<u>Unearned Revenues</u>
	<u>General Fund</u>	<u>Fire District Fund</u>	<u>General Fund</u>
Taxes receivable (net)	\$ 929,815	\$ 68,214	\$ -
Health Department receivables (net)	53,772	-	-
Prepaid taxes	-	-	13,844
Total	<u>\$ 983,587</u>	<u>\$ 68,214</u>	<u>\$ 13,844</u>

#### Summary Disclosure of Significant Commitments

The County has active construction projects as of June 30, 2014. The project is the Bethlehem-Ellendale Water Improvements project. At June 30, 2014, the County's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Bethlehem-Ellendale Water Improvements	<u>\$ 856,251</u>	<u>\$ 2,043,674</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 obtains workers' compensation and employer liability insurance through Key Risk Insurance Company with workers' compensation coverage up to the statutory limits and employer liability coverage subject to a limit of \$1,000,000. The County obtains property coverage through Millennium Insurance Group equal to replacement cost values of owned property subject to a limit of \$34 million for any one occurrence; general, auto, public officials, law enforcement, and employment practices liability coverage of \$1 million per occurrence; auto physical damage coverage for owned autos at actual cash value (ambulances at replacement cost); and crime coverage of \$250,000 per occurrence. The County obtains medical and dental insurance for employees through Blue Cross and Blue Shield of North Carolina and United Healthcare, respectively. The County uses a third-party administrator to manage the group medical and dental insurance plans.

## ALEXANDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The County participates in the National Flood Insurance Program (NFIP) with Flood Insurance Rate Maps that designate two County-owned properties as having a one-percent annual chance of a 100-year flood in any given year. The County has not secured flood insurance through the NFIP, but carries flood insurance with a \$1,000,000 limit and a \$50,000 deductible through the County's property insurance carrier.

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

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Director, the Tax Administrator/Collector, and the County Manager are individually bonded for \$100,000 each. The Sheriff and Register of Deeds are bonded for \$25,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000. This blanket bond also covers the County positions named above.

#### **Medical Self-Insurance Claims Liability**

Liabilities are reported when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR's).

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

	<b>2014</b>
Unpaid claims, beginning	\$ -
Incurred claims	2,623,812
Claim payments	<u>(2,200,452)</u>
Unpaid claims, ending	<u>\$ 423,360</u>

Claims typically have been liquidated in the General Fund.

#### **Contingent Liabilities**

At June 30, 2014, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Long-Term Obligations

#### General Obligation Indebtedness

The general obligation bonds financed by the governmental funds are accounted for in the governmental funds. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water systems, and which are being retired by its resources, are reported as long-term debt in the Enterprise Fund. All general obligation bonds are collateralized by the full-faith credit, and taxing power of the County. Principal and interest requirements are appropriated when due.

General obligation bonds payable at June 30, 2014, are comprised of the following individual issues:

#### Business-Type Activities:

#### Proprietary Funds:

#### Bethlehem Water Fund:

\$863,459 April 2013 Water Refunding Bonds due semi-annually on October 1 and April 1 in installments of \$96,050, which includes interest at 1.91%, through April 2018

\$ 685,855

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 179,856	\$ 12,245	\$ 192,101
2016	183,307	8,794	192,101
2017	186,825	5,276	192,101
2018	135,867	1,690	137,557
Total general obligation bonds	<u>\$ 685,855</u>	<u>\$ 28,005</u>	<u>\$ 713,860</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Notes Payable

Notes payable at June 30, 2014, are comprised of the following individual agreements:

#### Governmental Funds:

\$476,667 February 2005 agreement to purchase real property and a building for the Alexander County branch of Catawba Valley Community College, due in 30 semi-annual payments of \$21,667, plus interest at 4.15% through December 2015, secured by real property \$ 65,000

\$5,800,000 March 2001 agreement to construct a new building for Ellendale Elementary School, due in 40 semi-annual payments of \$230,467, including interest at 4.97% through March 2021, secured by a deed of trust. In March 2013, the loan terms were modified by the financial institution. The new terms state that interest will accrue at a rate of 2.59%. Principal and interest payments of \$209,656 are payable semi-annually through March 2021. 2,668,958

\$6,256,217 June 2004 agreement to construct a new Department of Social Services Building and Alexander Central High School Auditorium, due in 13 semi-annual payments of \$254,537, followed by 17 semi-annual payments of \$173,333, plus interest at 3.399%, through June 2019, secured by real property 1,733,905

\$3,850,000 October 2002 agreement to construct classrooms, make renovations at various Alexander County schools, due in 30 semi-annual payments of \$128,333, plus interest at 4.05% through September 2017, secured by a deed of trust. In March 2013, the loan terms were modified by the financial institution. The new terms state that interest will accrue at a rate of 1.73%. Principal payments will remain the same at \$128,333, plus interest semi-annually through September 2017. 898,333

\$10,000,000 January 2011 agreement to construct a new law enforcement and detention center and to make renovations to the existing County courthouse, due in 30 semi-annual payments of \$333,333, plus interest at 3.19% through January 2026, secured by a deed of trust 8,000,000

\$1,110,592 October 2012 promissory note to purchase real property and buildings for the Alexander County branch of Catawba Valley Community College and for general government, due in 2 annual payments of \$580,408, including interest at 3.0% through October 2014, secured by a deed of trust 563,502

Total governmental funds 13,929,698

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Proprietary Funds:

\$3,600,645 June 2009 Drinking Water State Revolving Fund agreement to construct water system due on May 1 in installments of \$200,036, with interest payable on May 1 and November 1 at 2.10% through May 2028, unsecured 2,800,502

\$3,308,771 February 2015 Drinking Water State Revolving Fund agreement to construct a water system improvement project payments beginning May 2016 in annual installments of \$165,439, with 0% interest payable through May 2035, unsecured 594,577

Total proprietary funds 3,395,079

Total all funds \$ 17,324,777

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Annual debt service requirements to maturity for the County's notes payable are as follows:

### Governmental Activities:

#### Governmental Funds:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 2,229,294	\$ 407,096	\$ 2,636,390
2016	1,653,312	341,666	1,994,978
2017	1,641,073	294,020	1,935,093
2018	1,522,413	246,693	1,769,106
2019	1,404,579	202,445	1,607,024
2020-2024	4,145,696	531,546	4,677,242
2025-2026	1,333,331	53,167	1,386,498
Total governmental funds	<u>13,929,698</u>	<u>2,076,633</u>	<u>16,006,331</u>

### Business-Type Activities:

#### Proprietary Funds:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	200,035	58,811	258,846
2016	229,765	54,610	284,375
2017	229,765	50,409	280,174
2018	229,765	46,208	275,973
2019	229,765	42,008	271,773
2020-2024	1,148,823	147,026	1,295,849
2025-2029	948,788	42,008	990,796
2030-2034	148,644	-	148,644
2035	29,729	-	29,729
Total proprietary funds	<u>3,395,079</u>	<u>441,080</u>	<u>3,836,159</u>
Total notes payable	<u>\$ 17,324,777</u>	<u>\$ 2,517,713</u>	<u>\$ 19,842,490</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

A summary of changes in long-term obligations follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 16,133,423	\$ -	\$ 2,203,725	\$ 13,929,698	\$ 2,229,294
Compensated absences	907,515	458,017	411,192	954,340	411,000
OPEB liability	4,869,101	962,691	112,463	5,719,329	-
Net pension obligation	353,792	33,679	11,362	376,109	-
Total	<u>\$ 22,263,831</u>	<u>\$ 1,454,387</u>	<u>\$ 2,738,742</u>	<u>\$ 20,979,476</u>	<u>\$ 2,640,294</u>
<b>Business-Type Activities:</b>					
<b>County Water and Sewer Fund:</b>					
Notes payable	\$ 3,000,538	\$ 594,577	\$ 200,036	\$ 3,395,079	\$ 200,035
OPEB liability	13,698	6,357	-	20,055	-
Compensated absences	413	3,608	1,636	2,385	1,600
Total County Water and Sewer Fund	<u>3,014,649</u>	<u>604,542</u>	<u>201,672</u>	<u>3,417,519</u>	<u>201,635</u>
<b>Bethlehem Water Fund:</b>					
General obligation bonds	<u>863,459</u>	<u>-</u>	<u>177,604</u>	<u>685,855</u>	<u>179,856</u>
<b>Solid Waste Fund:</b>					
OPEB liability	163,459	26,028	-	189,487	-
Compensated absences	25,401	6,637	4,905	27,133	4,900
Total Solid Waste Fund	<u>188,860</u>	<u>32,665</u>	<u>4,905</u>	<u>216,620</u>	<u>4,900</u>
<b>Landfill Closure Fund:</b>					
Accrued landfill post-closure costs	<u>2,483,890</u>	<u>210,494</u>	<u>45,584</u>	<u>2,648,800</u>	<u>-</u>
Total business-type activities	<u>\$ 6,550,858</u>	<u>\$ 847,701</u>	<u>\$ 429,765</u>	<u>\$ 6,968,794</u>	<u>\$ 386,391</u>

At June 30, 2014, the County had a legal debt margin of approximately \$196,701,000.

