

**McDowell County,
North Carolina**

Year Ended June 30, 2013

Independent Auditors' Report
Financial Statements
and
Supplementary Information

McDowell County, North Carolina

County Officials

June 30, 2013

Board of Commissioners

David N. Walker	Chairperson
Barry E. McPeters	Vice Chairperson
Joe Kaylor	Member
Michael Lavender	Member
Randy Hollifield	Member

Principal Officers

Charles Abernathy	County Manager
Dudley Greene	Sheriff
Fred Coats	Attorney
Tonia Hampton	Register of Deeds
Melissa Adams	Clerk of Court
Alison Morgan	County Finance Officer
Phyllis Ryan	Tax Collector
Phillip Hardin	Social Services Director
Keith Renfro	Tax Assessor

Table of Contents

June 30, 2013

	<u>Page Number</u>
Financial Section:	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	14
Statement of Activities	15-16
<i>Fund Financial Statements:</i>	
Balance Sheets - Governmental Funds	17-18
Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19-20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	21
Statements of Net Position - Proprietary Funds	22
Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
Statements of Cash Flows - Proprietary Funds	24-25
Statements of Fiduciary Net Position - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position - Pension Trust Fund	27
<i>Notes to Financial Statements</i>	28-71

Table of Contents – Continued

	<u>Page Number</u>
Required Supplemental Financial Data:	
Law Enforcement Officers' Special Separation Allowance:	
Schedule of Funding Progress	72
Schedule of Employer Contributions and Notes to the Required Schedules	73
Other Postemployment Benefits:	
Schedule of Funding Progress	74
Schedule of Employer Contributions and Notes to the Required Schedules	75
Combining and Individual Fund Statements and Schedules:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	76-85
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Revaluation Fund	86
Combining Statements for Nonmajor Funds	87-88
Combining Balance Sheets - Nonmajor Governmental Funds	89-93
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	94-98
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Special Revenue Funds:	
Fire and Rescue Districts Fund	99
Emergency Telephone System Fund	100
Debt Service Fund	101

Table of Contents – Continued

	<u>Page Number</u>
Capital Project Funds:	
School Capital Projects Fund	102
Trail Project	103
Housing Relocation and Stabilization Services Project	104
Lake James EPA Project	105
Senior Center Project	106
Kate B. Reynolds Recreation Project	107
Project Summit / SBF North America	108
Financial Assistance Project	109
Foothills Pilot Plant Project	110
Scattered Site Housing Project	111
Single Family Rehabilitation Project	112
Universal Career Pathways Skill Center Project	113
Greenway Extension Project	114
Hospital Transfer Switches Project	115
Statement of Revenues and Expenditures - Budget and Actual - (Non-GAAP) - Enterprise Fund - Universal Fund	116
Statement of Revenues and Expenditures - Budget and Actual - (Non-GAAP) - Enterprise Fund - Waste Disposal Fund	117
Statement of Revenues and Expenditures - Budget and Actual - (Non-GAAP) - Enterprise Fund - Water Fund	118

Table of Contents – Continued

	<u>Page Number</u>
Statement of Revenues and Expenditures - Budget and Actual - (Non-GAAP) - Internal Service Fund - Self-Insurance Fund	119
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	120-121
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable - General Fund	122
Analysis of Current Tax Levy:	
County-Wide Levy	123
County-Wide Levy Secondary Market Disclosures	124
Ten Largest Taxpayers	125
Compliance Section:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	126-127
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	128-130
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	131-133
Schedule of Findings and Questioned Costs	134-138
Corrective Action Plan	139-140
Summary Schedule of Prior Year Audit Findings	141-142
Schedule of Expenditures of Federal and State Awards	143-147



Independent Auditors' Report

Board of Commissioners
McDowell County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina, as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise McDowell County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 4 through 13 and 72 through 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of McDowell County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of McDowell County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McDowell County's internal control over financial reporting and compliance.

Johnson Price Sprinkle PA

Marion, North Carolina
December 5, 2013

Management's Discussion and Analysis

As management of McDowell County, we offer readers of McDowell County's financial statements this narrative overview and analysis of the financial activities of McDowell County for the year ended June 30, 2013. We encourage readers to review 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

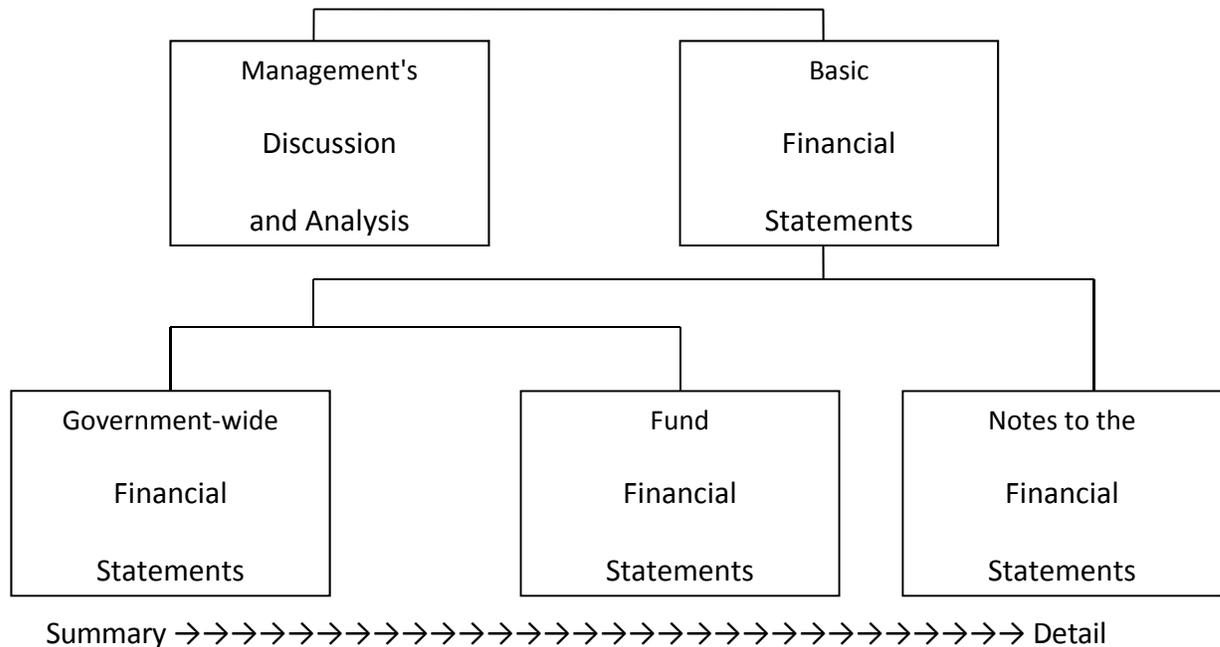
- The assets of McDowell County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$38,370,348 (net position).
- The government's total net position increased by \$3,028,925 primarily due to the increased net position in the School Capital Projects Fund.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of \$26,876,021, an increase of \$9,380,855 over the prior year. Approximately 66.7% of this total amount, or \$17,920,565, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,612,693 or 24.03% of total General Fund expenditures for the fiscal year, and 23.1% of total General Fund expenditures reduced by debt-financing and increased by transfers to other funds.
- McDowell County's total debt under installment purchase obligations increased by \$6,968,191 during the current fiscal year, due to new debt borrowings in excess of debt retirement on new debt.
- McDowell County maintained its A bond rating for the 20th consecutive year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 14 and 15-16) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short-term and long-term information about the County's financial status.

The next statements (pages 17 through 27) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Immediately following the notes is the **Required Supplemental Financial Data**. This section contains funding information about the County's pension plans and other postemployment benefits.

Additional supplemental information is provided in the **Combining and Individual Fund Statements and Schedules**. This section provides details about the County's nonmajor governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, human services, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the County directly charges customers to provide. For McDowell County, this includes the waste disposal services and water services offered by the County. Additionally, the County uses the Universal Fund to account for activity related to a former industrial facility, the Universal building, which includes renovations and lease of space. The final category is the component unit. McDowell County Tourism Development Authority is an authority established by a resolution of the McDowell County Board of Commissioners on April 1, 1987. The Authority consists of a nine-member board established to promote tourism in McDowell County. Funding is provided from an occupancy tax on rentals of motel rooms collected by McDowell County and remitted to the Authority. The government-wide financial statements are on pages 14 and 15-16 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed assessment of 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. McDowell 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 McDowell 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 moneys 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 provide a detailed short-term view that helps the reader determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

McDowell 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 – McDowell County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. McDowell County uses enterprise funds to account for its waste disposal operations and for its water operations, in addition to activity related to the former Universal building. These funds are the same as the separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of McDowell County. The County uses one internal service fund, the self-insurance fund, to account for activity related to the health care benefit provided to employees. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. McDowell County has eleven fiduciary funds, one of which is a pension trust fund and ten of 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 on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning McDowell County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 72 of this report.

Government-wide Financial Analysis

Following is a comparative summary of the Statement of Net Position.

**McDowell County’s Net Position
June 30, 2013 and 2012
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 31,598,564	\$ 21,105,481	\$ 617,808	\$ 568,854	\$ 32,216,372	\$ 21,674,335
Capital assets	19,839,364	19,987,801	8,222,423	7,853,569	28,061,787	27,841,370
	51,437,928	41,093,282	8,840,231	8,422,423	60,278,159	49,515,705
Long-term liabilities outstanding	15,999,757	8,694,031	3,047,712	3,289,457	19,047,469	11,983,488
Other liabilities	2,681,332	2,005,590	129,155	134,897	2,810,487	2,140,487
	18,681,089	10,699,621	3,176,867	3,424,354	21,857,956	14,123,975
Total deferred inflows of resources	49,855	50,307	-	-	49,855	50,307
Net position:						
Net investment in capital assets	16,603,436	15,637,916	5,290,437	5,018,469	21,893,873	20,656,385
Restricted	17,840,400	4,823,098	-	-	17,840,400	4,823,098
Unrestricted (deficit)	(1,736,852)	9,882,340	372,927	(20,400)	(1,363,925)	9,861,940
	\$ 32,706,984	\$ 30,343,354	\$ 5,663,364	\$ 4,998,069	\$ 38,370,348	\$ 35,341,423

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of McDowell County exceeded liabilities and deferred inflows of resources by \$38,370,348 as of June 30, 2013. The County's net position increased by \$3,028,925 for the fiscal year ended June 30, 2013. One of the largest portions, 57.1% or \$21,893,873, reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). McDowell County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of McDowell County's net position, \$17,840,400 (46.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(1,363,925) (3.6%) is unrestricted (deficit).

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

- Obligations under installment purchases increased by \$6,968,191 consisting of new borrowings of \$8,767,126 net of debt service payments totaling \$1,798,935.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.38% excluding motor vehicles, and 80.37% for motor vehicles, slightly above the statewide average of 98.07%, excluding motor vehicles, and below the statewide average of 86.79% for motor vehicles. In fiscal year 2012, the tax collection percentage for the County was 98.16%, excluding motor vehicles and 80.14% for motor vehicles.

Following is a comparative summary of changes in net position.

McDowell County's Changes in Net Position
Years Ended June 30, 2013 and 2012
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,108,712	\$ 4,667,202	\$ 1,437,610	\$ 1,064,284	\$ 6,546,322	\$ 5,731,486
Operating grants and contributions	7,743,139	10,071,025	-	-	7,743,139	10,071,025
Capital grants and contributions	4,741,946	1,651,258	-	-	4,741,946	1,651,258
General revenues:						
Property taxes	20,582,140	19,898,117	-	-	20,582,140	19,898,117
Other taxes	7,893,987	7,902,102	-	-	7,893,987	7,902,102
Grants and contributions not restricted to specific programs	184,648	296,763	-	-	184,648	296,763
Other	277,524	119,975	466	109,690	277,990	229,665
Total revenues	46,532,096	44,606,442	1,438,076	1,173,974	47,970,172	45,780,416

McDowell County's Changes in Net Position – continued
Years Ended June 30, 2013 and 2012
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses:						
General government	\$ 4,431,567	\$ 4,072,022	\$ -	\$ -	\$ 4,431,567	\$ 4,072,022
Public safety	11,307,903	10,979,310	-	-	11,307,903	10,979,310
Environmental protection	589,357	1,274,452	-	-	589,357	1,274,452
Economic and physical development	1,227,043	1,876,077	-	-	1,227,043	1,876,077
Human services	11,308,038	11,110,450	-	-	11,308,038	11,110,450
Cultural and recreational	1,014,131	1,404,878	-	-	1,014,131	1,404,878
Education	12,291,114	9,498,777	-	-	12,291,114	9,498,777
Interest on long-term debt	287,683	306,793	-	-	287,683	306,793
Universal	-	-	297,465	26,936	297,465	26,936
Waste disposal	-	-	2,014,256	2,022,572	2,014,256	2,022,572
Water	-	-	172,690	181,347	172,690	181,347
Total expenses	42,456,836	40,522,759	2,484,411	2,230,855	44,941,247	42,753,614
Increase (decrease) in net position before transfers	4,075,260	4,083,683	(1,046,335)	(1,056,881)	3,028,925	3,026,802
Transfers	(1,711,630)	(2,126,375)	1,711,630	2,126,375	-	-
Increase (decrease) in net position	2,363,630	1,957,308	665,295	1,069,494	3,028,925	3,026,802
Net position, beginning of year	30,343,354	28,386,046	4,998,069	3,928,575	35,341,423	32,314,621
Net position, end of year	\$ 32,706,984	\$ 30,343,354	\$ 5,663,364	\$ 4,998,069	\$ 38,370,348	\$ 35,341,423

Governmental activities. Governmental activities increased the County's net position by \$2,363,630. Key elements of this increase are as follows:

- Increase in federal and State grants.
- Grant-funded expenditures for capital assets.

Business-type activities. Business-type activities increased the County's net position by \$665,295. Key elements of this increase are as follows:

- Capital assets of \$194,440 were transferred from governmental activities.
- Income was received from leasing of space in the Universal building.
- Subsidy of \$1,286,023 was received from the General Fund. The subsidy from the General Fund is required due to McDowell County's policy of not imposing a residential solid waste fee, and customer fees charged for water service are not sufficient to cover operational expenses.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of McDowell County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing McDowell 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 McDowell County. At the end of the current fiscal year, McDowell County's fund balance available in the General Fund was \$9,725,868, while total fund balance reached \$12,711,432. The County currently has an available fund balance of 27.1% of General Fund expenditures, while total fund balance represents 35.5% of that same amount.

At June 30, 2013, the governmental funds of McDowell County reported a combined fund balance of \$26,876,021, a 53.6% increase over last year. The primary reason for the increase is the increase in fund balance of the School Capital Projects Fund.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$2,333,637 including increases in property tax, grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$267,126.

Actual revenues in the General Fund, when compared to the final budget, had a negative variance of \$532,084.

Proprietary Funds. McDowell County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. At the end of the fiscal year, the Waste Disposal Fund had a net position of \$196,863 with a current year increase of \$219,689. The Water Fund had a balance of \$4,354,847, due to a current year decrease of \$102,149. The Universal Fund had a balance of \$1,111,654, due to a current year increase of \$547,755.

Capital Asset and Debt Administration

Capital assets. McDowell County's capital assets for its governmental and business-type activities as of June 30, 2013, total \$28,061,787 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Construction of Maple Leaf restrooms.
- Purchase of new vehicles for public safety.
- Purchase of wheel loader.
- Construction of Greenway Extension.
- Renovation to the Universal building.

**McDowell County's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,503,700	\$ 4,503,700	\$ 752,250	\$ 752,250	\$ 5,255,950	\$ 5,255,950
Land improvements	913,800	570,918	107,270	53,896	1,021,070	624,814
Buildings	10,306,989	10,651,752	2,018,491	2,056,135	12,325,480	12,707,887
Building improvements	1,725,882	1,561,639	511,677	490,543	2,237,559	2,052,182
Equipment	1,460,768	1,664,600	272,178	35,971	1,732,946	1,700,571
Infrastructure	-	-	4,330,360	4,423,762	4,330,360	4,423,762
Vehicles	822,938	998,471	26,398	39,597	849,336	1,038,068
Computer software	-	-	-	1,415	-	1,415
Construction in progress	105,287	36,721	203,799	-	309,086	36,721
	\$ 19,839,364	\$ 19,987,801	\$ 8,222,423	\$ 7,853,569	\$ 28,061,787	\$ 27,841,370

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

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Installment purchases payable	\$ 14,327,738	\$ 7,123,580	\$ 2,931,985	\$ 3,167,952	\$ 17,259,723	\$ 10,291,532
	\$ 14,327,738	\$ 7,123,580	\$ 2,931,985	\$ 3,167,952	\$ 17,259,723	\$ 10,291,532

McDowell County's total debt increased by \$6,968,191 during the past fiscal year, due to \$8,767,126 in new borrowings, net of principal payments on installment purchase obligations of \$1,798,935.