Compensated absences, pension obligations, and OPEB for governmental activities have typically been liquidated in the General Fund.

# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### C. Interfund Balances and Activity

	Transfers		
	From	To	Purpose
<b>Transfers From/to Other Funds:</b>			
General Fund	\$ -	\$ 243,522	
Special Revenue (Multi-Year Operating Grants) Fund	121	-	Return unused local funds to General Fund, closed grant projects
Capital Project (County Capital Projects) Fund	163,652	-	Return unused local funds to General Fund, closed buildings and parks projects
Capital Project (County Capital Projects) Fund	79,749	-	Return unused local funds to General Fund, closed information technology projects
General Fund	726,983	-	
Capital Project (Capital Improvements) Fund	-	524,989	School sales tax hold harmless funds, resources for school construction
Special Revenue (Craftmaster Building Renovation Fund) Fund	-	24,000	Local match for development project
Special Revenue (Emergency Telephone System) Fund	-	2,186	Resources for PSAP expenditures
Enterprise (Solid Waste) Fund	-	808	Resources for salary adjustments
Enterprise (Landfill Closure) Fund	-	175,000	Resources for monitoring of closed landfill
Enterprise (Bethlehem-Ellendale Water Capital Project) Fund	-	66,175	Local match for water project funded by DWSRF loan
Enterprise (Bethlehem Water) Fund	66,175	-	
Enterprise (Bethlehem Water) Fund	-	111,590	Resources for preliminary water project costs
Enterprise (Bethlehem-Ellendale Water Capital Proj) Fund	111,590	-	
Enterprise (Landfill Closure) Fund	-	15,000	Finance closure and post-closure costs
Enterprise (Solid Waste) Fund	15,000	-	
Total transfers	<u>\$ 1,163,270</u>	<u>\$ 1,163,270</u>	



# ALEXANDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The following is a summary of interfund and intrafund receivables and payables as of June 30, 2014:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	<u>Purpose</u>
Capital Improvements Fund	General Fund	\$ 14,980	Sales tax hold harmless amount due to schools for July and August sales tax distributions
Bethlehem Sewer Fund	Bethlehem Water Fund	4,990	Sewer surcharge for quarter ended 6/30/14 - include in payment from City of Hickory to Bethlehem Water Fund
General Fund	County Capital Project Fund	14,265	Cash overdraft
General Fund	Multi-Year Grants Fund	31,823	Cash overdraft
General Fund	County Water and Sewer Fund	134,544	Cash overdraft
General Fund	Solid Waste Fund	138,264	Interfund capital loan
General Fund	Solid Waste Fund	218,684	Cash overdraft
Total		<u>\$ 557,550</u>	

### 4. Summary Disclosure of Significant Contingencies

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

### 5. Jointly Governed Organizations

The County, in conjunction with three other counties and twenty-three municipalities, established the Western Piedmont Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$32,442 and administrative and other fees of \$39,161 to the Council during the fiscal year ended June 30, 2014.

Smoky Mountain Center is the MH/DD/SAS area program for the following 15 counties: Alexander, Alleghany, Ashe, Avery, Caldwell, Cherokee, Clay, Graham, Haywood, Jackson, Macon, McDowell, Swain, Watauga, and Wilkes. The County Commissioners are responsible for appointing two of the 30 members of the Board of Directors of Smoky Mountain Center for MH/DD/SAS. The County Commissioners also appoint one at-large member to the Smoky Mountain Center Board, but this member has no voting power. The County's accountability for this organization does not extend beyond making these appointments.

## ALEXANDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The County, in conjunction with three other counties (Burke, Caldwell, and Catawba) and three municipalities (Hickory, Conover, and Newton), established the Western Piedmont Regional Transit Authority (RTA) which began operations as of July 1, 2008. Each participating government appoints one member and one alternate to the RTA's governing board. The County paid \$4,080 as a special appropriation to the RTA during the fiscal year ended June 30, 2014.

#### 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	\$ 25,218,468	\$ 13,821,663
NC Health Choice	722,371	228,086
Temporary Assistance to Needy Families	168,753	-
Foster care	131,478	34,353
Low income energy assistance	150,200	-
State/County domiciliary care	-	230,080
IV-E adoption subsidy	249,623	66,250
CWS adoption subsidy	-	49,751
F/C at-risk maximization	-	1,346
State foster home	-	53,646
Total	<u>\$ 26,640,893</u>	<u>\$ 14,485,175</u>

## ALEXANDER COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL)- Projected Unit Credit (b)					
12/31/2008	\$ -	\$ 203,072		\$ 203,072	0.00%	\$ 990,531	20.50%
12/31/2009	-	297,737		297,737	0.00%	932,629	31.92%
12/31/2010	-	258,707		258,707	0.00%	1,114,313	23.22%
12/31/2011	-	266,813		266,813	0.00%	1,077,088	24.77%
12/31/2012	-	350,358		350,358	0.00%	1,229,248	28.50%
12/31/2013	-	406,814		406,814	0.00%	1,500,151	27.12%

## Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution	Percentage Contributed
2012	\$ 36,481	0.00%
2013	37,659	22.63%
2014	44,813	25.35%

**Notes to the Required Schedules:**

The information presented above was determined as part of the actuarial valuation at the dates indicated.  
Additional information as of the latest valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
Cost of living adjustments	None

\*Includes inflation at 3.00%

## ALEXANDER COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -		Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	UAAL as a % of Covered Payroll ((b-a)/c)
		Projected Unit Credit (b)				
12/31/2008	\$ -	\$ 9,133,405		\$ 9,133,405	0.00%	\$ 9,230,942 98.9%
12/31/2010	-	9,544,595		9,544,595	0.00%	8,320,604 114.7%
12/31/2012	-	9,315,846		9,315,846	0.00%	6,721,626 138.6%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 1,187,488	12.26%
2013	1,073,828	13.06%
2014	1,073,828	10.47%

**Notes to the Required Schedules:**

The information presented above was determined as part of the actuarial valuation at the dates indicated.  
 Additional information as of the latest valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	
Medical cost trend rate:	4.00%
Pre-Medicare trend rate	8.50% - 5.0%
Post-Medicare trend rate	6.25% - 5.0%
Year of ultimate trend rate	2018

\*Includes inflation at 3.00%

ALEXANDER COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 15,504,400	\$ 16,190,236	\$ 685,836	\$ 15,601,559
Penalties and interest	142,000	198,191	56,191	149,797
Total	15,646,400	16,388,427	742,027	15,751,356
<b>Local Option Sales Taxes:</b>				
Article 39 one percent	1,761,000	1,728,372	(32,628)	1,743,082
Article 40 one-half of one percent	2,035,000	2,097,379	62,379	2,046,641
Article 42 one-half of one percent	1,025,000	973,282	(51,718)	977,782
Article 44 one-half of one percent	-	716	716	709
Article 46 one-fourth of one percent	369,000	377,727	8,727	385,956
Medicaid Hold Harmless	600,000	972,593	372,593	853,963
Total	5,790,000	6,150,069	360,069	6,008,133
<b>Other Taxes and Licenses:</b>				
ABC \$.05 per bottle	2,900	3,336	436	3,414
Franchise fees	30,000	35,148	5,148	32,650
Video programming distribution	180,000	179,432	(568)	182,939
Total	212,900	217,916	5,016	219,003
<b>Restricted Intergovernmental Revenues:</b>				
Federal and State grants	4,868,731	4,654,425	(214,306)	4,616,116
Controlled substance tax	2,000	810	(1,190)	5,349
Court facility fees	45,000	39,329	(5,671)	40,601
Total	4,915,731	4,694,564	(221,167)	4,662,066
<b>Permits and Fees:</b>				
Register of Deeds	180,000	202,797	22,797	192,986
Building inspections	125,000	194,725	69,725	117,790
Gun and concealed weapon permits	14,000	30,048	16,048	38,499
Other fees	9,650	12,676	3,026	7,115
Total	328,650	440,246	111,596	356,390
<b>Sales and Services:</b>				
Rents, concessions, and fees	225,018	181,552	(43,466)	183,184
Detention Center fees	388,500	465,829	77,329	28,973
Ambulance fees	1,453,000	1,492,590	39,590	1,364,176
Recreation Department	67,035	61,080	(5,955)	55,950
Health Department	2,228,380	1,914,468	(313,912)	2,020,296
Information technology	250	50	(200)	210
Social services	343,700	408,820	65,120	338,733
Senior Center	7,000	8,296	1,296	14,381
License Plate Agency	79,000	107,503	28,503	86,897
Library	7,000	10,017	3,017	10,634
State payments - soil and water technical assistance	21,898	20,876	(1,022)	20,737
Total	4,820,781	4,671,081	(149,700)	4,124,171
<b>Investment Earnings</b>	18,000	12,371	(5,629)	17,387

ALEXANDER COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Miscellaneous:</b>				
Insurance claim reimbursement	-	3,010	3,010	-
Donations	25,357	22,909	(2,448)	44,402
Grant	31,676	26,358	(5,318)	21,328
Sale of fixed assets	6,000	21,484	15,484	7,044
Group health incentive	24,900	24,900	-	-
Other	39,945	54,555	14,610	85,792
Total	127,878	153,216	25,338	158,566
Total revenues	31,860,340	32,727,890	867,550	31,297,072
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing body	990,587	1,398,233	(407,646)	688,662
Administration	280,714	271,075	9,639	268,092
Planning	71,101	65,489	5,612	60,280
Elections	265,397	202,589	62,808	253,126
Finance	466,710	457,295	9,415	411,552
Tax office	517,517	474,358	43,159	455,964
Information technology	1,079,045	1,040,740	38,305	848,376
Register of Deeds	251,300	225,637	25,663	226,286
License Plate Agency	133,135	134,096	(961)	125,907
Public buildings	983,197	861,968	121,229	1,443,802
Garage	501,888	454,751	47,137	456,308
Human resources	451,209	372,850	78,359	304,672
Court facilities	98,428	79,342	19,086	81,431
Total	6,090,228	6,038,423	51,805	5,624,458
<b>Public Safety:</b>				
Sheriff's office	2,367,146	2,296,903	70,243	2,141,237
Detention center	2,330,129	2,023,372	306,757	1,469,446
Pre-trial release program	68,301	64,167	4,134	59,342
TECS program	100,205	76,881	23,324	71,722
Fire protection	276,138	209,709	66,429	236,640
Emergency communications	611,488	585,381	26,107	498,246
Forestry	64,823	61,649	3,174	44,962
Inspections	192,607	185,247	7,360	180,531
Emergency medical	2,438,449	2,387,881	50,568	2,223,784
Medical examiner	25,000	19,700	5,300	17,900
Total	8,474,286	7,910,890	563,396	6,943,810
<b>Environmental Protection:</b>				
Soil and water	108,023	103,697	4,326	106,642
Animal control	224,394	208,039	16,355	207,234
Total	332,417	311,736	20,681	313,876

ALEXANDER COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Economic and Physical Development:</b>				
Economic development	165,132	160,074	5,058	151,450
Agricultural extension	192,271	178,583	13,688	185,340
Total	357,403	338,657	18,746	336,790
<b>Human Services:</b>				
<b>Health Department:</b>				
Environmental health	301,382	341,698	(40,316)	327,726
General health	151,654	118,008	33,646	134,714
Maternal health	191,268	149,566	41,702	219,719
Home health	979,035	952,561	26,474	910,435
WIC program	173,842	160,528	13,314	159,103
Dental health	394,650	356,753	37,897	385,967
Family planning	199,510	210,812	(11,302)	190,202
Communicable disease	132,562	126,976	5,586	100,899
Health promotion	99,900	43,578	56,322	50,841
Child health	255,764	200,215	55,549	282,005
Adult health	50,423	7,046	43,377	21,575
Bioterrorism grant	59,394	31,976	27,418	50,030
Care coordination for children	64,859	47,738	17,121	-
Pregnancy care management	74,540	59,651	14,889	-
Total	3,128,783	2,807,106	321,677	2,833,216
<b>Veterans Service</b>	67,969	64,505	3,464	61,410
<b>Juvenile Crime Prevention</b>	127,584	104,677	22,907	94,397
<b>Social Services Department:</b>				
Administration	3,524,039	3,398,377	125,662	3,107,409
In-home services	178,575	176,905	1,670	198,559
Public assistance	144,616	109,620	34,996	111,750
Emergency assistance account	10,876	8,491	2,385	7,649
Medical assistance	185,000	198,578	(13,578)	105,603
General assistance	1,769,190	1,710,336	58,854	1,743,598
Foster care	521,376	413,024	108,352	397,607
Adoption enhancement fund	85,454	51,960	33,494	42,477
Work First	32,351	31,756	595	35,559
Aging nutrition	109,072	96,095	12,977	108,180
Total	6,560,549	6,195,142	365,407	5,858,391
Special appropriations	428,798	427,513	1,285	382,326
Senior Center	168,733	152,154	16,579	135,700
Total human services	10,482,416	9,751,097	731,319	9,365,440

ALEXANDER COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Cultural and Recreation:</b>				
Recreation	324,769	283,926	40,843	331,742
Rocky Face Park	147,344	114,413	32,931	123,918
Library	383,458	356,902	26,556	365,166
Bethlehem Library	74,680	66,619	8,061	64,946
Total	930,251	821,860	108,391	885,772
<b>Education:</b>				
<b>Alexander County Board of Education:</b>				
Current expenses	5,250,000	5,250,000	-	5,000,000
Auditorium reimbursement	150,000	150,000	-	150,000
Total	5,400,000	5,400,000	-	5,150,000
<b>CVCC - Alexander County:</b>				
Current expenses	69,500	66,331	3,169	65,886
Capital outlay	-	-	-	950,000
Total	5,469,500	5,466,331	3,169	6,165,886
<b>Debt Service:</b>				
Principal retirement	2,211,000	2,203,725	7,275	1,654,440
Interest and fees	480,000	472,088	7,912	594,889
Total	2,691,000	2,675,813	15,187	2,249,329
<b>Contingency</b>	38,595	-	38,595	-
Total expenditures	34,866,096	33,314,807	1,551,289	31,885,361
Revenues over (under) expenditures	(3,005,756)	(586,917)	2,418,839	(588,289)
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	-	-	1,110,592
Transfers in:				
Special revenue funds	123	121	(2)	38,867
Capital project funds	243,401	243,401	-	152,463
Transfers out:				
Special revenue funds	(26,186)	(26,186)	-	(25,273)
Capital project funds	(567,000)	(524,989)	42,011	(1,140,009)
Enterprise funds	(175,808)	(175,808)	-	(176,719)
Appropriated fund balance	3,531,226	-	(3,531,226)	-
Total	3,005,756	(483,461)	(3,489,217)	(40,079)
Net change in fund balance	\$ -	(1,070,378)	\$ (1,070,378)	(628,368)
<b>Fund Balance:</b>				
Beginning of year - July 1		10,649,195		11,277,563
End of year - June 30		\$ 9,578,817		\$ 10,649,195



## ALEXANDER COUNTY, NORTH CAROLINA

## MAJOR CAPITAL PROJECT FUND

## CAPITAL IMPROVEMENTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND

## CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
State lottery revenue	\$ 149,135	\$ 104,071	\$ (45,064)	\$ 631,110
Investment earnings	700	241	(459)	804
Total revenues	<u>149,835</u>	<u>104,312</u>	<u>(45,523)</u>	<u>631,914</u>
<b>Expenditures:</b>				
Education	549,135	129,142	419,993	631,110
Contingency	<u>167,700</u>	-	<u>167,700</u>	-
Total expenditures	<u>716,835</u>	<u>129,142</u>	<u>587,693</u>	<u>631,110</u>
Revenues over (under) expenditures	(567,000)	(24,830)	542,170	804
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>567,000</u>	<u>524,989</u>	<u>(42,011)</u>	<u>412,218</u>
Net change in fund balance	<u>\$ -</u>	500,159	<u>\$ 500,159</u>	413,022
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>2,081,167</u>		<u>1,668,145</u>
End of year - June 30		<u>\$ 2,581,326</u>		<u>\$ 2,081,167</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2014