Installment purchases payable include contracts related to the construction of the McDowell County Schools in the amount of \$10,233,333. These installment purchase contracts will be retired with the portion of Article 40 and Article 42 sales tax that is legally restricted for capital improvements to school facilities in McDowell County. Also, an installment purchase payable includes a contract for the purchase of the McDowell House. This contract will be retired with occupancy tax revenue through the McDowell County Tourism Development Authority. The \$375,000 in McDowell House debt is backed by the full faith and credit of McDowell County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The debt outstanding for McDowell County amounts to 0.51% of the total assessed value of taxable property. The legal debt margin for McDowell County is \$266,856,813 at June 30, 2013. Additional information regarding McDowell County's long-term debt can be found in Note C of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The economic factors affecting McDowell County continue to improve at a moderate rate. The unemployment rate has declined from a high of over 16% to a current rate of 9.2%. A number of existing industries are currently expanding and hiring new workers. These companies include Rock Tenn, Baldor, Baxter, Key Gas and Baglioni. The expansion at Baxter will add over 100 new hires. Several companies are currently considering relocation projects to McDowell County.

McDowell County entered into a major partnership with the Community College and the Public School System to address the workforce development challenge in the community. McDowell County purchased the Universal facility with the intent of locating an Advanced Manufacturing Skill Center in 50,000 square feet of the building. A Golden Leaf grant in the amount of \$2,150,000 was secured for this purpose and a committee with stakeholder participation is currently working on the design and the programs that will locate in the facility. The project is currently under construction and will be complete in the summer of 2014.

McDowell County has extended several water lines including a major expansion of water and sewer along the growth corridor of Sugar Hill Road and the extension of water across the Interstate to the Travel Plaza.

McDowell County continues to work on the Lake James water intake which will provide water treatment 50 years into the future.

Another important economic development event is the extension of natural gas south of the Interstate and to the Community College and the State Prison.

Budget Highlights for the Fiscal Year Ending June 30, 2014

The budget for the 2013-2014 fiscal year was approved by the Board of Commissioners in the amount of \$37,268,920. The budget increased a total of \$1,822,457 or 5.14%. The increase to the budget was accomplished while maintaining the County tax rate of .0055 cents. Several factors enabled this to occur including EMS revenue, motor vehicle collections and growth in the property tax base. The property tax and motor vehicle collections increased \$761,646 or 4.38%.

Budget Highlights for the Fiscal Year Ending June 30, 2014 – continued

The budget will enable a significant number of goals to be accomplished. The County maintained a sound fiscal condition by limiting the utilization of fund balance. The goals will include the following accomplishments:

- 1) A 2.5% raise was granted to all employees as well as an increase in the employee covered health insurance of \$20.00 per month per employee.
- 2) McDowell County granted the Public School system and Community College a 3% increase to their operating budget.
- 3) McDowell County funded \$50,000 for the implementation of the “One to One” initiative in the Public School System. This program provides funding for student laptops.
- 4) McDowell County and the Public School System agreed to a financing package to construct an addition to the McDowell High School that will enable the schools to convert to a “middle school concept”.
- 5) Additional funding was allocated for various employee related costs including health insurance of \$68,400 and workers compensation and unemployment insurance of \$124,424.
- 6) Additional increases for added staff occurred including a DSS Medicaid position, a Sheriff clerical position and part-time positions in DMV, Register of Deeds, Finance, Animal Shelter, Recreation and the Senior Center.
- 7) Various pieces of equipment purchases were approved including a new ambulance, new Sheriff Vehicles, new container truck, new EMS equipment and a computer upgrade for the Tax Collections and Assessing departments.
- 8) The Board approved to budget \$44,585 additional dollars for the water-intake project. A total of \$37,234 additional dollars were budgeted to handle budget related issues of the Rutherford, Polk, McDowell District Health Department.
- 9) The Department of Social Services did substantially increase by \$834,656, however, \$716,705 of this increase was offset by Federal and State intergovernmental transfers.
- 10) Additional increases occurred involving the contractual grant writer, reductions in Department of Elections State funding, the Carson House and the Health Coalition.

The previous list will be accomplished while maintaining the current tax rate and limiting the allocation of fund balance.

Requests for Information

This report is designed to provide an overview of the County’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, McDowell County, 60 E. Court Street, Marion, NC 28752.

McDowell County, North Carolina

Statement of Net Position

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	McDowell County Tourism Development Authority
Assets				
Cash and cash equivalents	\$ 15,390,431	\$ 539,697	\$ 15,930,128	\$ 237,955
Taxes receivable - net	1,339,219	-	1,339,219	-
Due from other governments	3,436,809	-	3,436,809	38,792
Other receivables - net	1,701,540	99,705	1,801,245	-
Inventories	80,165	-	80,165	-
Internal balances	60,289	(60,289)	-	-
Restricted cash	9,590,111	38,695	9,628,806	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	4,608,987	956,049	5,565,036	-
Other capital assets, net of depreciation	15,230,377	7,266,374	22,496,751	1,516
Total capital assets	19,839,364	8,222,423	28,061,787	1,516
Total assets	51,437,928	8,840,231	60,278,159	278,263
Liabilities				
Accounts payable and accrued liabilities	2,544,588	129,155	2,673,743	5,703
Unearned revenue	136,744	-	136,744	-
Long-term liabilities:				
Due within one year	1,879,133	236,896	2,116,029	-
Due in more than one year	14,120,624	2,810,816	16,931,440	6,654
Total long-term liabilities	15,999,757	3,047,712	19,047,469	6,654
Total liabilities	18,681,089	3,176,867	21,857,956	12,357
Deferred inflows of resources	49,855	-	49,855	-
Net Position				
Net investment in capital assets	16,603,436	5,290,437	21,893,873	1,516
Restricted for:				
Stabilization of State Statute	3,910,233	-	3,910,233	38,789
Register of Deeds	42,762	-	42,762	-
Education	13,102,845	-	13,102,845	-
Human services	240,682	-	240,682	-
Cultural and recreational	150,000	-	150,000	-
Economic and physical development	19,746	-	19,746	-
Public safety	343,694	-	343,694	-
General government	30,438	-	30,438	-
Unrestricted (deficit)	(1,736,852)	372,927	(1,363,925)	225,601
Total net position	\$ 32,706,984	\$ 5,663,364	\$ 38,370,348	\$ 265,906

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

McDowell County, North Carolina

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit McDowell County Tourism Development Authority
	Primary Government								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Governmental activities:									
General government	\$ 4,431,567	\$ 426,051	\$ 5,847	\$ 121,017	\$ (3,878,652)	\$ -	\$ (3,878,652)		
Public safety	11,307,903	4,206,742	375,792	196,354	(6,529,015)	-	(6,529,015)		
Environmental protection	589,357	-	23,400	-	(565,957)	-	(565,957)		
Economic and physical development	1,227,043	29,830	30,000	509,090	(658,123)	-	(658,123)		
Human services	11,308,038	377,559	7,164,333	7,000	(3,759,146)	-	(3,759,146)		
Cultural and recreational	1,014,131	68,530	143,767	545,416	(256,418)	-	(256,418)		
Education	12,291,114	-	-	3,363,069	(8,928,045)	-	(8,928,045)		
Interest on long-term debt	287,683	-	-	-	(287,683)	-	(287,683)		
Total governmental activities	42,456,836	5,108,712	7,743,139	4,741,946	(24,863,039)	-	(24,863,039)		
Business-type activities:									
Universal	297,465	422,950	-	-	-	125,485	125,485		
Waste disposal	2,014,256	947,642	-	-	-	(1,066,614)	(1,066,614)		
Water	172,690	67,018	-	-	-	(105,672)	(105,672)		
Total business-type activities	2,484,411	1,437,610	-	-	-	(1,046,801)	(1,046,801)		
Total government	\$ 44,941,247	\$ 6,546,322	\$ 7,743,139	\$ 4,741,946	\$ (24,863,039)	\$ (1,046,801)	\$ (25,909,840)		
Component Unit:									
Tourism development	\$ 279,817	\$ 2,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(277,810)

McDowell County, North Carolina

Statement of Activities – continued

Year Ended June 30, 2013

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit McDowell County Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
								Primary Government	
Total government	\$ 44,941,247	\$ 6,546,322	\$ 7,743,139	\$ 4,741,946	\$ (24,863,039)	\$ (1,046,801)	\$ (25,909,840)		
Component Unit:									
Tourism development	\$ 279,817	\$ 2,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (277,810)	
General revenues:									
Taxes:									
Property taxes, levied for general purpose					20,582,140	-	20,582,140	-	
Local option sales taxes					6,960,000	-	6,960,000	-	
Other taxes and licenses					933,987	-	933,987	320,854	
Grants and contributions not restricted to specific programs					184,648	-	184,648	-	
Investment earnings, unrestricted					20,895	466	21,361	106	
Miscellaneous, unrestricted					256,629	-	256,629	110	
Transfer					(1,711,630)	1,711,630	-	-	
Total general revenues and transfers					27,226,669	1,712,096	28,938,765	321,070	
Changes in net position					2,363,630	665,295	3,028,925	43,260	
Net position, beginning of year					30,343,354	4,998,069	35,341,423	222,646	
Net position, end of year					\$ 32,706,984	\$ 5,663,364	\$ 38,370,348	\$ 265,906	

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

McDowell County, North Carolina

Balance Sheets

Governmental Funds

June 30, 2013

	Major		Nonmajor	
	General	School	Other	Total
	Fund	Capital	Governmental	Governmental
		Projects	Funds	Funds
Assets				
Cash and cash equivalents	\$ 10,047,698	\$ 4,733,129	\$ 509,759	\$ 15,290,586
Restricted cash	267,140	9,322,971	-	9,590,111
Taxes receivable - net	1,063,067	-	102,747	1,165,814
Accounts receivable – other governments	2,492,264	539,638	404,907	3,436,809
Accounts receivable EMS – net	1,510,253	-	-	1,510,253
Accounts receivable – other	191,287	-	-	191,287
Inventories	80,165	-	-	80,165
Due from other funds	19,616	-	60,289	79,905
Total assets	\$ 15,671,490	\$ 14,595,738	\$ 1,077,702	\$ 31,344,930
Liabilities				
Accounts payable and accrued liabilities	\$ 539,115	\$ 953,255	\$ 433,233	\$ 1,925,603
Due to other funds	-	-	19,616	19,616
Total liabilities	539,115	953,255	452,849	1,945,219
Deferred inflows of resources	2,420,943	-	102,747	2,523,690
Fund balances				
Nonspendable:				
Inventories	80,165	-	-	80,165
Restricted:				
Stabilization by State Statute	2,905,399	539,638	465,196	3,910,233
Register of Deeds	42,762	-	-	42,762
911 Funds	-	-	305,376	305,376
School capital	-	13,102,845	-	13,102,845
General government	30,438	-	-	30,438
Public safety	38,318	-	-	38,318
Human services	240,682	-	-	240,682
Cultural and recreational	-	-	150,000	150,000
Economic and physical development	19,746	-	-	19,746
Committed:				
Tax revaluation	20,441	-	-	20,441
Assigned:				
Subsequent year’s expenditures	527,000	-	-	527,000
Debt service	-	-	9	9
Public safety	191,187	-	-	191,187
Environmental protection	2,601	-	-	2,601
Economic and physical development	-	-	21,895	21,895
Unassigned	8,612,693	-	(420,370)	8,192,323
Total fund balances	12,711,432	13,642,483	522,106	26,876,021
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,671,490	\$ 14,595,738	\$ 1,077,702	

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

McDowell County, North Carolina

Balance Sheets – continued

Governmental Funds – continued

June 30, 2013

Amounts reported for governmental activities in the statement of net position (page 14) are different because:

Governmental fund balances	\$ 26,876,021
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,839,364
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	173,405
An internal service fund is used by management to charge the cost of health insurance to individual funds and departments within funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(85,567)
Deferred inflows of resources for taxes and other receivables.	2,473,835
Unearned income under long-term lease, not recorded in fund statements.	(136,744)
Some liabilities, including installment purchases payable and accrued interest, are not due and payable in the current period and therefore are not recorded in governmental funds.	(16,433,330)
Net position of governmental activities	\$ 32,706,984

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

McDowell County, North Carolina

Statements of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2013

	Major		Nonmajor	
	General Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 18,650,830	\$ -	\$ 1,966,769	\$ 20,617,599
Local option sales taxes	4,954,388	2,005,612	-	6,960,000
Other taxes and licenses	933,987	-	-	933,987
Unrestricted intergovernmental	184,648	-	-	184,648
Restricted intergovernmental	7,202,022	3,363,069	1,180,128	11,745,219
Permits and fees	167,425	-	-	167,425
Sales and services	4,582,778	-	-	4,582,778
Investment earnings	18,396	2,338	161	20,895
Miscellaneous	295,585	25,213	591,571	912,369
Total revenues	36,990,059	5,396,232	3,738,629	46,124,920
Expenditures:				
Current:				
General government	3,999,541	-	101,031	4,100,572
Public safety	8,671,277	-	2,403,463	11,074,740
Environmental protection	605,835	-	-	605,835
Economic and physical development	785,738	-	376,978	1,162,716
Human services	10,804,779	-	148,984	10,953,763
Cultural and recreational	1,152,599	-	-	1,152,599
Miscellaneous	326,782	-	-	326,782
Intergovernmental:				
Education	8,552,973	-	-	8,552,973
Capital outlay	-	3,911,614	624,468	4,536,082
Debt service	947,188	-	580,751	1,527,939
Total expenditures	35,846,712	3,911,614	4,235,675	43,994,001
Revenues over (under) expenditures	1,143,347	1,484,618	(497,046)	2,130,919
Other financing sources (uses):				
Transfers to other funds	(1,706,955)	(527,811)	(17,227)	(2,251,993)
Transfers from other funds	47,464	-	687,339	734,803
Installment purchase obligations issued	267,126	8,500,000	-	8,767,126
Total other financing sources (uses)	(1,392,365)	7,972,189	670,112	7,249,936
Net change in fund balances	(249,018)	9,456,807	173,066	9,380,855
Fund balances – beginning of year	12,960,450	4,185,676	349,040	17,495,166
Fund balances – end of year	\$ 12,711,432	\$ 13,642,483	\$ 522,106	\$ 26,876,021

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

McDowell County, North Carolina

Statements of Revenues, Expenditures, and Changes in Fund Balances – continued

Governmental Funds

Year Ended June 30, 2013

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

Net change in fund balances – total governmental funds	\$	9,380,855
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of the governmental funds exceeded capital outlays reported in the statement of activities.		(119,679)
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.		(28,758)
Revenues in the fund financial statements that were previously recognized as revenues in the government-wide financial statements.		485,934
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(7,204,158)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		(73,045)
Net loss of internal service fund, determined to be a governmental-type activity.		(77,519)
<hr/>		
Total changes in net position of governmental activities	\$	2,363,630
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The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statement of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual - General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 17,878,000	\$ 18,397,924	\$ 18,650,830	\$ 252,906
Local option sales taxes	5,319,312	5,319,312	4,954,388	(364,924)
Other taxes and licenses	796,750	877,750	933,987	56,237
Unrestricted intergovernmental	315,000	315,000	184,648	(130,352)
Restricted intergovernmental	7,155,777	8,233,623	7,202,022	(1,031,601)
Permits and fees	245,917	249,917	167,425	(82,492)
Sales and services	3,334,937	3,833,398	4,582,778	749,380
Investment earnings	32,000	32,000	18,383	(13,617)
Miscellaneous	110,800	263,206	295,585	32,379
Total revenues	35,188,493	37,522,130	36,990,046	(532,084)
Expenditures:				
Current:				
General government	3,700,019	4,038,702	3,990,826	47,876
Public safety	7,918,595	9,024,433	8,671,277	353,156
Environmental protection	677,755	641,968	605,835	36,133
Economic and physical development	840,403	906,602	785,738	120,864
Human services	10,233,315	11,326,155	10,804,779	521,376
Cultural and recreational	968,753	1,206,033	1,152,599	53,434
Miscellaneous	155,628	362,782	326,782	36,000
Intergovernmental:				
Education	8,590,946	8,628,946	8,552,973	75,973
Debt service	1,268,887	1,269,899	947,188	322,711
Total expenditures	34,354,301	37,405,520	35,837,997	1,567,523
Revenues over expenditures	834,192	116,610	1,152,049	1,035,439
Other financing sources (uses):				
Transfers to other funds	(1,189,420)	(1,422,374)	(1,731,955)	(309,581)
Transfers from other funds	30,237	30,237	47,464	17,227
Installment purchase obligations issued	-	267,126	267,126	-
Fund balance appropriated	324,991	1,008,401	-	(1,008,401)
Total other financing sources (uses)	(834,192)	(116,610)	(1,417,365)	(1,300,755)
Net change in fund balance	\$ -	\$ -	(265,316)	\$ (265,316)
Fund balance - beginning of year			12,956,307	
Fund balance - end of year			12,690,991	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			13	
Transfer in from General Fund			25,000	
Expenditures			(8,715)	
Fund Balance, beginning			4,143	
Fund Balance, ending (Page 19)			\$ 12,711,432	

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

McDowell County, North Carolina

Statements of Net Position

Proprietary Funds

June 30, 2013

	Major		Non-Major		
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Assets					
Current assets:					
Cash	\$ 437,169	\$ 39,194	\$ 63,334	\$ 539,697	\$ 99,845
Restricted cash	38,695	-	-	38,695	-
Receivables - net	-	197	99,508	99,705	-
Total current assets	475,864	39,391	162,842	678,097	99,845
Noncurrent assets:					
Capital assets:					
Land and construction in progress	952,539	3,510	-	956,049	-
Other capital assets, net of depreciation	2,543,749	4,330,360	392,265	7,266,374	-
Total noncurrent assets	3,496,288	4,333,870	392,265	8,222,423	-
Total assets	3,972,152	4,373,261	555,107	8,900,520	99,845
Liabilities					
Current liabilities:					
Accounts payable	22,759	3,584	63,865	90,208	185,412
Customer deposits	24,117	14,830	-	38,947	-
Due to other funds	60,289	-	-	60,289	-
Current installments of long-term debt	196,667	-	40,229	236,896	-
Total current liabilities	303,832	18,414	104,094	426,340	185,412
Noncurrent liabilities:					
Accrued landfill closure and postclosure care costs	-	-	30,000	30,000	-
Compensated absences payable	-	-	7,452	7,452	-
Other postemployment benefits	-	-	78,275	78,275	-
Long-term debt	2,556,666	-	138,423	2,695,089	-
Total noncurrent liabilities	2,556,666	-	254,150	2,810,816	-
Total liabilities	2,860,498	18,414	358,244	3,237,156	185,412
Net position					
Net investment in capital assets	742,954	4,333,870	213,613	5,290,437	-
Unrestricted (deficit)	368,700	20,977	(16,750)	372,927	(85,567)
Total net position	\$ 1,111,654	\$ 4,354,847	\$ 196,863	\$ 5,663,364	\$ (85,567)

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

McDowell County, North Carolina

Statements of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2013

	Major		Non-Major		Internal Service Fund
	Enterprise Funds				
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Operating revenues:					
Charges for services	\$ 422,950	\$ 64,608	\$ 931,795	\$ 1,419,353	\$ 2,185,688
Other operating revenues	-	2,410	15,847	18,257	-
Total operating revenues	422,950	67,018	947,642	1,437,610	2,185,688
Operating expense:					
Salaries and benefits	-	-	227,491	227,491	1,823,068
Operating expenses	79,056	77,714	1,729,345	1,886,115	440,139
Depreciation	93,383	94,976	53,052	241,411	-
Total operating expenses	172,439	172,690	2,009,888	2,355,017	2,263,207
Operating income (loss)	250,511	(105,672)	(1,062,246)	(917,407)	(77,519)
Non-operating revenues (expenses):					
Investment earnings	173	13	280	466	-
Interest expense	(125,026)	-	(4,368)	(129,394)	-
Total non-operating revenues (expenses)	(124,853)	13	(4,088)	(128,928)	-
Income (loss) before contributions and transfers	125,658	(105,659)	(1,066,334)	(1,046,335)	(77,519)
Capital contributions	190,930	3,510	-	194,440	-
Transfers from General Fund	321,693	-	1,286,023	1,607,716	-
Transfer to General Fund	(30,237)	-	-	(30,237)	-
Transfer to Universal Career Pathways Skill Center Project	(60,289)	-	-	(60,289)	-
Change in net position	547,755	(102,149)	219,689	665,295	(77,519)
Net position - beginning of year	563,899	4,456,996	(22,826)	4,998,069	(8,048)
Net position - end of year	\$ 1,111,654	\$ 4,354,847	\$ 196,863	\$ 5,663,364	\$ (85,567)

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

McDowell County, North Carolina

Statements of Cash Flows

Proprietary Funds

Year Ended June 30, 2013

	Major		Non-Major		
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Cash flows from operating activities:					
Cash received from customers and users of services	\$ 422,950	\$ 67,461	\$ 945,412	\$ 1,435,823	\$ 2,185,868
Cash paid for goods and services	(81,457)	(78,790)	(1,732,876)	(1,893,123)	(440,139)
Cash paid to employees for services and for employee benefits	-	-	(233,269)	(233,269)	(1,729,552)
Customer deposits received	-	1,267	-	1,267	-
Net cash provided (used) by operating activities	341,493	(10,062)	(1,020,733)	(689,302)	16,177
Cash flows from non-capital financing activities:					
Transfer from General Fund	321,693	-	1,286,023	1,607,716	-
Transfer to General Fund	(30,237)	-	-	(30,237)	-
Net cash provided by non-capital financing activities	291,456	-	1,286,023	1,577,479	-
Cash flows from capital and related financing activities:					
Capital loan repayment to General Fund	-	-	(30,921)	(30,921)	-
Purchase of property and equipment	(98,075)	-	(317,750)	(415,825)	-
Repayment of long-term debt	(196,667)	-	(39,300)	(235,967)	-
Interest paid	(125,026)	-	(4,368)	(129,394)	-
Net cash used by capital and related financing activities	(419,768)	-	(392,339)	(812,107)	-
Cash flows from investing activities:					
Investment earnings	173	13	280	466	-
Net cash provided by investing activities	173	13	280	466	-
Net increase (decrease) in cash	213,354	(10,049)	(126,769)	76,536	16,177
Cash - beginning of year	262,510	49,243	190,103	501,856	83,668
Cash - end of year	\$ 475,864	\$ 39,194	\$ 63,334	\$ 578,392	\$ 99,845

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

McDowell County, North Carolina

Statements of Cash Flows – continued

Proprietary Funds

Year Ended June 30, 2013

	Major		Non-Major		Total	Internal Service Fund
	Enterprise Funds					
	Universal Fund	Water Fund	Waste Disposal Fund			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 250,511	\$ (105,672)	\$ (1,062,246)	\$ (917,407)	\$ (917,407)	\$ (77,519)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	93,383	94,976	53,052	241,411		-
Provision for uncollectible accounts	-	-	(927)	(927)		-
Changes in:						
Accounts receivable	-	443	(1,303)	(860)		180
Accounts payable	(2,401)	(1,076)	(3,531)	(7,008)		93,516
Customer deposits	-	1,267	-	1,267		-
Compensated absences payable	-	-	(6,326)	(6,326)		-
Other postemployment benefits payable	-	-	548	548		-
Net cash provided (used) by operating activities	\$ 341,493	\$ (10,062)	\$ (1,020,733)	\$ (689,302)	\$ (689,302)	\$ 16,177

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

McDowell County, North Carolina

Statements of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and investments	\$ 60,459	\$ 78,549
Accounts receivable - other governments	-	14,498
Accounts receivable - other	-	2,370
Total assets	60,459	95,417
<u>Liabilities and net position</u>		
Liabilities:		
Miscellaneous liabilities	-	50,757
Intergovernmental payable	-	44,660
Total liabilities	-	95,417
Net position:		
Assets held in trust for pension benefits	\$ 60,459	\$ -

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

McDowell County, North Carolina

Statement of Changes in Fiduciary Net Position

Pension Trust Fund

Year Ended June 30, 2013

Additions

Investment income:

Interest	\$	37
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Deductions

Benefits		27,203
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Administrative expense		227
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Total deductions		27,430
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Change in net position		(27,393)
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Net position - beginning of year		87,852
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Net position - end of year	\$	60,459
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The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Notes to Financial Statements

June 30, 2013

Note A – Summary of Significant Accounting Policies:

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

(1) 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. McDowell County Industrial Facility and Pollution Control Financing Authority (the Financing Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Financing Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The McDowell County Tourism Development Authority (Authority), which has a June 30 year-end, is presented as if it is a separate governmental fund of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
McDowell County Industrial Facility and Pollution Control Financing Authority	Discrete	The Financing Authority is governed by a seven-member board of commissioners that is appointed by the County commissioners. The County can remove any commissioner of the Financing Authority with or without cause.	None issued.
McDowell County Tourism Development Authority	Discrete	The Authority is an authority established by a resolution of the McDowell County Board of Commissioners on April 1, 1987. The Authority consists of a nine-member board established to promote tourism in McDowell County. Funding is provided from an occupancy tax on rentals of motel rooms collected by McDowell County and remitted to the Authority.	McDowell County Tourism Development Authority 25 West Main Street Old Fort, NC 28762

(2) Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

Note A – Summary of Significant Accounting Policies – continued:

(2) Basis of Presentation, Basis of Accounting – continued

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Capital Projects Fund. The County uses this fund to account for resources restricted for the capital needs of the McDowell County Schools, including restricted portions of local option sales tax and allocations from the North Carolina Public School Building Fund.

The County reports the following major enterprise funds:

Water Fund. This fund accounts for the operation and maintenance of the water system in the Nebo community.

Universal Fund. This fund accounts for activity related to a former industrial facility, the Universal building, including renovations and lease of space.

Note A – Summary of Significant Accounting Policies – continued:

(2) Basis of Presentation, Basis of Accounting – continued

The County reports the following fund types:

Pension Trust Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. The County has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

Agency Funds. Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the County holds on behalf of others. The County maintains the following Agency Funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to McDowell County Board of Education; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; the Inmates Fund, which accounts for assets held at the McDowell County Jail for personal expenses of the inmates; the Employee Section 125 Fund, which accounts for elective deferrals withheld from employees under Section 125 of the Internal Revenue Code; the Tax Penalty Schools Fund, which accounts for tax penalties that the County is required to remit to the McDowell County Board of Education; the DMV Interest Fund, which accounts for the three percent interest 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 DMV Operations Fund, which accounts for the activity of the local office of the North Carolina Department of Motor Vehicles; the Rescue Squad Billing Fund, which accounts for billing and collection activity performed by the County on behalf of the McDowell County Rescue Squad; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Nonmajor Funds. The County maintains various legally budgeted funds. The Fire and Rescue Districts Fund and the Emergency Telephone System Fund are reported as nonmajor special revenue funds. All capital project funds are reported as nonmajor capital project funds except for the School Capital Projects Fund. The Waste Disposal Fund is reported as a nonmajor enterprise fund.

(3) Measurement Focus, Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus.

Note A – Summary of Significant Accounting Policies – continued:

(3) Measurement Focus, Basis of Accounting – continued

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, McDowell County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County.

Note A – Summary of Significant Accounting Policies – continued:

(3) Measurement Focus, Basis of Accounting – continued

For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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

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

(4) Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revaluation Fund, the Debt Service Fund, the Emergency Telephone and Fire and Rescue Districts Special Revenue Funds, and the Proprietary Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level within each department for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$3,000 except for amendments to travel line items, which cannot be altered by more than \$1,000 without approval. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note A – Summary of Significant Accounting Policies – continued:

(5) Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

Deposits and Investments

All deposits of McDowell County and the Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the Authority 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 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 mutual 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. The Authority considers demand deposits to be cash and cash equivalents.

Restricted Cash

The unexpended proceeds from installment purchase obligations issued for the purchase of public safety vehicles, school improvements, and renovations to the Universal building are classified as restricted cash. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the School Capital Projects Funds is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22.

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, 2012. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Note A – Summary of Significant Accounting Policies – continued:

(5) Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity – continued

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.

Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

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 allocated to expense as consumed.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The County has established a minimum capitalization policy of \$5,000 for all categories of capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The County holds title to certain McDowell County Board of Education and McDowell County Technical Community College (MTCC) properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education and MTCC give the Board of Education and MTCC 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 and MTCC, 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 McDowell County Board of Education and MTCC.

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

	<u>Years</u>
Buildings	50
Infrastructure	50
Land and building improvements	25
Furniture and equipment	3-10
Vehicles	6-10

Note A – Summary of Significant Accounting Policies – continued:

(5) Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity – continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County does not have any items that meet this criterion. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has the following items that meet the criterion for this category – prepaid taxes, property taxes receivable, special assessments receivable, and EMS receivable.

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The sick leave policy of the County provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County is not obligated for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

Net Position/Fund Balances

Net Position

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

Note A – Summary of Significant Accounting Policies – continued:

(5) Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity – continued

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

Restricted for Stabilization of State Statute – Portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for 911 – Portion of fund balance that is restricted by the State 911 board to enhance the State’s 911 system.

Restricted for School Capital – Portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Restricted for General Government – Portion of fund balance that is restricted by revenue source for the Public, Educational and Governmental (PEG) access cable channel and to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Public Safety – Portion of fund balance from asset forfeitures that is restricted for public safety expenditures.

Restricted for Human Services – Portion of fund balance that is restricted by revenue source for Senior Center purposes.

Restricted for Cultural and Recreational – Portion of fund balance that is restricted by revenue source for recreation needs of McDowell County.

Restricted for Economic and Physical Development – Portion of fund balance that is restricted by revenue sources for cooperative extension purposes.

Note A – Summary of Significant Accounting Policies – continued:

(5) Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity – continued

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

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

Assigned Fund Balance – Portion of fund balance that the McDowell County governing board has budgeted.

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 the appropriations by resource or appropriation within funds up to \$3,000.