	Special Revenue Funds				
	Fire Districts Fund	Revaluation Fund	Multi-Year Operating Grants Fund	Craftmaster Furniture Building Renovation Grant Project Fund	Emergency Telephone System Fund
<b>Assets:</b>					
Cash and investments	\$ 91,727	\$ -	\$ -	\$ -	\$ 712,316
Taxes receivable, net	68,214	-	-	-	-
Accounts receivable	8,305	-	38,405	480,000	11,594
Prepays	-	-	-	-	6,265
Cash and investments, restricted	-	290,482	-	-	-
Total assets	<u>\$ 168,246</u>	<u>\$ 290,482</u>	<u>\$ 38,405</u>	<u>\$ 480,000</u>	<u>\$ 730,175</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 28,934	\$ 20,365	\$ 6,582	\$ 480,000	\$ 468
Due to other funds	-	-	31,823	-	-
Total liabilities	<u>28,934</u>	<u>20,365</u>	<u>38,405</u>	<u>480,000</u>	<u>468</u>
<b>Deferred Inflows of Resources:</b>					
Taxes receivable	<u>68,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Non-spendable:					
Prepaid items	-	-	-	-	6,265
Restricted:					
Stabilization for State statute	8,305	-	38,405	480,000	11,594
Restricted, all other	62,793	-	-	-	711,848
Committed	-	270,117	-	-	-
Unassigned	-	-	(38,405)	(480,000)	-
Total fund balances	<u>71,098</u>	<u>270,117</u>	<u>-</u>	<u>-</u>	<u>729,707</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 168,246</u>	<u>\$ 290,482</u>	<u>\$ 38,405</u>	<u>\$ 480,000</u>	<u>\$ 730,175</u>

**Schedule 5**

<b>Total Nonmajor Special Revenue Funds</b>	<b>Capital Project Fund County Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 804,043	\$ 7,668	\$ 811,711
68,214	-	68,214
538,304	-	538,304
6,265	-	6,265
<u>290,482</u>	<u>1,466,210</u>	<u>1,756,692</u>
<u>\$ 1,707,308</u>	<u>\$ 1,473,878</u>	<u>\$ 3,181,186</u>
\$ 536,349	\$ -	\$ 536,349
31,823	14,265	46,088
<u>568,172</u>	<u>14,265</u>	<u>582,437</u>
<u>68,214</u>	<u>-</u>	<u>68,214</u>
6,265	-	6,265
538,304	-	538,304
774,641	1,466,210	2,240,851
270,117	-	270,117
<u>(518,405)</u>	<u>(6,597)</u>	<u>(525,002)</u>
<u>1,070,922</u>	<u>1,459,613</u>	<u>2,530,535</u>
<u>\$ 1,707,308</u>	<u>\$ 1,473,878</u>	<u>\$ 3,181,186</u>

# ALEXANDER COUNTY, NORTH CAROLINA

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds				
	Fire Districts Fund	Revaluation Fund	Multi-Year Operating Grants Fund	Craftmaster Furniture Building Renovation Grant Project Fund	Emergency Telephone System Fund
<b>Revenues:</b>					
Ad valorem taxes	\$ 958,259	\$ 75,000	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	139,121
Intergovernmental revenues	-	-	206,362	480,000	-
Investment earnings	-	21	-	-	386
Total revenues	<u>958,259</u>	<u>75,021</u>	<u>206,362</u>	<u>480,000</u>	<u>139,507</u>
<b>Expenditures:</b>					
Public safety	926,816	-	-	-	134,456
General government	-	280,988	-	-	-
Economic and physical development	-	-	206,362	504,000	-
Total expenditures	<u>926,816</u>	<u>280,988</u>	<u>206,362</u>	<u>504,000</u>	<u>134,456</u>
Revenues over (under) expenditures	<u>31,443</u>	<u>(205,967)</u>	<u>-</u>	<u>(24,000)</u>	<u>5,051</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	24,000	2,186
Transfers out	-	-	(121)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(121)</u>	<u>24,000</u>	<u>2,186</u>
Net change in fund balances	31,443	(205,967)	(121)		7,237
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>39,655</u>	<u>476,084</u>	<u>121</u>	<u>-</u>	<u>722,470</u>
End of year - June 30	<u>\$ 71,098</u>	<u>\$ 270,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,707</u>

**Schedule 6**

<b>Total Nonmajor Special Revenue Funds</b>	<b>Capital Project Fund County Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 1,033,259	\$ -	\$ 1,033,259
139,121	-	139,121
686,362	-	686,362
407	2,966	3,373
<u>1,859,149</u>	<u>2,966</u>	<u>1,862,115</u>
1,061,272	-	1,061,272
280,988	44,010	324,998
710,362	-	710,362
<u>2,052,622</u>	<u>44,010</u>	<u>2,096,632</u>
<u>(193,473)</u>	<u>(41,044)</u>	<u>(234,517)</u>
26,186	-	26,186
(121)	(243,401)	(243,522)
<u>26,065</u>	<u>(243,401)</u>	<u>(217,336)</u>
(167,408)	(284,445)	(451,853)
<u>1,238,330</u>	<u>1,744,058</u>	<u>2,982,388</u>
<u>\$ 1,070,922</u>	<u>\$ 1,459,613</u>	<u>\$ 2,530,535</u>

## ALEXANDER COUNTY, NORTH CAROLINA

## FIRE DISTRICTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 959,630	\$ 958,259	\$ (1,371)	\$ 918,135
<b>Expenditures:</b>				
Public safety:				
Bethlehem Fire District	220,430	214,025	6,405	212,508
Wittenburg Fire District	157,260	153,171	4,089	151,443
Hiddenite Fire District	127,435	122,703	4,732	119,573
East Alexander Fire District	95,825	92,238	3,587	91,396
Ellendale Fire District	99,020	94,747	4,273	95,579
Sugarloaf Fire District	90,025	86,566	3,459	86,706
Central Alexander Fire District	111,600	106,707	4,893	105,247
Vashti Fire District	58,035	56,659	1,376	54,754
Total expenditures	959,630	926,816	32,814	917,206
Net change in fund balance	\$ -	31,443	\$ 31,443	929
<b>Fund Balance:</b>				
Beginning of year - July 1		39,655		38,726
End of year - June 30		\$ 71,098		\$ 39,655

## ALEXANDER COUNTY, NORTH CAROLINA

## REVALUATION FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 75,000	\$ 75,000	\$ -	\$ 45,000
Investment earnings	-	21	21	94
Total revenues	<u>75,000</u>	<u>75,021</u>	<u>21</u>	<u>45,094</u>
<b>Expenditures:</b>				
General government	<u>435,341</u>	<u>280,988</u>	<u>154,353</u>	<u>64,130</u>
Revenues over (under) expenditures	(360,341)	(205,967)	154,374	(19,036)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>360,341</u>	<u>-</u>	<u>(360,341)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(205,967)</u>	<u>\$ (205,967)</u>	<u>(19,036)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>476,084</u>		<u>495,120</u>
End of year - June 30		<u>\$ 270,117</u>		<u>\$ 476,084</u>

ALEXANDER COUNTY, NORTH CAROLINA

MULTI-YEAR OPERATING GRANTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

		Actual		
	Budget	Prior Years	Current Year	Total to Date
<b>Project Budget:</b>				
<b>Recovery Act JAG Program:</b>				
<b>Revenues:</b>				
ARRA - Justice Assistance Grant	\$ 39,294	\$ 39,294	\$ -	\$ 39,294
Local contribution - General Fund	25,273	25,273	-	25,273
Total revenues	64,567	64,567	-	64,567
<b>Expenditures:</b>				
Capital outlay	64,446	64,446	-	64,446
Transfer to General Fund	121	-	121	121
Total expenditures	64,567	64,446	121	64,567
Revenues over (under) expenditures	\$ -	\$ 121	\$ (121)	\$ -
<b>Project Budget:</b>				
<b>CDBG 2011 Scattered Site Housing Project:</b>				
<b>Revenues:</b>				
CDBG Grant - Scattered Site Housing Rehabilitation (C-1)	\$ 360,000	\$ 123,072	\$ 168,696	\$ 291,768
CDBG Grant - Emergency Repair Program (L-1)	40,000	27,334	12,666	40,000
Total revenues	400,000	150,406	181,362	331,768
<b>Expenditures:</b>				
Scattered Site Housing Rehabilitation (C-1):				
Rehabilitation	243,896	31,480	144,964	176,444
Reconstruction	74,904	74,904	-	74,904
Clearance	1,200	1,200	-	1,200
Administration	33,000	15,488	16,731	32,219
Planning	7,000	-	7,000	7,000
Emergency Repair Program (L-1):				
Rehabilitation	40,000	27,334	12,667	40,001
Total expenditures	400,000	150,406	181,362	331,768
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -