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

McDowell County has a revenue spending practice that is followed for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: installment purchase obligation 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 deviates from this practice if it is in the best interest of the County or required by a grant agreement.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note A – Summary of Significant Accounting Policies – continued:

(6) Reconciliation of Government-Wide and Fund Financial Statements

1. *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.*

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$5,830,963 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 36,380,648
Less accumulated depreciation	(16,541,284)
Net capital assets	19,839,364
Unearned income under long-term lease is not reported in the funds.	(136,744)
Accrued interest receivable and other long-term receivables less the amount claimed as unearned revenue in the government-wide statements as these funds are not available in the fund statements.	173,405
Assets, net of liabilities, of the internal service fund, included in proprietary funds for fund financial statements and deemed to be governmental activity in the government-wide.	(85,567)
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide.	2,473,835
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchase obligations and notes payable	(14,327,738)
Compensated absences	(666,648)
Other postemployment benefits	(597,660)
Unfunded pension benefit obligation	(407,711)
Accrued interest payable	(96,619)
Other long-term liabilities	(336,954)
Total adjustment	\$ 5,830,963

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note A – Summary of Significant Accounting Policies – continued:

(6) Reconciliation of Government-Wide and Fund Financial Statements – continued

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(7,017,225) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 1,091,392
Depreciation expense, the allocation of those assets over their useful lives, which is recorded on the statement of activities but not in the fund statements.	(1,211,071)
Cost of disposed capital assets not recorded in fund statements.	(28,758)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position.	(8,767,126)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	1,562,968
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	(23,445)
Difference in unfunded pension benefit obligation, accrued in the government-wide statements but not in the fund statements.	(55,820)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	(23,810)

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note A – Summary of Significant Accounting Policies – continued:

(6) Reconciliation of Government-Wide and Fund Financial Statements – continued

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

Difference in other postemployment benefits, accrued in the government-wide statements but not in the fund statements.	(21,938)
Difference in amounts payable under various inter-local agreements.	51,968
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Decrease in long-term receivables, including interest receivable on delinquent taxes receivables.	(7,134)
Increase in deferred inflows of resources.	414,928
Amortization of income under long-term lease, not recorded on fund statements.	78,140
Net loss of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	(77,519)
<hr/>	
Total adjustment	\$ (7,017,225)

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note B – Stewardship, Compliance and Accountability:

Excess of Expenditures Over Appropriations

Under State statutes, actual expenditures cannot exceed budgetary appropriations at any level for which the budget is formally approved. During the year ended June 30, 2013, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
General Fund:			
County administration – salaries and employee benefits	\$ 313,015	\$ 313,081	\$ 66
Tax collections – salaries and employee benefits	166,604	166,784	180
Register of deeds – salaries and employee benefits	222,371	223,366	995
Register of deeds – capital expenditures	3,760	3,860	100
Garage – salaries and employee benefits	113,243	113,276	33
DMV operations – operating expenditures	2,181	2,239	58
Sheriff – salaries and employee benefits	2,223,161	2,229,830	6,669
EMS – salaries and employee benefits	1,628,232	1,630,826	2,594
Emergency management – salaries and employee benefits	107,281	107,372	91
Emergency management – operating expenditures	17,357	17,925	568
Emergency communication – salaries and employee benefits	592,828	593,238	410
Medical examiner	27,500	31,040	3,540
Waste collections – salaries and employee benefits	315,873	317,636	1,763
Watershed commission	7,500	8,490	990
Isothermal planning commission – operating expenditures	10,640	10,752	112
Isothermal planning commission – planning board	304	1,506	1,202
McDowell Economic Development Association – salaries and benefits	57,259	57,275	16
Senior center – capital expenditures	2,500	7,603	5,103
Library – salaries and employee benefits	450,152	450,442	290
Library – operating expenditures	206,357	207,221	864
Miscellaneous – City of Marion hold harmless	55,000	60,503	5,503
Miscellaneous – Davidson’s Fort	1,811	2,500	689
Transfer to:			
Universal Fund	-	321,693	321,693
Enterprise Fund:			
Universal Fund:			
Debt Service	-	321,693	321,693
Water Fund:			
Operating	70,315	77,714	7,399
Internal Service Fund:			
Self-Insurance Fund:			
Employee benefits – claims	1,730,036	1,805,261	75,225
Fees	434,940	440,139	5,199

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds:

(1) Assets

Deposits

As of February 1, 1998, the Authority entered into an interlocal agreement with the County, whereby the County performs accounting functions for the Authority. As part of this agreement, the Authority's deposits are co-mingled with deposits of the County in order to take advantage of the higher yield available to the County. 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 agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2013, the County's deposits had a carrying amount of \$13,260,037 and a bank balance of \$13,326,031. Of the bank balance, \$1,316,698 was covered by federal depository insurance, and \$12,009,333 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2013, the County had \$7,499,964 of debt proceeds held in escrow with Deutsch Bank as custodian based on a lending agreement with Bank of America.

At June 30, 2013, the County had \$5,275 cash on hand.

At June 30, 2013, the Authority's portion of cash on deposit with the County had a carrying amount of \$237,905.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Investments

At June 30, 2013, the County’s investment balances were as follows:

	Reported Value	Fair Value
North Carolina Capital Management Trust:		
Cash Portfolio, cash equivalent	\$ 4,932,666	\$ 4,932,666
Total Investments	\$ 4,932,666	\$ 4,932,666

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County’s investment policy requires that no less than 30% of the total investment portfolio shall mature within 30 days, no less than 75% of the portfolio shall mature within 90 days, and 100% of the portfolio shall mature in one year.

Credit Risk

The County has not adopted a formal credit risk policy. The County’s investment in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2013.

Custodial Credit Risk

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

Concentration of Credit Risk

The County’s investment policy mitigates the concentration of credit risk by requiring that no more than 50% of the County’s moneys shall be invested in a particular investment vehicle or placed with a single custodian or financial institution, with the exception of the North Carolina Capital Management Trust Cash Portfolio.

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.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

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

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

Year Levied	Tax	Interest	Total
2010	\$ 208,430	\$ 72,950	\$ 281,380
2011	223,375	58,077	281,452
2012	250,384	42,565	292,949
2013	273,546	-	273,546
Total	\$ 955,735	\$ 173,592	\$ 1,129,327

Receivables

Receivables at the government-wide level at June 30, 2013 were as follows:

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
Governmental Activities:					
General	\$ 2,116,936	\$ 2,492,264	\$ 4,573,665	\$ 191,287	\$ 9,374,152
Other Governmental	142,927	944,545	-	-	1,087,472
Total receivables	2,259,863	3,436,809	4,573,665	191,287	10,461,624
Allowance for doubtful accounts	(920,644)	-	(3,063,412)	-	(3,984,056)
Total - governmental activities	\$ 1,339,219	\$ 3,436,809	\$ 1,510,253	\$ 191,287	\$ 6,477,568
Business-type Activities:					
Waste disposal	\$ -	\$ -	\$ -	\$ 139,740	\$ 139,740
Water	-	-	-	197	197
Total receivables	-	-	-	139,937	139,937
Allowance for doubtful accounts	-	-	-	(40,232)	(40,232)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 99,705	\$ 99,705

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

Local option sales tax	\$ 1,803,220
State and federal assistance	1,044,126
Other	589,463
Total	\$ 3,436,809

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balances 07/01/12	Increases	Decreases	Balances 06/30/13
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,503,700	\$ -	\$ -	\$ 4,503,700
Construction in progress	36,721	97,941	29,375	105,287
Total capital assets not being depreciated	4,540,421	97,941	29,375	4,608,987
Capital assets being depreciated:				
Building improvements	2,236,899	267,890	-	2,504,789
Buildings	19,222,973	-	-	19,222,973
Equipment	4,227,102	73,799	-	4,300,901
Land improvements	1,042,102	419,351	-	1,461,453
Vehicles	4,315,796	261,786	296,037	4,281,545
Total capital assets being depreciated	\$ 31,044,872	\$ 1,022,826	\$ 296,037	\$ 31,771,661
Less accumulated depreciation for:				
Building improvements	\$ 675,260	\$ 103,647	\$ -	\$ 778,907
Buildings	8,571,221	344,763	-	8,915,984
Equipment	2,562,502	277,631	-	2,840,133
Land improvements	471,184	76,469	-	547,653
Vehicles	3,317,325	408,561	267,279	3,458,607
Total accumulated depreciation	15,597,492	\$ 1,211,071	\$ 267,279	16,541,284
Total capital assets being depreciated, net	15,447,380			15,230,377
Governmental activity capital assets, net	\$ 19,987,801			\$ 19,839,364

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

General government	\$ 205,381
Public safety	598,036
Economic and physical development	51,726
Environmental protection	32,930
Human services	209,135
Cultural and recreational	113,863
Total depreciation expense	\$ 1,211,071

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/12	Increases	Decreases	Balances 06/30/13
Business-type activities:				
Universal:				
Capital assets not being depreciated:				
Land	\$ 752,250	\$ -	\$ -	\$ 752,250
Construction in progress	-	200,289	-	200,289
Total capital assets not being depreciated	752,250	200,289	-	952,539
Capital assets being depreciated:				
Buildings	2,070,246	-	-	2,070,246
Building Improvements	490,622	85,958	9,437	567,143
Equipment	1,738	12,118	-	13,856
Total capital assets being depreciated	2,562,606	98,076	9,437	2,651,245
Less accumulated depreciation for:				
Buildings	14,112	37,644	-	51,756
Building improvements	79	55,465	79	55,465
Equipment	-	275	-	275
Total accumulated depreciation	14,191	93,384	79	107,496
Total capital assets being depreciated, net - Universal	2,548,415			2,543,749
Total capital assets, net - Universal	3,300,665			3,496,288
Waste Disposal:				
Capital assets being depreciated:				
Buildings	203,914	-	-	203,914
Equipment	109,836	251,143	-	360,979
Land improvements	126,387	66,607	-	192,994
Vehicles	470,065	-	-	470,065
Total capital assets being depreciated	910,202	317,750	-	1,227,952
Less accumulated depreciation for:				
Buildings	203,913	-	-	203,913
Equipment	75,762	26,620	-	102,382
Land improvements	72,491	13,233	-	85,724
Vehicles	430,468	13,200	-	443,668
Total accumulated depreciation	782,634	53,053	-	835,687
Total capital assets being depreciated, net - waste disposal	127,568			392,265

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/12	Increases	Decreases	Balances 06/30/13
Business-type activities - continued:				
Water:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 3,510	\$ -	\$ 3,510
Total capital assets not being depreciated	-	3,510	-	3,510
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	4,670,110	-	-	4,670,110
Computer software	12,733	-	-	12,733
Total capital assets being depreciated	4,683,987	-	-	4,683,987
Less accumulated depreciation for:				
Equipment	985	159	-	1,144
Infrastructure	246,348	93,402	-	339,750
Computer software	11,318	1,415	-	12,733
Total accumulated depreciation	258,651	\$ 94,976	\$ -	353,627
Total capital assets being depreciated, net - water	4,425,336			4,330,360
Total capital assets, net - water	4,425,336			4,333,870
Business-type activities capital assets, net	\$ 7,853,569			\$ 8,222,423

Construction Commitments

The government has active construction projects as of June 30, 2013. The projects include various school capital projects. At June 30, 2013, the government’s commitments with contractors are as follows:

Project	Spent-to date	Remaining Commitment
West Junior Renovations	\$ 761,526	\$ 1,070,974
High School Addition	1,054,560	8,105,940
High School Roof	236,073	262,838
Eastfield Roof	250,947	68,821
	\$ 2,303,106	\$ 9,508,573

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities

Payables

Payables at the government-wide level at June 30, 2013 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental activities:					
General	\$ 522,459	\$ 16,655	\$ 96,619	\$ 336,954	\$ 972,687
Other governmental	1,386,490	185,411	-	-	1,571,901
	<u>\$ 1,908,949</u>	<u>\$ 202,066</u>	<u>\$ 96,619</u>	<u>\$ 336,954</u>	<u>\$ 2,544,588</u>
Business-type activities:					
Universal	\$ 46,876	\$ -	\$ -	\$ -	\$ 46,876
Waste disposal	63,865	-	-	-	63,865
Water fund	18,414	-	-	-	18,414
	<u>\$ 129,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,155</u>

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description

McDowell County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS 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 Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of McDowell County are established and may be amended by the North Carolina General Assembly. The members' and the County's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$1,232,115, \$1,210,330, and \$1,133,619, respectively. The contributions made by the County equaled the required contributions for each year.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

McDowell 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 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's report as a Pension Trust Fund. All full-time County law enforcement officers are covered by the Separation Allowance.

At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
<u>Active plan members</u>	<u>41</u>
<u>Total</u>	<u>44</u>

A separate report was not issued for the plan.

2. 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 are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments. Investments are recorded 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.

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned as needed. For the current year, the County did not make a contribution to the plan, and there were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

3. Contributions – continued

Administration costs of the Separation Allowance are financed through investment earnings. Although the County has currently elected not to fund this retirement benefit based on actuarially determined periodic contributions, 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 (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement 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 percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year are as follows:

Employer annual required contribution	\$	60,124
Interest on net pension obligation		17,595
Adjustment to annual required contribution		(21,899)
Annual pension cost		55,820
Employer contributions made for fiscal year ending 06/30/13		-
Increase in net pension obligation		55,820
Net pension obligation, beginning of fiscal year		351,891
Net pension obligation, end of fiscal year	\$	407,711

3 Year Trend Information

<u>For Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 58,044	40.01%	\$ 304,374
2012	\$ 47,517	0.00%	\$ 351,891
2013	\$ 55,820	0.00%	\$ 407,711

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities - continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

4. Funded Status and Fund Progress

Management set aside funds for this purpose in prior years, and subsequently elected to pay current benefits on a pay as you go basis out of the General Fund, with administrative costs covered by the earnings on the funds previously set aside. During the year ended June 30, 2013, management elected to utilize trust funds for benefits paid. Funding for future periods will be based on future actuarial valuation studies. As of December 31, 2012, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$497,429. The covered payroll (annual payroll of active employees covered by the plan) was \$1,527,649, and the ratio of the UAAL to the covered payroll was 32.56%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description

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

2. Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Additionally, the County has approved the contribution of \$16.67 per pay period. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$101,469 which consisted of \$84,191 from the County and \$17,278 from law enforcement officers.

McDowell County, North Carolina

Notes to Financial Statements - continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

d. **Deferred Compensation Plan**

The County offers its employees the opportunity to participate in one of two deferred compensation plans, created in accordance with Internal Revenue Code Section 457 or 401(k). The plans, available to all County employees, permit the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

For all employees eligible to participate in either the 457 or 401(k) plan, the County has approved a contribution of a fixed amount, \$16.67 per pay period. For the year ended June 30, 2013, contributions of \$14,621 were made to the Section 457 plan, which consisted of \$4,934 from the County and \$9,687 from employees. For the year ended June 30, 2013, contributions of \$176,835 were made to the 401(k) plan, which consisted of \$91,285 from the County and \$85,550 from employees.

The County has complied with changes in the laws which govern the County's deferred compensation plans, requiring all assets of the plans to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County.

In accordance with GASB Statement 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the County's deferred compensation plans are no longer reported in the County's agency funds.

e. **Registers of Deeds' Supplemental Pension Fund**

1. **Plan Description**

McDowell County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, 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 who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds' Supplemental Pension Fund – continued

2. 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 1 of G.S. 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, 2013, the County's required and actual contributions were \$3,511.

f. Other Postemployment Benefits

According to a County resolution, the County offers health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System), with a hire date prior to March 1, 2009 and at least five years of creditable service with the County immediately prior to retirement. The County pays full coverage for these benefits for employees with 30 years of service, 75% of coverage for employees with 25-29 years of service, 50% for employees with 20-24 years of service, and 25% for employees with 15-19 years of service. Coverage will terminate when the retiree qualifies for Medicare.

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	16	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	156	30
Total	172	33

1. Funding Policy

The County has chosen to fund the healthcare benefits on a pay as you go basis. The current ARC rate is 2.82% of annual covered payroll. For the current year, the County contributed \$148,759. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.47% and .30% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$10,249. The County's obligation to contribute to the plan is established and may be amended by the Board of Commissioners.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

f. Other Postemployment Benefits - continued

2. Summary of Significant Accounting Policies

Postemployment expenditures are made from the Internal Service Fund, with premiums charged to the appropriate departments of the General Fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. 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 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 thirty years. 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.

Annual required contribution	\$	181,443
Interest on net OPEB obligation		26,138
Adjustments to annual required contribution		(36,336)
Annual OPEB cost (expense)		171,245
Contributions made		(148,759)
Increase in net OPEB obligation		22,486
Net OPEB obligation, beginning of year		653,449
Net OPEB obligation, end of year	\$	675,935

The net OPEB obligation at June 30, 2013 includes \$597,660 reported in the governmental activities and \$78,275 reported in the business-type activities.

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

For Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 172,205	72.74%	\$ 637,257
2012	\$ 171,465	90.56%	\$ 653,449
2013	\$ 171,245	86.87%	\$ 675,935

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

f. Other Postemployment Benefits – continued

4. Funded 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 \$2,172,692. The covered payroll (annual payroll of active employees covered by the plan) was \$6,428,977, and the ratio of the UAAL to the covered payroll was 33.80 percent. 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

In the December 31, 2012 actuarial valuation, the project 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. The investment rate 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 7 year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. Beginning July 1, 2012, the State made a decision to temporarily stop employer contributions to the Death Benefit Plan due to a surplus. The temporary relief period is based on the number of years the employer has contributed to the Death Benefit Plan as of December 31, 2010. As the County has contributed to the Death Benefit Plan for more than twenty years, the County is eligible for a three-year relief period beginning with fiscal year ended June 30, 2013. Therefore, the County did not make any contributions to the State for death benefits for the fiscal year ended June 30, 2013.