ALEXANDER COUNTY, NORTH CAROLINA

MULTI-YEAR OPERATING GRANTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

		Actual		
	Budget	Prior Years	Current Year	Total to Date
<b>Project Budget:</b>				
<b>Precision Materials Building Renovation</b>				
<b>Grant Project:</b>				
<b>Revenues:</b>				
NC Rural Center Grant	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
Local contribution - General Fund	1,252	-	-	-
Total revenues	<u>26,252</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
<b>Expenditures:</b>				
Building renovation	25,000	-	25,000	25,000
Grant administration	1,250	-	-	-
Transfer to General Fund	2	-	-	-
Total expenditures	<u>26,252</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total for Multi-Year Operating Grants Fund:</b>				
Revenues	\$ 464,294	\$ 189,700	\$ 206,362	\$ 396,062
Economic and physical development expenditures	426,250	150,406	206,362	356,768
Public safety expenditures	64,446	64,446	-	64,446
Other financing sources (uses)	<u>26,402</u>	<u>25,273</u>	<u>(121)</u>	<u>25,152</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 121</u>	<u>\$ (121)</u>	<u>\$ -</u>

## ALEXANDER COUNTY, NORTH CAROLINA

**CRAFTMASTER FURNITURE BUILDING RENOVATION GRANT PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

		Actual		
	Budget	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
NC Department of Commerce	\$ 480,000	\$ -	\$ 480,000	\$ 480,000
<b>Expenditures:</b>				
Economic and physical development:				
Building renovation	504,000	-	504,000	504,000
Revenues over (under) expenditures	(24,000)	-	(24,000)	(24,000)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
General Fund	24,000	-	24,000	24,000
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

## ALEXANDER 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, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes and licenses	\$ 139,121	\$ 139,121	\$ -	\$ 164,271
Investment earnings	-	386	386	702
Total revenues	139,121	139,507	386	164,973
<b>Expenditures:</b>				
Telephone	65,000	44,025	20,975	43,429
Furniture	2,000	630	1,370	-
Software and software maintenance	37,900	33,867	4,033	35,852
Hardware and hardware maintenance	77,221	53,703	23,518	46,532
Training	6,000	1,175	4,825	1,517
ECaTS expense - 911	2,000	1,056	944	1,389
Contingency	11,186	-	11,186	-
Total expenditures	201,307	134,456	66,851	128,719
Revenues over (under) expenditures	(62,186)	5,051	67,237	36,254
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,186	2,186	-	-
Appropriated fund balance	60,000	-	(60,000)	-
Total other financing sources (uses)	62,186	2,186	(60,000)	-
Net change in fund balance	\$ -	7,237	\$ 7,237	36,254
<b>Fund Balance:</b>				
Beginning of year - July 1		722,470		686,216
End of year - June 30		\$ 729,707		\$ 722,470

## ALEXANDER COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUND**  
**COUNTY CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

		<b>Actual</b>		
	<b>Budget</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Investment earnings	\$ 25,088	\$ 25,839	\$ 2,966	\$ 28,805
<b>Expenditures:</b>				
Capital outlay:				
JC Park basketball court	9,003	9,003	-	9,003
Bethlehem tennis courts	77,520	77,520	-	77,520
Jail/courthouse administration	31,805	31,805	-	31,805
Jail construction	8,424,242	8,424,241	-	8,424,241
Courthouse renovations	1,500,000	95	44,010	44,105
Dusty Ridge Park paving	97,758	97,758	-	97,758
Technology/computers	75,251	75,251	-	75,251
Total expenditures	10,215,579	8,715,673	44,010	8,759,683
Revenues over (under) expenditures	(10,190,491)	(8,689,834)	(41,044)	(8,730,878)
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	10,000,000	10,000,000	-	10,000,000
Transfers in:				
General Fund	1,517,291	1,517,291	-	1,517,291
Capital Improvements Fund	10,298	10,298	-	10,298
Transfers out:				
Special revenue funds	(97,755)	(97,755)	-	(97,755)
General Fund	(1,213,798)	(970,397)	(243,401)	(1,213,798)
Capital Improvements Fund	(25,545)	(25,545)	-	(25,545)
Total other financing sources (uses)	10,190,491	10,433,892	(243,401)	10,190,491
Net change in fund balance	\$ -	\$ 1,744,058	(284,445)	\$ 1,459,613
<b>Fund Balance:</b>				
Beginning of year - July 1			1,744,058	
End of year - June 30			\$ 1,459,613	

## ALEXANDER COUNTY, NORTH CAROLINA

## MAJOR ENTERPRISE FUND

## COUNTY WATER AND SEWER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water revenues	\$ 1,134,000	\$ 1,155,628	\$ 21,628	\$ 1,107,044
Non-operating revenues:				
Intergovernmental revenues	75,000	75,000	-	12,000
Investment earnings	45	10	(35)	43
Other non-operating revenues	-	24,002	24,002	-
Total revenues	<u>1,209,045</u>	<u>1,254,640</u>	<u>45,595</u>	<u>1,119,087</u>
<b>Expenditures:</b>				
Water and distribution	830,934	769,418	61,516	814,608
Capital outlay	41,000	33,648	7,352	-
Contingency	72,611	-	72,611	-
Budgetary appropriations:				
Debt principal	201,000	200,036	964	200,035
Interest and fees paid	<u>63,500</u>	<u>63,011</u>	<u>489</u>	<u>66,512</u>
Total expenditures	<u>1,209,045</u>	<u>1,066,113</u>	<u>142,932</u>	<u>1,081,155</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 188,527</u>	<u>\$ 188,527</u>	<u>\$ 37,932</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 188,527		
Reconciling items:				
Capital project transfer from Bethlehem Water District		66,175		
Capital project transfer to Bethlehem Water District		(111,590)		
Capital outlay		33,648		
Debt principal		200,036		
Depreciation		(553,470)		
Change in accrued interest		700		
Change in compensated absences		(1,972)		
Change in other post-employment benefits		<u>6,357</u>		
Change in net position		<u>\$ (171,589)</u>		

## ALEXANDER COUNTY, NORTH CAROLINA

COUNTY WATER AND SEWER CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Bethlehem, Ellendale Water System Improvements Project:</b>				
<b>Expenditures:</b>				
Water improvements	\$ 2,896,925	\$ -	\$ 823,899	\$ 823,899
Professional services	157,000	-	36,795	36,795
Administration	66,176	-	66,175	66,175
Contingency	143,255	-	-	-
Total expenditures	<u>3,263,356</u>	<u>-</u>	<u>926,869</u>	<u>926,869</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	3,308,771	-	594,577	594,577
Transfer from Bethlehem Water District	66,176	-	66,175	66,175
Transfer to Bethlehem Water District	(111,591)	-	(111,590)	(111,590)
Total other financing sources (uses)	<u>3,263,356</u>	<u>-</u>	<u>549,162</u>	<u>549,162</u>
Other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (377,707)</u>	<u>\$ (377,707)</u>

## ALEXANDER COUNTY, NORTH CAROLINA

## MAJOR ENTERPRISE FUND

## BETHLEHEM WATER DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales	\$ 1,173,000	\$ 1,154,021	\$ (18,979)	\$ 1,158,227
Non-operating revenues:				
Investment earnings	775	700	(75)	770
Total revenues	<u>1,173,775</u>	<u>1,154,721</u>	<u>(19,054)</u>	<u>1,158,997</u>
<b>Expenditures:</b>				
Administration	93,000	90,795	2,205	42,724
Water and distribution	831,825	793,559	38,266	774,211
Budgetary appropriations:				
Debt principal	178,000	177,604	396	153,244
Interest and fees paid	16,000	14,497	1,503	34,697
Contingency	100,365	-	100,365	-
Total expenditures	<u>1,219,190</u>	<u>1,076,455</u>	<u>142,735</u>	<u>1,004,876</u>
Revenues over (under) expenditures	<u>(45,415)</u>	<u>78,266</u>	<u>123,681</u>	<u>154,121</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Bethlehem - Ellendale Capital Project	111,591	111,590	(1)	-
Transfer to Bethlehem - Ellendale Capital Project	(66,176)	(66,175)	1	-
Refunding bonds issued	-	-	-	863,459
Payment to refunded bond escrow agent	-	-	-	(863,459)
Total other financing sources (uses)	<u>45,415</u>	<u>45,415</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>123,681</u>	<u>\$ 123,681</u>	<u>\$ 154,121</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Debt principal		177,604		
Change in accrued interest		275		
Depreciation and amortization		<u>(95,548)</u>		
Change in net position		<u>\$ 206,012</u>		

## ALEXANDER COUNTY, NORTH CAROLINA

## MAJOR ENTERPRISE FUND

## SOLID WASTE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Landfill	\$ 1,190,000	\$ 1,104,961	\$ (85,039)	\$ 1,064,803
Convenience center	196,030	191,336	(4,694)	190,720
Non-operating revenues:				
Intergovernmental revenues	72,500	78,981	6,481	72,171
Miscellaneous revenue	10,000	26,794	16,794	-
Total revenues	<u>1,468,530</u>	<u>1,402,072</u>	<u>(66,458)</u>	<u>1,333,790</u>
<b>Expenditures:</b>				
Convenience centers	187,942	178,842	9,100	168,695
Landfill operations	1,242,163	1,186,901	55,262	1,169,246
Capital outlay	156,000	155,547	453	56,089
Note payable and capital lease principal	17,200	-	17,200	-
Interest and fees paid	2,000	-	2,000	-
Total expenditures	<u>1,605,305</u>	<u>1,521,290</u>	<u>84,015</u>	<u>1,394,030</u>
Revenues over (under) expenditures	<u>(136,775)</u>	<u>(119,218)</u>	<u>17,557</u>	<u>(60,240)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	160,000	-	(160,000)	-
Transfers - General Fund	808	808	-	1,719
Transfers - Landfill Closure Fund	(15,000)	(15,000)	-	(9,058)
Contingency	(9,033)	-	9,033	-
Total other financing sources (uses)	<u>136,775</u>	<u>(14,192)</u>	<u>(150,967)</u>	<u>(7,339)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(133,410)</u>	<u>\$ (133,410)</u>	<u>\$ (67,579)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Capital outlay capitalized		155,547		
Change in compensated absences		(1,732)		
Change in other post-employment benefits		(26,028)		
Depreciation		<u>(66,998)</u>		
Change in net position		<u>\$ (72,621)</u>		



## ALEXANDER COUNTY, NORTH CAROLINA

## MAJOR ENTERPRISE FUND

## LANDFILL CLOSURE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2014

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Non-operating revenues:				
Investment earnings	\$ 85	\$ 64	\$ (21)	\$ 96
<b>Expenditures:</b>				
Monitoring	45,584	45,584	-	-
Revenues over (under) expenditures	(45,499)	(45,520)	(21)	96
<b>Other Financing Sources (Uses):</b>				
Transfer in - Solid Waste Fund	15,000	15,000	-	9,058
Transfer in - General Fund	175,000	175,000	-	175,000
Contingencies	(144,501)	-	144,501	-
Total other financing sources (uses)	45,499	190,000	144,501	184,058
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	144,480	\$ 144,480	\$ 184,154
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
(Increase)/decrease in accrued landfill closure and post-closure care costs		(164,910)		
Change in net position		\$ (20,430)		

## ALEXANDER COUNTY, NORTH CAROLINA

**PROPRIETARY FUND TYPES**  
**NONMAJOR ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>Bethlehem Sewer</b>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 84,062
Due from other funds	4,990
Total current assets	<u>89,052</u>
Non-current assets:	
Depreciable assets, net	<u>823,316</u>
Total assets	<u>912,368</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	<u>9,125</u>
<b>Net Position:</b>	
Net investment in capital assets	823,316
Unrestricted	<u>79,927</u>
Total net position	<u><u>\$ 903,243</u></u>

## ALEXANDER COUNTY, NORTH CAROLINA

**PROPRIETARY FUND TYPES**  
**NONMAJOR ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Bethlehem Sewer</b>
	<hr/>
<b>Operating Revenues:</b>	
Sewer capital reserve fees	\$ 19,333
	<hr/>
<b>Operating Expenses:</b>	
Water and sewer operations	9,125
Depreciation and amortization	35,570
Total operating expenses	<hr/> 44,695 <hr/>
Change in net position	(25,362)
<b>Net Position:</b>	
Beginning of year - July 1	<hr/> 928,605
End of year - June 30	<hr/> \$ 903,243 <hr/>

**ALEXANDER COUNTY, NORTH CAROLINA**

**PROPRIETARY FUND TYPES**  
**NONMAJOR ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Bethlehem Sewer</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 19,333
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Change in due to/from other funds	(238)
Net increase (decrease) in cash and cash equivalents	19,095
<b>Cash and Cash Equivalents - Beginning of Year - July 1</b>	<u>64,967</u>
<b>Cash and Cash Equivalents - End of Year - June 30</b>	<u>\$ 84,062</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (25,362)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	35,570
Increase (decrease) in accounts payable	<u>9,125</u>
Net cash provided (used) by operating activities	<u>\$ 19,333</u>

**ALEXANDER COUNTY, NORTH CAROLINA****NONMAJOR ENTERPRISE FUND****BETHLEHEM SEWER FUND****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2014****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<b>2014</b>			<b>2013</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Sewer capital reserve fee	\$ 18,750	\$ 19,333	\$ 583	\$ 18,890
<b>Expenditures:</b>				
Operations	15,000	9,125	5,875	-
Contingency	3,750	-	3,750	-
Total expenditures	18,750	9,125	9,625	-
Revenues over (under) expenditures	\$ -	10,208	\$ 10,208	\$ 18,890
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Depreciation		(35,570)		
Change in net position		\$ (25,362)		

## ALEXANDER COUNTY, NORTH CAROLINA

AGENCY FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2014

	<b>Social Services Fund</b>	<b>Sheriff's Civil Executions Fund</b>	<b>Deed of Trust Fees Fund</b>	<b>Fines and Forfeitures</b>	<b>Totals June 30, 2014</b>
<b>Assets:</b>					
Cash and investments	\$ 17,292	\$ 3,316	\$ 338	\$ 7,041	\$ 27,987
<b>Liabilities:</b>					
Accounts payable	\$ 17,292	\$ 3,316	\$ -	\$ 7,041	\$ 27,649
Intergovernmental payable - State of NC	-	-	338	-	338
Total liabilities	\$ 17,292	\$ 3,316	\$ 338	\$ 7,041	\$ 27,987

## ALEXANDER COUNTY, NORTH CAROLINA

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<b>Social Services:</b>				
<b>Assets:</b>				
Cash and investments:				
Client services	\$ 15,384	\$ 108,261	\$ 106,353	\$ 17,292
<b>Liabilities:</b>				
Accounts payable	\$ 14,734	\$ 108,261	\$ 105,703	\$ 17,292
Intergovernmental payable:				
State of North Carolina	650	-	650	-
Total liabilities	\$ 15,384	\$ 108,261	\$ 106,353	\$ 17,292
<b>Sheriff's Civil Executions Fund:</b>				
<b>Assets:</b>				
Cash and investments	\$ 986	\$ 22,776	\$ 20,446	\$ 3,316
<b>Liabilities:</b>				
Accounts payable	\$ 986	\$ 22,776	\$ 20,446	\$ 3,316
<b>3% Interest Payable to State:</b>				
<b>Assets:</b>				
Cash and investments	\$ 839	\$ -	\$ 839	\$ -
<b>Liabilities:</b>				
Intergovernmental payable:				
State of North Carolina	\$ 839	\$ -	\$ 839	\$ -
<b>Deed of Trust Fees:</b>				
<b>Assets:</b>				
Cash and investments	\$ 404	\$ 4,387	\$ 4,453	\$ 338
<b>Liabilities:</b>				
Intergovernmental payable:				
State of North Carolina	\$ 404	\$ 4,387	\$ 4,453	\$ 338
<b>Fines and Forfeitures:</b>				
<b>Assets:</b>				
Cash and investments	\$ -	\$ 131,684	\$ 124,643	\$ 7,041
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 131,684	\$ 124,643	\$ 7,041
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and investments	\$ 17,613	\$ 267,108	\$ 256,734	\$ 27,987
<b>Liabilities:</b>				
Accounts payable	\$ 15,720	\$ 262,721	\$ 250,792	\$ 27,649
Intergovernmental payable:				
State of North Carolina	1,893	4,387	5,942	338
Total liabilities	\$ 17,613	\$ 267,108	\$ 256,734	\$ 27,987

## ALEXANDER COUNTY, NORTH CAROLINA

## GENERAL FUND

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2014

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2013</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2014</b>
2013	\$ -	\$ 16,250,776	\$ 15,657,952	\$ 592,824
2012	701,058	-	408,977	292,081
2011	276,396	-	109,211	167,185
2010	153,329	-	48,488	104,841
2009	85,540	-	25,344	60,196
2008	49,537	-	10,519	39,018
2007	31,263	-	4,457	26,806
2006	15,818	-	1,294	14,524
2005	13,356	-	674	12,682
2004	14,937	-	489	14,448
2003	13,918	-	13,918	-
Total	<u>\$ 1,355,152</u>	<u>\$ 16,250,776</u>	<u>\$ 16,281,323</u>	<u>1,324,605</u>

Less: allowance for uncollectible ad valorem taxes receivable:

General Fund (394,790)**Ad Valorem Taxes Receivable, Net:**General Fund \$ 929,815**Reconciliation of Collections and Credits with Revenues:**

Ad valorem taxes - General Fund	\$ 16,388,427
Ad valorem taxes - Revaluation Fund	<u>75,000</u>
Total ad valorem taxes	<u>16,463,427</u>