Additionally, the County offers a supplemental life insurance plan providing a \$20,000 death benefit, at a cost of \$5.20 per month per employee. Any aggregate benefit of the two plans in excess of the State's maximum \$50,000 benefit is a taxable fringe benefit to the employee.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities - continued

Closure and Postclosure Care Costs – Landfill

On April 8, 1994, the County stopped accepting solid waste at the municipal landfill. Since that date, solid waste has been transferred to a neighboring county. Revenue, in the form of tipping fees and operating transfers, is used to offset the cost of transporting and disposal. Because solid waste is no longer accepted after April 8, 1994, the County is not subject to the Environmental Protection Agency rule, "Solid Waste Disposal Facility Criteria". However, prior State and Federal laws and regulations require the County to place a final cover on its landfill facility and to perform certain maintenance and monitoring functions at the site. At June 30, 2013, the County maintains a \$30,000 landfill closure and postclosure liability representing the estimated remaining cost of postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Deferred Inflows of Resources

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ 49,855	\$ 49,855
Taxes receivable, net (General)	1,063,067	-
Taxes receivable, net (Special Revenue)	102,747	-
Other receivables (General)	138,201	-
EMS receivables (General)	1,169,820	-
Total	\$ 2,523,690	\$ 49,855

Unearned Rental Income

During the year ended June 30, 2005, the County leased a portion of the Senior Center facility to a health care provider (the Company). The Company made improvements to the County's Senior Center building by transforming shell space into a kidney dialysis center to serve patients in McDowell County, resulting in improvements made by the lessee to McDowell County's property in the amount of \$781,398. As a result, the government-wide financial statements will recognize income related to the leasehold improvements over the ten-year lease period at the rate of \$6,512 per month. For the year ended June 30, 2013, the County recognized \$78,140 in rental income, leaving a balance of \$136,744 in unearned income. Additionally, McDowell County receives a monthly rental of \$2,312 for the original shell space under a ten-year lease expiring in the year ending June 30, 2015, subject to annual Consumer Price Index adjustments.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one of the self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains workers' compensation coverage up to statutory limits. The pool is reinsured through commercial companies for losses in excess of \$350,000 (annual aggregate) for workers' compensation.

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 significantly exceeded coverage in any of the past three years.

The McDowell County Health Care Benefit Plan is a self-funded program. It provides coverage to employees, retirees, covered dependents and eligible former employees. The total cost of health care coverage including premiums for stop-loss coverage, administrative fees and claims paid, less amounts withheld from employees and reimbursed under stop-loss coverage, totaled \$1,828,967 for the year ended June 30, 2013. The County purchases specific stop-loss coverage to limit its annual loss per person to \$60,000. The cost for health care excess coverage premiums in fiscal year 2012-2013 was \$306,889. The County accounts for the self-funded Health Care Benefit Plan in the Internal Service Fund. The County carries flood insurance on two County properties located in designated flood plain areas, the Old Fort library and the McDowell House. Coverage is purchased from a commercial carrier in the amount of \$397,500 for the Old Fort library building, and \$481,600 for the McDowell House building. 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, in the following amounts: Finance Officer, \$50,000; DSS Director, \$50,000; Tax Collectors (5), \$15,000 each; DMV Clerks (3), \$15,000 each; Tax Assessor, \$15,000; Sheriff, \$25,000 and Register of Deeds, \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000. The Finance Officer of the County also serves as the Finance Officer of the Authority.

In accordance with G.S. 159-29, the Finance Officer of the Authority should be covered under a separate performance bond, in addition to bonding under the County's performance bond and blanket bond. The Authority has an individual bond for the Finance Officer of \$50,000.

Contingent Liabilities

During the normal course of doing business, the County may be named as a defendant in various lawsuits. In the opinion of the County's management and the County attorney, these legal matters will not have a material adverse effect on the County's financial position.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases - McDowell County Schools and McDowell County Technical Community College

As authorized by State Law [G.S.160A-20 and 153A-158.1], the County has financed various property acquisitions and construction projects for use by McDowell County Board of Education and McDowell County Technical Community College (MTCC) by installment purchase. The installment purchase obligations were issued pursuant to a deed of trust that requires legal title to remain with the County as long as the debt is outstanding. The County has entered into agreements with McDowell County Board of Education and MTCC that transfer the rights and responsibilities for maintenance and insurance of the properties to the Board of Education and MTCC. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligations are recorded by the Board of Education and MTCC. Details of installment purchase obligations related to these projects are as follows:

McDowell County Schools

- Installment purchase contract, executed in February 2002 for \$6,500,000, due in 30 semiannual principal payments of \$216,667 plus interest at 4.59%, for improvements to North Cove Elementary School. \$ 1,733,333
- Installment purchase contract, executed in April 2013 for \$8,500,000, payable in 30 semiannual installments of \$283,333 plus interest at 2.505%, for addition to the McDowell High School. 8,500,000

McDowell County Technical Community College

- Installment purchase contract, executed in September 2005 for \$748,100, due in 30 semiannual principal payments of \$24,936 plus interest at 3.55%, for improvements to MTCC campus. 374,050

\$ 10,607,383

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities - continued

Installment Purchases – McDowell County Schools and McDowell County Technical Community College – continued

For McDowell County, the future minimum payments as of June 30, 2013, including interest, are as follows:

Year Ending June 30	Schools and McDowell Tech	
	Principal	Interest
2014	\$ 1,049,873	\$ 296,800
2015	1,049,873	260,944
2016	1,049,873	225,089
2017	1,049,874	189,233
2018	616,540	158,350
2019-2023	2,958,017	556,696
2024-2027	2,833,333	195,181
Total principal payments	\$ 10,607,383	
Total interest payments		\$ 1,882,293

Installment Purchases - Other

The County has entered into installment purchase contracts with banks to finance the purchase of various items of property and equipment as follows:

Governmental Activities

- Installment purchase contract, executed in November 2004 for \$344,250, payable in 20 semiannual installments of \$20,669 including interest at 3.62%, secured by recreation facility purchased. \$ 59,829
- Installment purchase contract, executed in April 2002 for \$1,980,916, payable in 30 semiannual installments of \$66,030 plus interest at 4.60%, secured by Senior Center. 528,244
- Installment purchase contract, executed in June 2004 for \$454,000, for improvements to the Senior Center. The terms of the obligation require 120 fixed payments with annual escalation (12 at \$800, 12 at \$3,225, 12 at \$3,425, 12 at \$3,645, 12 at \$3,875, 12 at \$4,130, 12 at \$4,400, 12 at \$4,600, 12 at \$4,800 and 12 at \$4,933) plus interest at 6.299%. 59,200
- Installment purchase contract, executed in May 2005 for \$1,340,000, payable in 24 semiannual installments of \$55,833 plus interest at 3.67%, secured by land acquired for future expansion. 446,667
- Installment purchase contract, executed in April 2008 for \$965,663, payable in 30 semiannual installments of \$32,189 plus interest at 3.51%, to construct a Nutrition Center in the Old Fort area. 643,775

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

- Installment purchase contract, executed in January 2008 for \$562,500, payable in 30 semiannual installments of \$18,750 plus interest at 3.83%, to finance the purchase of the McDowell House. See related Note H. \$ 375,000
- Installment purchase contract, executed in December 2008 for \$1,056,000, payable in 30 semiannual principal payments of \$35,200 plus interest at 4.19%, for improvement to Baldwin Avenue property. 739,200
- Installment purchase contract, executed in November 2009 for \$91,225, payable in 8 semiannual installments of \$11,403 plus interest at 3.67%, secured by vehicles purchased. 11,403
- Installment purchase contract, executed in October 2010 for \$115,500, payable in 4 annual installments of \$30,414, including interest at 2.11%, secured by equipment purchased. 58,956
- Installment purchase contract, executed in March 2011 for \$111,849, payable in 8 semiannual installments of \$14,653, including interest at 2.11%, secured by vehicles purchased. 57,098
- Installment purchase contract, executed in August 2010 for \$148,982, payable in 4 annual installments of \$37,246, plus interest at 2.44% or 1.586% after rebate, secured by ambulance purchased. 74,491
- Installment purchase contract, executed in December 2010 for \$148,982, payable in 8 semiannual installments of \$19,501, including interest at 2.07%, secured by ambulance purchased. 57,311
- Installment purchase contract, executed in August 2011 for \$35,000, payable in 8 semiannual installments of \$4,614, including interest at 2.39%, secured by equipment purchased. 22,263
- Installment purchase contract, executed in September 2011 for \$45,500, payable in 8 semiannual installments of \$6,013, including interest at 2.51%, secured by equipment purchased. 28,967
- Installment purchase contract, executed in March 2012 for \$76,622, payable in 8 semiannual installments of \$9,985, including interest at 1.87%, secured by vehicles purchased. 57,998
- Installment purchase contract, executed in March 2012 for \$148,982, payable in 8 semiannual installments of \$19,334, including interest at 1.68%, secured by vehicles purchased. 112,666

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

• Installment purchase contract, executed in June 2012 for \$114,959, payable in 8 semiannual installments of \$15,047, including interest at 2.07%, secured by vehicles purchased.	\$ 87,101
• Installment purchase contract, executed in April 2013 for \$120,626, payable in 8 semiannual installments of \$15,798, including interest at 2.19%, secured by vehicles purchased.	120,626
• Installment purchase contract, executed in June 2013 for \$146,500, payable in 8 semiannual installments of \$18,312, plus interest at 1.28%, secured by ambulance purchased.	146,500
	<hr/>
	\$ 3,687,295

Business-Type Activities:

• Installment purchase contract, executed in May 2010 for \$54,058, payable in 8 semiannual installments of \$7,231 including interest at 3.06%, secured by weighing scales.	\$ 14,136
• Installment purchase contract, executed in June 2012 for \$190,103, payable in 14 semiannual installments of \$14,603, including interest at 1.97%, secured by waste disposal equipment purchased.	164,516
• Installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semiannual installments of \$49,167, plus interest at 3.39%, secured by real property.	1,376,667
• Installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semiannual installments of \$49,167, plus interest at 5.23%, secured by real property.	1,376,667
	<hr/>
	\$ 2,931,986

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

The future minimum payments of the installment purchase contracts, excluding the contracts entered into for improvement of McDowell County Schools and McDowell County Technical Community College, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 829,259	\$ 123,115
2014	724,399	96,747
2015	581,056	74,131
2016	483,715	54,826
2017	172,278	39,688
2018-2022	861,388	98,752
2023-2024	35,200	738
Total principal payments	\$ 3,687,295	
Total interest payments		\$ 487,997

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2013	\$ 236,896	\$ 119,988
2014	223,277	110,670
2015	223,803	101,667
2016	224,341	92,653
2017	224,888	83,629
2018-2022	1,012,114	286,502
2023-2028	786,667	76,287
Total principal payments	\$ 2,931,986	
Total interest payments		\$ 871,396

Debt Related to Capital Activities

Of the total Governmental Activities debt listed, only \$3,720,355 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$267,140.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Long-Term Obligations – Summary

At June 30, 2013, McDowell County had a legal debt margin of \$266,856,813. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/12	Increases	Decreases	Balance 06/30/13	Current Portion of Balance
<i>Governmental activities:</i>					
Installment purchases, including amortized call premium	\$ 7,123,580	\$ 8,767,126	\$ 1,562,968	\$ 14,327,738	\$ 1,879,133
Unfunded pension benefit obligation	351,891	55,820	-	407,711	-
Compensated absences	642,838	574,947	551,137	666,648	-
Other postemployment benefits	575,722	21,938	-	597,660	-
	\$ 8,694,031	\$ 9,419,831	\$ 2,114,105	\$ 15,999,757	\$ 1,879,133
<i>Business-type activities:</i>					
Installment purchases	\$ 3,167,952	\$ -	\$ 235,967	\$ 2,931,985	\$ 236,896
Compensated absences	13,778	430	6,756	7,452	-
Other postemployment benefits	77,727	548	-	78,275	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
	\$ 3,289,457	\$ 978	\$ 242,723	\$ 3,047,712	\$ 236,896

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

Conduit Debt Obligations

During the year ended June 30, 2002, the McDowell County Industrial Facility and Pollution Control Financing Authority (the Authority) issued recreational facility revenue bonds to provide financial assistance to a not-for-profit organization for the construction of a YMCA facility. The bonds are secured by the asset financed, as well as a letter of credit, and are payable solely from payments received from the not-for-profit organization involved. Ownership of the assets acquired is in the name of the organization served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2013, there was one series of revenue bonds outstanding with a principal amount payable of \$3,315,000.

Healthcare Benefits

The calculation of unpaid healthcare claims liability reported in the Self-Insurance Fund is based on management's experience and actual claims incurred prior to June 30, 2013 and reported for subsequent reimbursement.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(3) Interfund Balances and Activity

At June 30, 2013, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	Lake James EPA Project	\$ 12,841
General Fund	Single Family Rehabilitation Project	6,775
Universal Career Pathways Skill Center Project	Universal Fund	60,289
		<hr/>
		\$ 79,905

Payables to the General Fund from Lake James EPA Project and Single Family Rehabilitation Project are required due to cash overdrafts in the payable funds. The payable to the Universal Career Pathways Skill Center Project from the Universal Fund (Enterprise) represents the Enterprise Fund's portion of project expenses incurred near year end. All interfund balances will be paid during the year ending June 30, 2014.

Details of transfers to/from other funds are as follows:

Transfer from the General Fund to the Waste Disposal Fund to support cost of services not recovered by user charges.	\$ 1,286,023
Transfers from the School Capital Projects Fund to the Debt Service Fund to provide resources for the retirement of debt obligations of funds other than the General Fund.	527,811
Transfer from the General Fund to the Lake James EPA Project to provide local match for the project.	51,476
Transfer from the General Fund to Project Summit/SBFI North America to provide local match for the project.	7,888
Transfer from the General Fund to Greenway Extension Project to provide local match for the project.	39,875
Transfer from the General Fund to Universal Fund for the retirement of debt obligations.	321,693
Transfer from Senior Center Project to General Fund for resources not used in the project.	17,227
Transfer from Universal Fund to General Fund to provide resources for a project.	30,237
Transfer from Universal Fund to Universal Career Pathways Skill Center Project to provide resources for the project.	60,289
	<hr/>
	\$ 2,342,519

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note C – Detail Notes on All Funds – continued:

(4) Transfers

Transfers at the government-wide level at June 30, 2013 included \$194,440 in capital assets transferred from governmental activities to business-type activities. The capital assets transferred consisted of building improvements in the amount of \$190,930 related to the renovation of the former Universal building. The expenditures incurred for the improvements were accounted for in the Universal Career Pathways Skill Center Project, which is a governmental fund. Also, capital assets transferred consisted of waterlines in the amount of \$3,510. The expenditures incurred for the waterlines were accounted for in the General Fund.

(5) Fund Balance

McDowell County has a revenue spending practice that is followed for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: installment purchase obligation 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 deviates from this practice if it's in the best interest of the County.

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

Total fund balance - General Fund	\$	12,711,432
Less: Inventories		80,165
Stabilization by State Statute		2,905,399
Appropriated fund balance in 2014 budget		527,000
PEG channel		30,438
Register of deeds		42,762
Asset forfeiture		38,318
Social services		192,869
Senior Center		47,813
Cooperative extension		19,746
Tax revaluation		20,441
Jail		178,172
EMS		13,015
Watershed		2,601
Remaining fund balance	\$	8,612,693

The County has not adopted a minimum fund balance policy for the General Fund.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note D – Joint Ventures:

McDowell Technical Community College

The County, in conjunction with the State of North Carolina and the McDowell County Board of Education, participates in a joint venture to operate the McDowell Technical Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The last general obligation bond issue for this purpose was retired during the June 30, 2000 fiscal year. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$822,598 and \$68,998 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2013. The County also contributed \$30,000 to the community college for a roofing project during the fiscal year ended June 30, 2013. Additionally, the County entered into an installment purchase agreement during the year ended June 30, 2006, in order to fund the County's participation in the community college's capital improvement project. The County's debt service payments on this debt amounted to \$64,480 for the year ended June 30, 2013. The County entered into an installment purchase agreement during the year ended June 30, 2009 in order to fund vehicles for the community college. The County's debt service payments on this debt amounted to \$5,408 for the year ended June 30, 2013. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2013. Complete financial statements for the community college may be obtained from the community college's administrative offices at 54 College Drive, Marion, North Carolina 28752.

During the year ended June 30, 2008, the County entered into an installment purchase agreement in order to provide capital improvements to the McDowell Tech Baldwin Avenue facility property. The improvements were completed during the year ended June 30, 2010. The County leases space to be used in various economic development programs. The County owns the property throughout the service of the debt. Upon retirement of the debt, ownership of the property reverts back to McDowell Technical Community College. The County's debt service payments on this debt amounted to \$103,585 for the year ended June 30, 2013.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note D – Joint Ventures – continued:

McDowell House

During the year ended June 30, 2008, the County entered into an agreement with the McDowell Tourism Development Authority and the City of Marion, whereby the County financed the purchase of the McDowell House, a residence in the County with historic significance. Under the terms of the agreement, the City of Marion and McDowell County each contributed \$25,000 for the purchase of the facility, with McDowell County financing the remaining purchase price. Debt retirement will be accomplished by the McDowell Tourism Development Authority, using a 2% increase in occupancy tax, effective January 1, 2008, which has been restricted for this purpose.