Reconciling items:

Interest and penalties collected	(198,191)
Tax refunds	2,516
Miscellaneous adjustments	(347)
Amounts written off for tax year 2003 per Statute of Limitations	<u>13,918</u>
Total collections and credits	<u>\$ 16,281,323</u>



## ALEXANDER COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2014

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
County-wide:					
Property tax	\$2,690,119,182	0.605	\$ 16,275,221	\$ 14,193,351	\$ 2,081,870
Late list penalties	-		13,192	13,192	-
Total original levy	<u>2,690,119,182</u>		<u>16,288,413</u>	<u>14,206,543</u>	<u>2,081,870</u>
<b>Discoveries</b>	<u>9,714,711</u>		<u>58,774</u>	<u>58,774</u>	<u>-</u>
<b>Abatements and Discounts</b>	<u>(15,935,702)</u>		<u>(96,411)</u>	<u>(96,411)</u>	<u>-</u>
Total property valuation	<u>\$2,683,898,191</u>				
<b>Net Levy</b>			16,250,776	14,168,906	2,081,870
Uncollected taxes at June 30, 2014			<u>592,824</u>	<u>520,339</u>	<u>72,485</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 15,657,952</u>	<u>\$ 13,648,567</u>	<u>\$ 2,009,385</u>
<b>Current Levy Collection Percentage</b>			<u>96.35%</u>	<u>96.33%</u>	<u>96.52%</u>

*This page left blank intentionally.*

**ALEXANDER COUNTY  
NORTH CAROLINA**

**COMPLIANCE LETTERS**

**FOR THE YEAR ENDED JUNE 30, 2014**

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

---

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

**ALEXANDER COUNTY, NORTH CAROLINA  
COMPLIANCE LETTERS  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Compliance Section:</b>	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	1-2
Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On The Schedule of Expenditures of Federal And State Awards Required By OMB Circular A-133; And The State Single Audit Implementation Act	3-5
Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; And Report On The Schedule Of Expenditures Of Federal And State Awards Required By OMB Circular A-133; And The State Single Audit Implementation Act	6-8
Schedule of Findings and Questioned Costs	9-12
Summary Schedule of Prior Year's Findings	13
Schedule of Expenditures of Federal and State Awards	14-19

# 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 Commissioners  
Alexander County  
Taylorsville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County, North Carolina, as of and for the year ended June 30, 2014, not presented here, and the related notes to the financial statements, which collectively comprise Alexander County's basic financial statements, and have issued our report thereon dated December 8, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Alexander 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 Alexander 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Alexander 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

## **Alexander County's Response to Finding**

Alexander County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
December 8, 2014

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

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

## **Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; And Report On The Schedule Of Expenditures Of Federal And State Awards Required By OMB Circular A-133; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Alexander County  
Taylorsville, North Carolina

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

We have audited Alexander County, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Alexander County's major federal programs for the year ended June 30, 2014. Alexander County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Our responsibility is to express an opinion on compliance for each of Alexander County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that 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 Alexander 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 Alexander County's compliance.

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

In our opinion, Alexander County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of Alexander 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 Alexander County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Implementation Act**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Alexander County's basic financial statements. We issued our report thereon dated December 8, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alexander County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is



the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
December 8, 2014

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; And Report On The Schedule Of Expenditures Of Federal And State Awards Required By OMB Circular A-133; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Alexander County  
Taylorsville, North Carolina

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

We have audited Alexander 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 Alexander County's major State programs for the year ended June 30, 2014. Alexander County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Our responsibility is to express an opinion on compliance for each of Alexander 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that 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 Alexander 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 Alexander County's compliance.

## **Opinion on Each Major State Program**

In our opinion, Alexander County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of Alexander 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 Alexander 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 OMB Circular A-133, 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Implementation Act**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Alexander County's basic financial statements. We issued our report thereon dated December 8, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alexander County's

basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
December 8, 2014

# ALEXANDER COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### 1. Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Non-compliance material to financial statements noted?

  X   Yes \_\_\_\_\_ No

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes   X   No

Identification of major federal programs:

#### Program Name

#### CFDA#

Medicaid Cluster  
Adoption Assistance

93.778, 93.777, 93.775  
93.659

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

\$930,682

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

**ALEXANDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. Summary of Auditor's Results (continued)**

**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

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

Unmodified

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

\_\_\_\_\_ Yes      X   No

Identification of major state programs:

**Program Name**

Medicaid Cluster

NC Department of Commerce – Craftmaster Furniture Building Renovation Grant

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**2. Financial Statement Findings**

**Finding 2014-001**

**Criteria:** Management should have a control system in place to reduce the likelihood that violations of North Carolina General Statutes occur and go undetected.

**Condition:** In the current year, there were violations of the General Statutes regarding expenditures exceeding appropriations and deficit net position in a fund.

**Effect:** The County was in violation of North Carolina General Statutes.

**Cause:** The County expended more than had been budgeted in the budget ordinance in the General Fund. This over-expenditure occurred because of unplanned expenditures related to the health insurance liabilities for claims that have been incurred but not reported (IBNR). Budget amendments were approved for health insurance claim expenditures, but the amounts were insufficient to prevent the over-expenditure. Deficit net position in the Landfill Closure Fund is due to the post-closure liability not being fully funded.

**Context:** While reviewing financial statements and budget reports, we noted the conditions described above.

**Recommendation:** Implement stringent budgetary monitoring controls to prevent expenditures exceeding appropriations. Management should make sure that all items are booked at year-end and that the proper budget amendments have been made for these expenditures.

**Name of Contact Person:** Jennifer Herman, Finance Director

**Management Response/Corrective Action:** The County changed from a fully-insured group medical insurance plan to a self-insured group medical insurance plan as of July 1, 2013. The County Manager and the Finance Director were not aware that the change to self-insurance would result in recording additional expenditures and a liability at year-end for IBNR. The County Manager and the Finance Director monitored the group medical insurance claims throughout the year for compliance with the budget ordinance, but the lack of prior experience in estimating actual claims caused the over-expenditure.

The County Manager and the Finance Director will continue to monitor the group medical insurance claims for compliance with the budget ordinance and plan ahead for the June 30, 2015, year-end accrual for IBNR. Budget amendments will be approved by the County Commissioners as needed to allow for the estimated actual claims. In addition, the County is researching options to return to a fully-insured group medical insurance plan for the 2015-2016 year.

As mentioned in the notes to the financial statements, deficit net position in the Landfill Closure fund will be eliminated with future revenues and transfers.

**ALEXANDER COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**3. Federal Award Findings and Questioned Costs**

None reported

**4. State Award Findings and Questioned Costs**

None reported



**ALEXANDER COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

None reported

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures	
		Federal	State
Federal Awards:			
U.S. Department of Agriculture			
Food and Nutrition Service			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
Supplemental Nutrition Assistance Program Cluster			
State Administrative Matching Grants for			
the Supplemental Nutrition Assistance Program	10.561	\$ 241,285	\$ -
Total Supplemental Nutrition Assistance Program Cluster		241,285	-
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Public Health:			
Administration:			
Special Supplemental Nutrition Program for			
Women, Infants, & Children	10.557	157,718	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for			
Women, Infants, & Children	10.557	528,733	-
Passed-through Western Piedmont Council of Governments:			
Division of Aging:			
NSIP Supplement	10.570	17,821	-
Total U.S. Department of Agriculture		945,557	-
U.S. Department of Housing and Urban Development			
Office of Community Planning and Development			
Passed-through the N.C. Department of Commerce:			
Division of Community Assistance:			
State Administered CDBG Cluster			
2011 Scattered Site Housing Project	14.228	181,367	-
Total U.S. Department of Housing and Urban Development		181,367	-
U.S. Department of Justice			
Bureau of Justice Assistance			
Passed-through N.C. Dept. of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program-JAG Program Cluster			
Alexander County Sheriff's Office-Training & Outreach			
Improvement-2013 PROJ009321	16.738	9,819	-
Total U.S. Department. of Justice		9,819	-
Environmental Protection Agency			
Passed-through the N.C. Department of Environment			
and Natural Resources			
Division of Water Resources			
NC Drinking Water State Revolving Fund Loan Cluster-			
Proj H-LRX-F-10-1650 (Note 2)	66.468	594,577	-
Total Environmental Protection Agency		594,577	-

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

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	
		<b>Federal</b>	<b>State</b>
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	97.024	8,986	-
Homeland Security Grant Program			
2010-SS-T0-0075-1033	97.067	2,678	-
Emergency Management Performance Grant			
EMPG-2013-37003	97.042	35,246	-
Total U.S. Department of Homeland Security		46,910	-
<u>U.S. Department of Health &amp; Human Services</u>			
<u>Office of Population Affairs</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Office of Population Affairs			
Family Planning Services	93.217	21,733	-
<u>Administration on Aging</u>			
<u>Division of Aging and Adult Services</u>			
Passed-through Western Piedmont Council of Governments:			
<u>Aging Cluster:</u>			
Special Programs for the Aging - Title III B			
Grants for Supportive Services and Senior Centers	93.044	76,835	-
Special Programs for the Aging - Title III C			
Nutrition Services	93.045	76,150	-
In Home Level 1	93.045	81,390	-
Total Aging Cluster		234,375	-
Social Service Block Grant (SSBG) - In Home Services	93.667	129,931	17,628
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
<u>Foster Care and Adoption Cluster (Note 3)</u>			
Title IV-E Foster Care - Administration	93.658	146,904	38,712
Foster Care - Direct Benefit Payments	93.658	134,594	38,604
Foster Care	93.658	30,839	-
Title IV-E Adoption Training	93.659	4,460	-
Adoption Assistance - Direct Benefit Payments	93.659	251,936	66,811
Total Foster Care and Adoption (Note 3)		568,733	144,127
<u>Temporary Assistance for Needy Families Cluster</u>			
Temporary Assistance for Needy Families (TANF) /			
Work First	93.558	230,555	-
TANF / Work First - Direct Benefit Payments	93.558	167,008	81,600
Total TANF Cluster		397,563	81,600
Adult Programs in the Territories	93.560	(61)	(17)
N.C. Child Support Enforcement Section	93.563	245,782	-
Low-Income Home Energy Assistance Block Grant:			
Crisis Intervention Program	93.568	310,970	-

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

<b>Grantor/Pass-through</b> <b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	
		<b>Federal</b>	<b>State</b>
Child Welfare Services - State Grants			
- Permanency Planning - Families for Kids	93.645	21,298	-
Social Service Block Grant	93.667	-	500
Independent Living Grant-Links	93.674	5,723	1,431
Independent Living Grant-Links - Direct Benefit Payments	93.674	2,540	-
Division of Child Development:			
Subsidized Child Care (Note 3)			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Fund-Administration	93.596	80,000	-
Division of Child Development:			
Child Care and Development Fund -- Discretionary	93.575	252,466	-
Child Care and Development Fund -- Mandatory	93.596	115,351	-
Child Care and Development Fund -- Match	93.596	258,954	116,348
Total Child Care Development Fund Cluster		706,771	116,348
TANF	93.558	131,164	-
Foster Care Title IV-E	93.658	6,830	3,563
State Appropriations		-	88,132
TANF-MOE		-	97,643
Total Subsidized Child Care (Note 3)		844,765	305,686
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	2,143	-
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Mental Health, Developmental Disabilities			
and Substance Abuse Services:			
<u>Administration for Children and Families</u>			
Promoting Safe and Stable Families-Family Preservation	93.556	13,134	-
<u>Administration for Community Living</u>			
Passed-through the N.C. Dept. of Insurance:			
Division of SHIIP			
Medicare Improvements for Patients and Providers (MIPPA)	93.071	1,739	-
Passed-through Western Piedmont Council of Governments:			
Medicare Improvements for Patients and Providers (MIPPA)	93.071	5,116	-
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medicaid Cluster	93.778	25,218,468	13,821,663
Direct Benefit Payments:			
State Children's Insurance Program - N.C. Health Choice	93.767	722,371	228,086
Passed-through the N.C. Dept. of Insurance:			
Division of SHIIP:	93.779	3,956	-

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

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	
		<b>Federal</b>	<b>State</b>
Division of Social Services:			
Administration:			
Medicaid Cluster	93.778	381,057	10,181
State Children's Insurance Program - N.C. Health Choice	93.767	14,964	1,468
<u>Centers for Disease Control and Prevention</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Public Health:			
Public Health Emergency Preparedness	93.069	30,068	-
Immunization Grants	93.268	11,518	-
Statewide Health Promotion Program	93.991	10,783	-
Passed through Cabarrus Health Alliance			
Community Transformation Grant-PPHF 2012	93.737	3,216	-
<u>Health Resources and Service Administration</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Public Health:			
Maternal and Child Health Services Block Grant	93.994	42,602	33,283
Total U.S. Dept. of Health and Human Services		29,244,487	14,417,550
Total Federal Awards		31,022,717	14,417,550
<b>State Awards:</b>			
<u>N.C. Dept. of Administration</u>			
Veterans Service		-	1,452
Total N.C. Dept. of Administration		-	1,452
<u>N.C. Dept. of Commerce</u>			
Craftmaster Furniture Building Renovation Grant - 2014-003-3201-2538		-	480,000
Passed through North Carolina Rural Economic Development Center, Inc.			
Precision Materials Bulding Renovation Project-Grant-2013-241-60501-118		-	25,000
Total N.C. Dept. of Commerce		-	505,000
<u>N.C. Dept. of Cultural Resources</u>			
Division of State Library			
State Aid to Public Libraries		-	91,386
Total N.C. Dept. of Cultural Resources		-	91,386
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services			
Passed through Western Piedmont Council of Governments			
Senior Center Health Promotions		-	2,799
Senior Center General Purpose Funds		-	3,893
Total Division of Aging		-	6,692

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

<b>Grantor/Pass-through</b> <b>Grantor/Program Title</b>	<b>Federal</b> <b>CFDA</b> <b>Number</b>	<b>Expenditures</b>	
		<b>Federal</b>	<b>State</b>
Division of Social Services			
DCD Smart Start		-	16,000
AFDC Incent/Prog Integrity		-	72
CWS Adopt Subsidy and Vendor		-	51,546
F/C At Risk Maximization		-	916
SC/SA Domiciliary Care Payments		-	229,342
SFHF Maximization		-	24,372
State Foster Home		-	56,883
Total Division of Social Services		-	379,131
Division of Public Health			
General Communicable Disease Control		-	10,112
Environmental Health		-	4,000
Food and Lodging		-	4,866
General Aid-to-County		-	85,246
Maternal Health (HMHC)		-	1,696
Risk Reduction/Health Promotion		-	6,285
School Nurse Funding Initiative		-	148,391
Tuberculosis		-	2,411
TB Medical Service		-	540
Women's Health Service Fund		-	7,867
Total Division of Public Health		-	271,414
Division of Health Service Regulation			
Office of Emergency Medical Services			
Passed through North Carolina Baptist Hospital			
Triad Regional Advisory Council - 3 mobile radios for use in EMS vehicles			
(Non-Cash Grant)		-	9,993
Total N. C. Department of Health and Human Services		-	667,230
<u>N.C. Dept. of Insurance</u>			
Office of State Fire Marshal			
North Carolina Governor's Highway Safety Program			
Safe Kids Child Passenger Safety Division Grant-2013		-	300
Total N.C. Dept. of Public Insurance		-	300
<u>N.C. Dept. of Public Instruction</u>			
Public School Building Capital Fund-NC Education Lottery (Note 4)		-	104,071
Total N.C. Dept. of Public Instruction		-	104,071
<u>N.C. Dept. of Transportation</u>			
SR 1178, Ben Eller Lane water line relocation-WBS 12C.002054		-	75,000
Passed through Western Piedmont Regional Transit Authority			
Rural Operating Assistance Program (ROAP)			
- ROAP Elderly and Disabled Transportation Assistance Program		-	58,869
Total N.C. Dept. of Transportation		-	133,869
<u>N.C. Dept. of Public Safety</u>			
Juvenile Crime Prevention Programs		-	109,999
Total N.C. Dept. of Public Safety		-	109,999
Total State Awards		-	1,613,307
Total Federal and State Awards		<u>\$ 31,022,717</u>	<u>\$ 16,030,857</u>

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

<b>Grantor/Pass-through</b> <b><u>Grantor/Program Title</u></b>	<b>Federal</b> <b>CFDA</b> <b><u>Number</u></b>	<b><u>Expenditures</u></b>	
		<b><u>Federal</u></b>	<b><u>State</u></b>
		930,682	

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of Alexander County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. Loans Outstanding

Alexander County had the following loan balances outstanding at June 30, 2014. The amount reported as State expenditures in this schedule is equal to the current year expenditures/loan proceeds.

<u>Program Title</u>	<u>Amount Outstanding</u>
NC Drinking Water State Revolving Fund Loan - Proj H-LRX-F-10-1650	\$ 594,577

3. 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, and Foster Care and Adoption.

4. Subrecipients

Of the federal and State expenditures presented in the schedule, Alexander County provided federal and State awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Public School Building Capital Fund-NC Education Lottery		\$ -	\$ 104,071