Note E – Jointly Governed Organizations:

McDowell County maintains an affiliation with Smoky Mountain Center (Center) for the provision of mental health, developmental disabilities and substance abuse services. McDowell County appoints one County commissioner and one at-large member to serve on the board. The remaining members are appointed in the same manner by the other fourteen counties (Alexander, Alleghany, Ashe, Avery, Caldwell, Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain, Watauga and Wilkes) who participate. In addition, the County has made a financial commitment to the Center. For the year ended June 30, 2013, the County contributed \$67,856 to the general operations of the Smoky Mountain Center.

The board of trustees of the McDowell County Health Department is comprised of fifteen members. McDowell County appoints one county commissioner and four others to serve on the board. The remaining members are appointed in the same manner by the other two counties (Polk and Rutherford) who jointly govern the Health Department. In addition, the County has made a financial commitment to the Health Department. For the year ended June 30, 2013, the County contributed \$178,985 to the general operations of the Health Department.

The board of directors of McDowell Economic Development Association (MEDA), a 501(c)(3) organization, is comprised of twenty directors. McDowell County appoints three directors to serve on the board. The remaining directors are appointed as follows: one by the City of Marion, one by the Town of Old Fort, one by the McDowell County Chamber of Commerce, one by the McDowell Technical Community College, and one by the McDowell County Board of Education. This board then elects seven additional directors from members of MEDA. Five ex-officio members are comprised of the County Manager, the County attorney, the Director of the Isothermal Planning and Development Commission, the Director of the Small Business Center and the Director of the McDowell Chamber of Commerce. In addition, the County has made a financial commitment to MEDA. For the year ended June 30, 2013, the County contributed \$69,804 to the general operations of MEDA, including personnel costs (See related Note F).

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note E – Jointly Governed Organizations – continued:

The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and Development Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid \$10,140 in annual allocation to the Commission during the fiscal year ended June 30, 2013.

Note F – Related Party Transactions:

During the year ended June 30, 2001, the Board of Directors of the McDowell Economic Development Association (MEDA) requested that the County Manager serve as executive director of MEDA. As described in Note F, MEDA is jointly governed by McDowell County and other governmental units. McDowell County provides financial support for MEDA, including personnel costs. The Board of Commissioners approved the arrangement requested by the MEDA Board as part of continued personnel support of MEDA.

For the year ended June 30, 2013, one County commissioner is also an employee of McDowell County, and one commissioner is employed by McDowell Technical Community College.

Note G – Benefit Payments Issued by the State:

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

	Federal	State
Temporary Assistance for Needy Families	\$ 316,079	\$ -
Medicaid	43,295,519	24,250,064
State/County Special Assistance to Adults	-	448,784
Foster Care Adoption Assistance	331,616	87,742
CWS Adoption Subsidy	-	198,099
Total	\$ 43,943,214	\$ 24,984,689

Note H – Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs

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

Industrial Recruitment and Economic Development Incentives

The County has entered into various incentive agreements with private companies, whereby the companies agree to locate or expand operation in McDowell County, agreeing to comply with certain performance goals in exchange for financial assistance with initial or enhanced capital investment in the County. Performance goals normally include prescribed levels of new construction or equipment acquisition and the addition of a target number of full-time equivalent employees within certain wage parameters.

After inception-year assistance from the County, the companies must submit proof of compliance with agreement terms before future installments are paid. Additionally, full or partial repayment of start-up advances may be required in the event target goals are not adequately satisfied or maintained for a prescribed time period. Due to the uncertain terms of these agreements, liabilities for future payments or receivables for potential repayments have not been recorded in the government-wide financial statements.

During the year ended June 30, 2013, \$139,551 was paid under the economic development incentive agreements described above. Future installments of five active agreements amount to \$393,715, \$133,600, \$113,600 and \$39,200 for the years ending June 30, 2014, 2015, 2016 and 2017, respectively.

Interlocal Agreement to Purchase a Historic Property

Adopted on August 11, 2008, the Authority, the County and the City of Marion entered into an agreement to purchase and preserve a historic structure known as the McDowell House. The County agreed to purchase the property and entered into an agreement to finance \$562,500 over a fifteen-year period. The Authority agrees to make semi-annual payments to the County equal to the principal and interest payments. This payment is funded from the occupancy tax proceeds resulting from the increase in the occupancy tax effective January 1, 2008.

The total semi-annual payment is equal to the principal portion of \$18,750 plus the interest computed at 3.83% on the unpaid balance. See related Note C for the installment purchase recorded under governmental activities.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2013

Note I – Cafeteria Plan:

The County offers a cafeteria plan in which employees may elect to have specified amounts of their salaries set aside for qualified medical and child care expenses. These amounts are not subject to FICA or withholding taxes. As the employees incur expenses, they file for reimbursement. Any amounts remaining in the cafeteria plan fund at year end revert to the County. The activity of the cafeteria plan is currently accounted for in an Agency Fund.

Note J – Concentration of Credit Risk:

McDowell County grants credit without collateral to users of emergency medical services, accounted for in the General Fund, and to users of the waste disposal facility, accounted for in the Enterprise Fund. Most customers are residents of McDowell County, setting up a concentration of credit risk with respect to receivables.

The Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 55% of waste disposal revenue. Sales to this customer amounted to \$477,222 for the year ended June 30, 2013, with an account receivable balance of \$41,776 at June 30, 2013.

Note K – Use of Estimates:

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

Note L – Subsequent Events:

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through December 5, 2013; the date of the financial statements is December 5, 2013.

Note M – Change in Accounting Principles:

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

McDowell County, North Carolina

Law Enforcement Officers' Special Separation Allowance

Required Supplemental Financial Data

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2005	\$ 111,001	\$ 251,700	\$ 140,699	44.10%	\$ 1,242,611	11.32%
12-31-2006	\$ 117,895	\$ 272,044	\$ 154,149	43.34%	\$ 1,329,919	11.59%
12-31-2007	\$ 114,975	\$ 318,234	\$ 203,259	36.13%	\$ 1,423,656	14.28%
12-31-2008	\$ 123,278	\$ 343,036	\$ 219,758	35.94%	\$ 1,332,335	16.49%
12-31-2009	\$ 121,823	\$ 606,847	\$ 485,024	20.07%	\$ 1,394,364	34.78%
12-31-2010	\$ 123,569	\$ 507,596	\$ 384,027	24.34%	\$ 1,333,001	28.81%
12-31-2011	\$ 99,456	\$ 600,420	\$ 500,964	16.56%	\$ 1,464,940	34.20%
12-31-2012	\$ 73,282	\$ 570,711	\$ 497,429	12.84%	\$ 1,527,649	32.56%

McDowell County, North Carolina

Law Enforcement Officers' Special Separation Allowance

Required Supplemental Financial Data

Schedule of Employer Contributions and Notes to the Required Schedules

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2011	\$ 58,997	40.01%
2012	\$ 50,455	0.00%
2013	\$ 55,820	0.00%

Notes to the Required Schedules:

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

Valuation date	12/31/12
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

McDowell County, North Carolina

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2006	\$ -	\$ 2,445,267	\$ 2,445,267	0.00%	\$ 8,396,713	29.12%
12-31-2007	\$ -	\$ 2,793,681	\$ 2,793,681	0.00%	\$ 8,928,803	31.29%
12-31-2010	\$ -	\$ 1,837,433	\$ 1,837,433	0.00%	\$ 7,829,422	23.47%
12-31-2011	\$ -	\$ 1,837,362	\$ 1,837,362	0.00%	\$ 7,831,552	23.46%
12-31-2012	\$ -	\$ 2,172,692	\$ 2,172,692	0.00%	\$ 6,428,977	33.80%

McDowell County, North Carolina

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Employer Contributions and Notes to the Required Schedules

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2011	\$ 181,417	72.74%
2012	\$ 181,410	90.56%
2013	\$ 181,443	86.87%

Notes to the Required Schedules:

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

Valuation date	12/31/12
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*	4.00%
Medical cost trend	8.50% - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year property taxes	\$ 17,865,933	\$ 18,054,203	\$ 188,270
Discount	(84,774)	(84,711)	63
Delinquent tax	482,317	529,551	47,234
Tax interest	122,948	151,787	28,839
Tax penalties	11,500	-	(11,500)
Total	18,397,924	18,650,830	252,906
Local option sales taxes:			
Article 39 one percent	3,111,312	2,820,555	(290,757)
Article 40 one-half percent	1,858,000	1,873,210	15,210
Article 42 one-half percent	350,000	248,780	(101,220)
Article 44 one-half percent	-	11,843	11,843
Total	5,319,312	4,954,388	(364,924)
Other taxes and licenses:			
Deed stamp excise tax	103,500	141,157	37,657
Real estate transfer tax	167,000	188,155	21,155
Scrap tire disposal tax	70,000	67,985	(2,015)
Occupancy tax	326,000	320,164	(5,836)
Cable franchise	210,500	216,061	5,561
Dog tax	750	465	(285)
Total	877,750	933,987	56,237
Unrestricted intergovernmental:			
Payments in lieu of taxes	315,000	184,648	(130,352)
Restricted intergovernmental:			
State and federal grants:			
DSS	7,173,559	6,240,857	(932,702)
State aid library	99,500	100,613	1,113
Senior Center - aging	552,646	397,577	(155,069)
Soil and water reimbursement	22,000	23,400	1,400
Veterans service	2,000	1,452	(548)
Juvenile Crime Prevention	129,473	130,898	1,425
EMA reimbursement	22,000	35,502	13,502
Other	126,445	187,284	60,839
Court facility fees	80,000	60,808	(19,192)
Officer fees	18,500	16,401	(2,099)
ABC profits for law enforcement	7,500	7,230	(270)
Total	8,233,623	7,202,022	(1,031,601)

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building inspections	\$ 123,500	\$ 92,815	\$ (30,685)
Sign revenue	1,750	-	(1,750)
Homeowners' recovery	2,000	790	(1,210)
Register of deeds:			
Birth certificates	24,570	-	(24,570)
Acknowledgement and oath	1,170	6,905	5,735
Copies	19,350	44,962	25,612
Marriage license	6,502	(2,265)	(8,767)
Flood plain fees	16,325	16,474	149
Sundry	47,250	-	(47,250)
Cultural resources	7,500	7,488	(12)
Other	-	256	256
Total	249,917	167,425	(82,492)
Sales and services:			
NCDMV notary	32,500	30,840	(1,660)
NCDMV reimbursement	81,000	83,758	2,758
Tax mapping	1,500	345	(1,155)
Library fines	17,500	14,270	(3,230)
Library donations	500	5,631	5,131
Library copies	6,750	5,403	(1,347)
Library fax fees	2,250	2,986	736
Rent – dialysis clinic	28,300	32,609	4,309
Rent – senior center building	66,000	66,000	-
Fax fees	50	-	(50)
Vending income	750	479	(271)
Rent – Mental Health building	18,000	24,660	6,660
Rent – Baldwin Avenue - Isothermal	6,205	6,206	1
Tower rental	37,000	31,166	(5,834)
Rent – Baldwin Avenue - ESC	22,771	23,625	854
City of Marion reimbursement	80,526	91,125	10,599
Adoption fees	12,500	5,730	(6,770)
Canteen fees	117,692	144,469	26,777
SRO funds	500	-	(500)
Sheriff – process fees	48,500	58,522	10,022
Sheriff – permits	4,500	7,280	2,780
Jail phone reimbursement	31,500	32,665	1,165
Sheriff – concealed weapons permit	68,115	62,425	(5,690)
Sheriff – employee fund	6,000	7,119	1,119
Soil and water rent	1,200	1,200	-
Jail lease revenue	520,261	584,933	64,672
Jail fees	19,500	30,584	11,084
EMS collections	2,185,474	2,290,116	104,642
EMS Medicaid	74,913	130,731	55,818

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Sales and services - continued:			
Rescue Squad billing	\$ 100,000	\$ 97,480	\$ (2,520)
Sheriff – in school cop match	47,722	47,722	-
Recreation program fees	81,750	45,871	(35,879)
Other	111,669	616,828	505,159
Total	3,833,398	4,582,778	749,380
Investment earnings	32,000	18,383	(13,617)
Miscellaneous:			
Auction proceeds	4,500	24,233	19,733
Paper execution fees	40,000	4,751	(35,249)
Civil license revocation	3,800	3,123	(677)
Miscellaneous	6,500	(5,670)	(12,170)
4-H donations	19,795	21,427	1,632
Cooperative extension donations	3,500	3,145	(355)
Animal control other	-	1,492	1,492
Other	185,111	243,084	57,973
Total	263,206	295,585	32,379
Total revenues	37,522,130	36,990,046	(532,084)
Expenditures:			
General government:			
Board of commissioners:			
Salaries and employee benefits	119,470	118,980	490
Operating expenditures	34,611	30,644	3,967
Total	154,081	149,624	4,457
Human resources:			
Operating expenditures	362,488	360,124	2,364
Total	362,488	360,124	2,364
County administration:			
Salaries and employee benefits	313,015	313,081	(66)
Operating expenditures	15,900	15,741	159
Capital expenditures	1,000	923	77
Total	329,915	329,745	170
Finance:			
Salaries and employee benefits	312,637	312,365	272
Operating expenditures	189,554	182,954	6,600
Capital expenditures	2,091	2,090	1
Total	504,282	497,409	6,873

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	\$ 335,922	\$ 335,533	\$ 389
Operating expenditures	117,822	115,928	1,894
Capital expenditures	1,200	963	237
Total	454,944	452,424	2,520
Tax - collections:			
Salaries and employee benefits	166,604	166,784	(180)
Operating expenditures	90,338	79,846	10,492
Capital expenditures	2,340	1,123	1,217
Total	259,282	247,753	11,529
Legal	17,694	17,694	-
Board of elections:			
Salaries and employee benefits	118,788	118,752	36
Operating expenditures	134,548	126,187	8,361
Capital expenditures	1,500	1,400	100
Total	254,836	246,339	8,497
Register of deeds:			
Salaries and employee benefits	222,371	223,366	(995)
Operating expenditures	163,535	163,218	317
Capital expenditures	3,760	3,860	(100)
Total	389,666	390,444	(778)
Clerk of court:			
Operating expenditures	3,973	3,588	385
Capital expenditures	3,167	2,519	648
Total	7,140	6,107	1,033
Garage:			
Salaries and employee benefits	113,243	113,276	(33)
Operating expenditures	19,550	18,852	698
Total	132,793	132,128	665
Facility maintenance:			
Salaries and employee benefits	361,095	359,623	1,472
Operating expenditures	674,013	668,700	5,313
Capital expenditures	25,000	21,237	3,763
Total	1,060,108	1,049,560	10,548

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
DMV Operations:			
Salaries and employee benefits	\$ 109,292	\$ 109,236	\$ 56
Operating expenditures	2,181	2,239	(58)
Total	111,473	111,475	(2)
Total general government	4,038,702	3,990,826	47,876
Public safety:			
Sheriff:			
Salaries and employee benefits	2,223,161	2,229,830	(6,669)
Operating expenditures	482,712	449,702	33,010
Capital expenditures	320,253	191,844	128,409
Total	3,026,126	2,871,376	154,750
Jail:			
Salaries and employee benefits	787,603	773,222	14,381
Operating expenditures	827,224	822,244	4,980
Capital expenditures	17,500	16,062	1,438
Total	1,632,327	1,611,528	20,799
EMS:			
Salaries and employee benefits	1,628,232	1,630,826	(2,594)
Operating expenditures	421,032	408,449	12,583
Capital expenditures	302,532	155,975	146,557
Total	2,351,796	2,195,250	156,546
Emergency management:			
Salaries and employee benefits	107,281	107,372	(91)
Operating expenditures	17,357	17,925	(568)
Capital expenditures	2,974	2,786	188
Total	127,612	128,083	(471)
Fire protection	469,250	469,250	-
Forest service	74,250	73,283	967
Emergency communication:			
Salaries and employee benefits	592,828	593,238	(410)
Operating expenditures	23,158	20,802	2,356
Capital expenditures	6,390	2,746	3,644
Total	622,376	616,786	5,590

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Animal control:			
Salaries and employee benefits	\$ 43,122	\$ 43,106	\$ 16
Operating expenditures	68,944	63,997	4,947
Capital expenditures	2,121	1,920	201
Total	114,187	109,023	5,164
Building inspections:			
Salaries and employee benefits	265,418	265,386	32
Operating expenditures	35,312	29,704	5,608
Capital expenditures	80	-	80
Total	300,810	295,090	5,720
Medical examiner	27,500	31,040	(3,540)
Rescue squad billing	250,000	242,369	7,631
Rescue squad	28,199	28,199	-
Total public safety	9,024,433	8,671,277	353,156
Environmental protection:			
Waste collections:			
Salaries and employee benefits	315,873	317,636	(1,763)
Operating expenditures	140,584	140,362	222
Capital expenditures	2,729	-	2,729
Total	459,186	457,998	1,188
Soil and water district technician:			
Salaries and employee benefits	38,208	38,158	50
Operating expenditures	6,050	5,753	297
Capital expenditures	1,100	1,073	27
Total	45,358	44,984	374
Soil and water conservation:			
Salaries and employee benefits	18,800	18,792	8
Operating expenditures	11,600	9,015	2,585
Capital expenditures	1,000	757	243
Total	31,400	28,564	2,836
Watershed commission	7,500	8,490	(990)
Water and sewer	98,524	65,799	32,725
Total environmental protection	641,968	605,835	36,133

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Keep McDowell Beautiful:			
Salaries and employee benefits	\$ 18,821	\$ 18,243	\$ 578
Operating expenditures	10,600	10,600	-
Total	29,421	28,843	578
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
Total	12,563	12,563	-
Cooperative extension:			
Operating expenditures	176,383	172,404	3,979
Capital expenditures	4,216	4,216	-
Total	180,599	176,620	3,979
Isothermal planning commission:			
Isothermal operating expenditures	10,640	10,752	(112)
Planning board	304	1,506	(1,202)
Total	10,944	12,258	(1,314)
McDowell Economic Development Association:			
Salaries and employee benefits	57,259	57,275	(16)
Operating expenditures	12,616	12,529	87
Total	69,875	69,804	71
Economic and industrial development	285,000	174,537	110,463
Tourism Development Authority	318,200	311,113	7,087
Total economic and physical development	906,602	785,738	120,864
Human services:			
Health department	178,985	178,985	-
Mental health	67,856	67,856	-
Alcohol and substance abuse	4,000	-	4,000
Volunteer center:			
Salaries and employee benefits	18,055	17,991	64
Operating expenditures	8,166	2,844	5,322
Capital expenditures	400	-	400
Total	26,621	20,835	5,786
Juvenile Crime Prevention Council	146,664	143,712	2,952

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Social Services:			
Administration:			
Salaries and employee benefits	\$ 4,846,387	\$ 4,846,109	\$ 278
Operating expenditures	3,045,596	2,754,575	291,021
Capital expenditures	89,890	69,740	20,150
Total	7,981,873	7,670,424	311,449
Foster care	751,190	730,369	20,821
Adoption assistance	193,227	188,071	5,156
Crisis energy program	296,775	286,485	10,290
TANF - County participation	156,500	151,743	4,757
Medicaid - County participation	2,000	789	1,211
Special assistance	513,500	425,636	87,864
Aid to blind	2,000	-	2,000
General assistance	7,500	2,926	4,574
Total social services	9,904,565	9,456,443	448,122
Senior Center:			
Salaries and employee benefits	495,398	493,541	1,857
Operating expenditures	481,566	419,822	61,744
Capital expenditures	2,500	7,603	(5,103)
Total	979,464	920,966	58,498
Juvenile Placement:			
Operating expenditures	18,000	15,982	2,018
Total	18,000	15,982	2,018
Total human services	11,326,155	10,804,779	521,376
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	135,650	135,640	10
Operating expenditures	140,189	128,205	11,984
Capital expenditures	162,630	162,155	475
Total	438,469	426,000	12,469
Recreation - programs	81,167	43,730	37,437

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and employee benefits	\$ 450,152	\$ 450,442	\$ (290)
Operating expenditures	206,357	207,221	(864)
Capital expenditures	29,888	25,206	4,682
Total	686,397	682,869	3,528
Total cultural and recreational	1,206,033	1,152,599	53,434
Miscellaneous:			
Carson House	10,000	10,000	-
City of Marion hold harmless	55,000	60,503	(5,503)
Family Services	25,903	25,903	-
MACA	18,500	18,500	-
McDowell Mission	22,000	22,000	-
Champion rent	17,914	17,913	1
July 4 th	500	500	-
Davidson's Fort	1,811	2,500	(689)
Health coalition	5,000	5,000	-
Other	206,154	163,963	42,191
Total miscellaneous	362,782	326,782	36,000
Education:			
Public schools:			
Current expense	7,362,877	7,286,904	75,973
Capital outlay	171,000	171,000	-
McDowell Technical College:			
Current expense	822,598	822,598	-
Capital outlay	68,998	68,998	-
Roofing project	30,000	30,000	-
Vehicle payments	5,408	5,408	-
Building payments	168,065	168,065	-
Total education	8,628,946	8,552,973	75,973
Debt service:			
Building inspections	4,970	4,970	-
Emergency medical services	187,939	187,922	17
Garage	9,227	9,227	-
Sheriff	95,280	95,280	-
Debt service fund	972,483	649,789	322,694
Total debt service	1,269,899	947,188	322,711
Total expenditures	37,405,520	35,837,997	1,567,523
Revenues over expenditures	116,610	1,152,049	1,035,439

McDowell County, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – continued

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Installment purchase obligations issued	\$ 267,126	\$ 267,126	\$ -
Transfers to:			
Capital Project Funds:			
Greenway Extension	(39,875)	(39,875)	-
Project Summit/SBFI North America	(20,000)	(7,888)	12,112
Lake James EPA	(51,476)	(51,476)	-
Enterprise Funds:			
Universal Fund	-	(321,693)	(321,693)
Waste Disposal Fund	(1,286,023)	(1,286,023)	-
Revaluation Fund	(25,000)	(25,000)	-
Transfers from:			
Capital Project Funds:			
Senior Center Project	-	17,227	17,227
Enterprise Fund:			
Universal Fund	30,237	30,237	-
Fund balance appropriated	1,008,401	-	(1,008,401)
Total other financing uses	(116,610)	(1,417,365)	(1,300,755)
Excess of revenues and other financing sources under expenditures and other financing uses	\$ -	(265,316)	\$ (265,316)
Fund balance - beginning of year		12,956,307	
Fund balance - end of year		\$ 12,690,991	

McDowell County, North Carolina

Revaluation Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 13	\$ 13
Total revenues	-	13	13
Expenditures:			
General government:			
Capital expenditures	25,000	8,715	16,285
Total expenditures	25,000	8,715	16,285
Revenues over (under) expenditures	(25,000)	(8,702)	16,298
Other financing sources:			
Transfer from General Fund	25,000	25,000	-
Total other financing sources	25,000	25,000	-
Revenues and other financing sources over expenditures	\$ -	16,298	\$ 16,298
Fund balance - beginning of year		4,143	
Fund balance - end of year		\$ 20,441	

Note: Since the Revaluation Fund is legally budgeted, the fund is consolidated into the General Fund for reporting purposes on pages 19 and 21.

McDowell County, North Carolina

Combining Statements for Nonmajor Funds

Year Ended June 30, 2013

Special Revenue Funds:

- Fire and Rescue Districts – This fund accounts for the tax revenues collected by the County on behalf of the fire and rescue districts in the County.
- Emergency Telephone System – This fund accounts for the 911 revenues received by the State 911 Board to enhance the State’s 911 system.

Debt Service Fund:

- The County uses the debt service fund to account for the debt service requirements for governmental funds other than the General Fund.

Capital Project Funds:

- Trail Project – The County uses this fund to account for expenditures related to the development of a walking trail at Point Lookout near Old Fort. There was no current year activity in this project.
- Housing Relocation and Stabilization Services Project – The County uses this fund to account for expenditures related to the Homelessness Prevention and Rapid Re-Housing Program, funded by the American Recovery and Reinvestment Act of 2009 (ARRA).
- Lake James EPA Project – The County uses this fund to account for expenditures for an engineering study that will examine potential water intake and treatment plant sites, funded by the Environmental Protection Agency.
- Senior Center Project – The County used this fund to account for the construction and renovation of Senior Center properties. This project was closed out during the current year with the remaining funds transferred to the General Fund as restricted support.
- Kate B. Reynolds Recreation Project – The County uses this fund to account for expenditures for capital improvements to recreational facilities for the Old Fort community, funded by the Kate B. Reynolds Charitable Trust.
- Project Summit/SBFI North America – The County uses this fund to account for expenditures related to the renovation of a building, funded by the NC Rural Center Building Reuse Program and a local match.
- Financial Assistance Project – The County uses this fund to account for expenditures related to the Homelessness Prevention and Rapid Re-Housing Program, funded by the American Recovery and Reinvestment Act of 2009 (ARRA). Expenditures are primarily for rent assistance to eligible recipients.
- Foothills Pilot Plant Project – The County used this fund to account for expenditures for the capital improvements related to the Poultry Plant Project, funded by Appalachian Regional Commission, NC Rural Center and the Golden Leaf Foundation. There was no current year activity in this project.
- Scattered Site Housing Project – The County uses this fund to account for expenditures for housing needs of low-income families, funded by a Community Development Block Grant.

McDowell County, North Carolina

Combining Statements for Nonmajor Funds – continued

Year Ended June 30, 2013

- Single Family Rehabilitation Project – The County uses this fund to account for expenditures for the HOME program funds, funded by the NC Housing Finance Agency.
- Universal Career Pathways Skill Center Project – The County uses this fund to account for expenditures related to the renovation of space at McDowell Technical Community College and the former Universal building, funded by the Golden Leaf Foundation.
- Greenway Extension Project – The County uses this fund to account for the development of a greenway extension trail, funded partially by the NC Parks and Recreation Trust Fund.
- Hospital Transfer Switches Project – The County uses this fund to account for the expenditures related to the replacement of two automatic transfer switches at McDowell Hospital, funded by the Pre-Disaster Mitigation Program, with a local match to be provided by the hospital.

McDowell County, North Carolina

Combining Balance Sheets

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
Assets			
Cash and investments	\$ 24,223	\$ 305,605	\$ 9
Taxes receivable - net	102,747	-	-
Accounts receivable - other governments	-	34,029	-
Due from other funds	-	-	-
Total assets	\$ 126,970	\$ 339,634	\$ 9
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 24,223	\$ 229	\$ -
Due to other funds	-	-	-
Total liabilities	24,223	229	-
Deferred inflows of resources:			
Taxes receivable	102,747	-	-
Total deferred inflows of resources	102,747	-	-
Fund balances:			
Restricted:			
Stabilization by State Statute	-	34,029	-
911 Funds	-	305,376	-
Cultural and recreational	-	-	-
Assigned:			
Debt service	-	-	9
Economic and physical development	-	-	-
Unassigned	-	-	-
Total fund balances	-	339,405	9
Total liabilities and fund balances	\$ 126,970	\$ 339,634	\$ 9

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2013

	Capital Project Funds			
	Trail Project	Housing Relocation & Stabilization Services Project	Lake James EPA Project	Senior Center Project
Assets				
Cash and investments	\$ 21,895	\$ -	\$ -	-
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	27,484	-
Due from other funds	-	-	-	-
Total assets	\$ 21,895	\$ -	\$ 27,484	\$ -
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 8,632	\$ -
Due to other funds	-	-	12,841	-
Total liabilities	-	-	21,473	-
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	27,484	-
911 Funds	-	-	-	-
Cultural and recreational	-	-	-	-
Assigned:				
Debt service	-	-	-	-
Economic and physical development	21,895	-	-	-
Unassigned	-	-	(21,473)	-
Total fund balances	21,895	-	6,011	-
Total liabilities and fund balances	\$ 21,895	\$ -	\$ 27,484	\$ -

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2013

	Capital Project Funds		
	Kate B. Reynolds Project	Project Summit/ SBFI North America	Financial Assistance Project
Assets			
Cash and investments	\$ 150,000	\$ 3,506	\$ -
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	-
Due from other funds	-	-	-
Total assets	\$ 150,000	\$ 3,506	\$ -
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ 3,506	\$ -
Due to other funds	-	-	-
Total liabilities	-	3,506	-
Deferred inflows of resources:			
Taxes receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
911 Funds	-	-	-
Cultural and recreational	150,000	-	-
Assigned:			
Debt service	-	-	-
Economic and physical development	-	-	-
Unassigned	-	-	-
Total fund balances	150,000	-	-
Total liabilities and fund balances	\$ 150,000	\$ 3,506	\$ -

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2013

	Capital Project Funds		
	Foothills Pilot Plant Project	Scattered Site Housing Project	Single Family Rehabilitation Project
Assets			
Cash and investments	\$ -	\$ -	\$ -
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	6,775
Due from other funds	-	-	-
Total assets	\$ -	\$ -	\$ 6,775
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	6,775
Total liabilities	-	-	6,775
Deferred inflows of resources:			
Taxes receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	6,775
911 Funds	-	-	-
Cultural and recreational	-	-	-
Assigned:			
Debt service	-	-	-
Economic and physical development	-	-	-
Unassigned	-	-	(6,775)
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ 6,775

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2013

	Capital Project Funds				
	Universal Career Pathways Skill Center Project	Greenway Extension Project	Hospital Transfer Switches Project		Totals June 30, 2013
Assets					
Cash and investments	\$ -	\$ 4,521	\$ -	\$ -	509,759
Taxes receivable - net	-	-	-	-	102,747
Accounts receivable - other governments	140,000	265	196,354	-	404,907
Due from other funds	60,289	-	-	-	60,289
Total assets	\$ 200,289	\$ 4,786	\$ 196,354	\$ -	1,077,702
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 200,289	\$ -	\$ 196,354	\$ -	433,233
Due to other funds	-	-	-	-	19,616
Total liabilities	200,289	-	196,354	-	452,849
Deferred inflows of resources:					
Taxes receivable	-	-	-	-	102,747
Total deferred inflows of resources	-	-	-	-	102,747
Fund balances:					
Restricted:					
Stabilization by State Statute	200,289	265	196,354	-	465,196
911 Funds	-	-	-	-	305,376
Cultural and recreational	-	-	-	-	150,000
Assigned:					
Debt service	-	-	-	-	9
Economic and physical development	-	-	-	-	21,895
Unassigned	(200,289)	4,521	(196,354)	-	(420,370)
Total fund balances	-	4,786	-	-	522,106
Total liabilities and fund balances	\$ 200,289	\$ 4,786	\$ 196,354	\$ -	1,077,702

McDowell County, North Carolina

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
Revenues:			
Ad valorem taxes	\$ 1,966,769	\$ -	\$ -
Restricted intergovernmental revenue	-	204,176	52,940
Investment earnings	-	161	-
Miscellaneous revenue	-	-	-
Total revenues	1,966,769	204,337	52,940
Expenditures:			
General government	-	-	-
Public safety	1,966,769	174,889	-
Economic and physical development	-	-	-
Human services	-	-	-
Debt service	-	-	580,751
Capital outlay	-	-	-
Total expenditures	1,966,769	174,889	580,751
Revenues over (under) expenditures	-	29,448	(527,811)
Other financing sources (uses):			
Operating transfer in from General Fund	-	-	-
Operating transfer out to General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	527,811
Operating transfer in from Universal Fund	-	-	-
Total other financing sources	-	-	527,811
Increase (decrease) in fund balances	-	29,448	-
Fund balances – beginning of year	-	309,957	9
Fund balances – end of year	\$ -	\$ 339,405	\$ 9

McDowell County, North Carolina

Combining Statements of Revenues, Expenditures and Changes in Fund Balances – continued

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Capital Project Funds			
	Trail Project	Housing Relocation & Stabilization Services Project	Lake James EPA Project	Senior Center Project
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	1,155	55,566	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	-	230
Total revenues	-	1,155	55,566	230
Expenditures:				
General government	-	-	101,031	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Human services	-	1,130	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	1,130	101,031	-
Revenues over (under) expenditures	-	25	(45,465)	230
Other financing sources (uses):				
Operating transfer in from General Fund	-	-	51,476	-
Operating transfer out to General Fund	-	-	-	(17,227)
Operating transfer in from Capital Project Fund	-	-	-	-
Operating transfer in from Universal Fund	-	-	-	-
Total other financing sources (uses)	-	-	51,476	(17,227)
Increase (decrease) in fund balances	-	25	6,011	(16,997)
Fund balances (deficit) – beginning of year	21,895	(25)	-	16,997
Fund balances – end of year	\$ 21,895	\$ -	\$ 6,011	-

McDowell County, North Carolina

Combining Statements of Revenues, Expenditures and Changes in Fund Balances – continued

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Capital Project Funds		
	Kate B. Reynolds Project	Project Summit/ SBFI North Project	Financial Assistance Project
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	157,700	3,274
Investment earnings	-	-	-
Miscellaneous revenue	150,000	211,390	-
Total revenues	150,000	369,090	3,274
Expenditures:			
General government	-	-	-
Public safety	-	-	-
Economic and physical development	-	376,978	-
Human services	-	-	4,176
Debt service	-	-	-
Capital outlay	-	-	-
Total expenditures	-	376,978	4,176
Revenues over (under) expenditures	150,000	(7,888)	(902)
Other financing sources (uses):			
Operating transfer in from General Fund	-	7,888	-
Operating transfer out to General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	-
Operating transfer in from Universal Fund	-	-	-
Total other financing sources (uses)	-	7,888	-
Increase (decrease) in fund balances	150,000	-	(902)
Fund balances – beginning of year	-	-	902
Fund balances – end of year	\$ 150,000	\$ -	\$ -

McDowell County, North Carolina

Combining Statements of Revenues, Expenditures and Changes in Fund Balances – continued

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Capital Project Funds		
	Foothills Pilot Plant Project	Scattered Site Housing Project	Single Family Rehabilitation Project
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	7,000	136,678
Investment earnings	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	-	7,000	136,678
Expenditures:			
General government	-	-	-
Public safety	-	-	-
Economic and physical development	-	-	-
Human services	-	7,000	136,678
Debt service	-	-	-
Capital outlay	-	-	-
Total expenditures	-	7,000	136,678
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Operating transfer in from General Fund	-	-	-
Operating transfer out to General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	-
Operating transfer in from Universal Fund	-	-	-
Total other financing sources	-	-	-
Increase (decrease) in fund balances	-	-	-
Fund balances – beginning of year	-	-	-
Fund balances – end of year	\$ -	\$ -	\$ -

McDowell County, North Carolina

Combining Statements of Revenues, Expenditures and Changes in Fund Balances – continued

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Capital Project Funds				
	Universal Career Pathways Skill Center Project	Greenway Extension Project	Hospital Transfer Switches Project	Totals	June 30, 2013
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 1,966,769	
Restricted intergovernmental revenue	-	365,285	196,354	1,180,128	
Investment earnings	-	-	-	161	
Miscellaneous revenue	140,000	24,500	65,451	591,571	
Total revenues	140,000	389,785	261,805	3,738,629	
Expenditures:					
General government	-	-	-	101,031	
Public safety	-	-	261,805	2,403,463	
Economic and physical development	-	-	-	376,978	
Human services	-	-	-	148,984	
Debt service	-	-	-	580,751	
Capital outlay	200,289	424,179	-	624,468	
Total expenditures	200,289	424,179	261,805	4,235,675	
Revenues over (under) expenditures	(60,289)	(34,394)	-	(497,046)	
Other financing sources (uses):					
Operating transfer in from General Fund	-	39,875	-	99,239	
Operating transfer out to General Fund	-	-	-	(17,227)	
Operating transfer in from Capital Project Fund	-	-	-	527,811	
Operating transfer in from Universal Fund	60,289	-	-	60,289	
Total other financing sources	60,289	39,875	-	670,112	
Increase (decrease) in fund balance	-	5,481	-	173,066	
Fund balances (deficit) – beginning of year	-	(695)	-	349,040	
Fund balances – end of year	\$ -	\$ 4,786	\$ -	\$ 522,106	

McDowell County, North Carolina

Fire and Rescue Districts Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Fire districts:			
Marion Area	\$ 297,000	\$ 283,353	\$ (13,647)
Ashford/North Cove	105,000	100,848	(4,152)
Dysartsville	110,000	108,331	(1,669)
Glenwood	165,500	152,985	(12,515)
Nebo	250,000	242,208	(7,792)
Pleasant Gardens	160,000	157,318	(2,682)
Sugar Hill	101,000	99,268	(1,732)
Woodlawn/Sevier	75,000	72,581	(2,419)
Crooked Creek	112,000	105,936	(6,064)
Old Fort Area	120,000	115,569	(4,431)
Hankins/North Fork	45,000	43,136	(1,864)
Long Town	24,150	24,130	(20)
County	98,000	64,123	(33,877)
Parkway/Woodlawn	31,000	28,483	(2,517)
Old Fort - Inside	37,000	34,439	(2,561)
Rescue district:			
McDowell County Rescue	360,000	334,061	(25,939)
Total revenues	2,090,650	1,966,769	(123,881)
Expenditures:			
Public safety:			
Fire district allocations:			
Marion Area	297,000	283,302	13,698
Ashford/North Cove	105,000	101,185	3,815
Dysartsville	110,000	108,320	1,680
Glenwood	165,500	152,989	12,511
Nebo	250,000	242,229	7,771
Pleasant Gardens	160,000	157,326	2,674
Sugar Hill	101,000	99,283	1,717
Woodlawn/Sevier	75,000	74,108	892
Crooked Creek	112,000	105,839	6,161
Old Fort Area	120,000	115,463	4,537
Hankins/North Fork	45,000	43,136	1,864
Long Town	24,150	24,131	19
County	98,000	63,974	34,026
Parkway/Woodlawn	31,000	26,984	4,016
Old Fort - Inside	37,000	34,439	2,561
Rescue district allocation:			
McDowell County Rescue	360,000	334,061	25,939
Total expenditures	2,090,650	1,966,769	123,881
Revenues over expenditures	\$ -	-	\$ -
Fund balance - beginning of year			-
Fund balance - end of year		\$ -	

McDowell County, North Carolina

Emergency Telephone System Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 204,767	\$ 204,176	\$ (591)
Investment earnings	1,500	161	(1,339)
Total revenues	206,267	204,337	(1,930)
Expenditures:			
Public safety:			
Telephone		87,395	
Furniture		3,492	
Software maintenance		67,577	
Hardware maintenance		14,006	
Training		2,053	
Interpretive services		366	
Total expenditures	206,267	174,889	31,378
Revenues over expenditures	\$ -	29,448	\$ 29,448
Fund balance - beginning of year		309,957	
Fund balance - end of year		\$ 339,405	

McDowell County, North Carolina

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenue	\$ 52,940	\$ 52,940	\$ -
Total revenues	52,940	52,940	-
Expenditures:			
Debt service	580,751	580,751	-
Total expenditures	580,751	580,751	-
Revenues under expenditures	(527,811)	(527,811)	-
Other financing sources:			
Transfer from School Capital Projects Fund	527,811	527,811	-
Total other financing sources	527,811	527,811	-
Revenues and other financing sources over expenditures	\$ -	- \$	-
Fund balance - beginning of year		9	
Fund balance - end of year	\$	9	

McDowell County, North Carolina

School Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Lottery funds	\$ 3,364,811	\$ -	\$ 3,364,811	\$ 3,364,811
Local option sales tax	5,547,721	4,726,300	2,005,612	6,731,912
Investment earnings	2,000	-	2,338	2,338
Miscellaneous	-	-	25,213	25,213
Public school building fund	-	337,500	(1,742)	335,758
Total revenues	8,914,532	5,063,800	5,396,232	10,460,032
Expenditures:				
Capital outlay:				
East Jr High Renovations	540,900	-	509,664	509,664
West Jr High Renovations	2,325,000	-	942,388	942,388
Roofing Repairs	130,018	118,806	-	118,806
High School Roof	450,000	177,330	270,347	447,677
High School Addition	11,961,536	-	1,693,558	1,693,558
High School Roof	498,911	-	236,073	236,073
Eastfield Roof	319,768	-	250,947	250,947
Roof	660,588	581,988	8,637	590,625
Total expenditures	16,886,721	878,124	3,911,614	4,789,738
Revenues over (under) expenditures	(7,972,189)	4,185,676	1,484,618	5,670,294
Other financing sources (uses):				
Installment purchase obligation	8,500,000	-	8,500,000	8,500,000
Transfer to Debt Service Fund	(527,811)	-	(527,811)	(527,811)
Total other financing sources (uses)	7,972,189	-	7,972,189	7,972,189
Increase in fund balance	\$ -	\$ 4,185,676	9,456,807	\$ 13,642,483
Fund balance - beginning of year			4,185,676	
Fund balance - end of year			\$ 13,642,483	

McDowell County, North Carolina

Trail Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue	\$ 2,000	\$ 1,849	\$ -	\$ 1,849
Total revenues	2,000	1,849	-	1,849
Expenditures:				
Improvements	42,000	19,954	-	19,954
Total expenditures	42,000	19,954	-	19,954
Revenues under expenditures	(40,000)	(18,105)	-	(18,105)
Other financing sources:				
Transfer from General Fund	40,000	40,000	-	40,000
Total other financing sources	40,000	40,000	-	40,000
Increase in fund balance	\$ -	\$ 21,895	-	\$ 21,895
Fund balance - beginning of year			21,895	
Fund balance - end of year			\$ 21,895	

McDowell County, North Carolina

Housing Relocation and Stabilization Services Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
ARRA	\$ 303,750	\$ 290,958	\$ 1,155	\$ 292,113
Total revenues	303,750	290,958	1,155	292,113
Expenditures:				
Case management	206,000	182,881	1,130	184,011
Outreach & engagement	80,500	24,349	-	24,349
Housing search and replacement	17,250	83,753	-	83,753
Total expenditures	303,750	290,983	1,130	292,113
Increase (decrease) in fund balance	\$ -	\$ (25)	\$ 25	\$ -
Fund balance (deficit) - beginning of year			(25)	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Lake James EPA Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
EPA	\$ 485,000	\$ 5,195	\$ 55,566	\$ 60,761
Total revenues	485,000	5,195	55,566	60,761
Expenditures:				
Architectural	836,818	-	98,624	98,624
Administration	45,000	7,346	2,407	9,753
Total expenditures	881,818	7,346	101,031	108,377
Revenues under expenditures	(396,818)	(2,151)	(45,465)	(47,616)
Other financing sources:				
Transfer from General Fund	396,818	2,151	51,476	53,627
Total other financing sources	396,818	2,151	51,476	53,627
Increase in fund balance	\$ -	\$ -	6,011	\$ 6,011
Fund balance - beginning of year				-
Fund balance - end of year			\$ 6,011	

McDowell County, North Carolina

Senior Center Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Miscellaneous income	\$ 284,477	\$ 262,731	\$ 230	\$ 262,961
Investment earnings	10,000	10,000	-	10,000
Total revenues	294,477	272,731	230	272,961
Expenditures:				
Capital outlay	3,795,486	3,779,018	-	3,779,018
Total expenditures	3,795,486	3,779,018	-	3,779,018
Revenues over (under) expenditures	(3,501,009)	(3,506,287)	230	(3,506,057)
Other financing sources (uses):				
Transfer to General Fund	(32,070)	(9,795)	(17,227)	(27,022)
Installment purchase obligations issued	3,533,079	3,533,079	-	3,533,079
Total other financing sources (uses)	3,501,009	3,523,284	(17,227)	3,506,057
Increase (decrease) in fund balance	\$ -	\$ 16,997	(16,997)	\$ -
Fund balance - beginning of year			16,997	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Kate B. Reynolds Recreation Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Private grant	\$ 150,000	\$ -	\$ 150,000	\$ 150,000
Total revenues	150,000	-	150,000	150,000
Expenditures:				
Park improvements	151,115	-	-	-
Total expenditures	151,115	-	-	-
Revenues over (under) expenditures	(1,115)	-	150,000	150,000
Other financing sources:				
Transfer from General Fund	1,115	-	-	-
Total other financing sources	1,115	-	-	-
Increase in fund balance	\$ -	\$ -	150,000	\$ 150,000
Fund balance - beginning of year				-
Fund balance - end of year			\$ 150,000	

McDowell County, North Carolina

Project Summit/SBFI North America

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
Rural Center	\$ 157,700	\$ -	\$ 157,700	\$ 157,700
Local revenue	625,400	-	211,390	211,390
Total revenues	783,100	-	369,090	369,090
Expenditures:				
Renovations	843,100	-	376,978	376,978
Total expenditures	843,100	-	376,978	376,978
Revenues under expenditures	(60,000)	-	(7,888)	(7,888)
Other financing sources:				
Transfer from General Fund	60,000	-	7,888	7,888
Total other financing sources	60,000	-	7,888	7,888
Increase in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Financial Assistance Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
ARRA	\$ 521,248	\$ 491,740	\$ 3,274	\$ 495,014
Total revenues	521,248	491,740	3,274	495,014
Expenditures:				
Rent assistance	345,998	342,320	2,340	344,660
Deposits	58,250	55,540	714	56,254
Utilities	113,750	89,754	989	90,743
Other	3,250	3,224	133	3,357
Total expenditures	521,248	490,838	4,176	495,014
Increase (decrease) in fund balance	\$ -	\$ 902	(902)	\$ -
Fund balance - beginning of year			902	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Foothills Pilot Plant Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
ARC/USDA	\$ 236,000	\$ 235,999	\$ -	\$ 235,999
Rural Center	200,000	200,000	-	200,000
Rural Business Enterprise	65,000	65,001	-	65,001
Rural Water	10,000	3,690	-	3,690
Local revenue	227,053	226,979	-	226,979
Total revenues	738,053	731,669	-	731,669
Expenditures:				
Facility development	438,851	535,808	-	535,808
Other project costs	306,684	203,343	-	203,343
Total expenditures	745,535	739,151	-	739,151
Revenues over (under) expenditures	(7,482)	(7,482)	-	(7,482)
Other financing sources:				
Transfer from General Fund	7,482	7,482	-	7,482
Total other financing sources	7,482	7,482	-	7,482
Increase in fund balance	\$ -	\$ -	-	\$ -
Fund balance - beginning of year			-	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Scattered Site Housing Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
Community Development				
Block Grant	\$ 400,000	\$ -	\$ 7,000	\$ 7,000
Total revenues	400,000	-	7,000	7,000
Expenditures:				
Planning	7,000	-	7,000	7,000
Housing activities	320,000	-	-	-
Emergency repairs	40,000	-	-	-
Administration	33,000	-	-	-
Total expenditures	400,000	-	7,000	7,000
Increase in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Single Family Rehabilitation Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
NC Housing	\$ 160,000	\$ 9,134	\$ 136,678	\$ 145,812
Total revenues	160,000	9,134	136,678	145,812
Expenditures:				
Project cost	160,000	9,134	136,678	145,812
Total expenditures	160,000	9,134	136,678	145,812
Increase in fund balance	\$ -	\$ -	-	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Universal Career Pathways Skill Center Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Golden Leaf	\$ 2,140,000	\$ -	\$ 140,000	\$ 140,000
Total revenues	2,140,000	-	140,000	140,000
Expenditures:				
Design/engineering	140,000	-	200,289	200,289
IST/CIT/Cosmetology	955,000	-	-	-
Computer lab	40,000	-	-	-
Vacated college space	325,000	-	-	-
Parking lot improvements	155,000	-	-	-
Sidewalks	15,000	-	-	-
Front entrance	13,000	-	-	-
HVAC	70,000	-	-	-
Roof work	250,000	-	-	-
Plumbing restrooms	122,000	-	-	-
Signs	45,000	-	-	-
Demolition	10,000	-	-	-
Total expenditures	2,140,000	-	200,289	200,289
Revenues under expenditures	-	-	(60,289)	(60,289)
Other financing sources:				
Transfer from Universal Fund	-	-	60,289	60,289
Total other financing sources	-	-	60,289	60,289
Increase in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year			-	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Greenway Extension Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
PARTF Grant	\$ 365,285	\$ -	\$ 365,285	\$ 365,285
Local revenue	207,143	182,643	24,500	207,143
Sales taxes	-	1,919	-	1,919
Total revenues	572,428	184,562	389,785	574,347
Expenditures:				
Trail construction	794,945	370,078	424,179	794,257
Total expenditures	794,945	370,078	424,179	794,257
Revenues over (under) expenditures	(222,517)	(185,516)	(34,394)	(219,910)
Other financing sources:				
Transfer from General Fund	222,517	184,821	39,875	224,696
Total other financing sources	222,517	184,821	39,875	224,696
Increase (decrease) in fund balance	\$ -	\$ (695)	5,481	\$ 4,786
Fund balance (deficit) - beginning of year			(695)	
Fund balance - end of year			\$ 4,786	

McDowell County, North Carolina

Hospital Transfer Switches Project

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

From Inception and for the Year Ended June 30, 2013

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
Disaster Mitigation	\$ 220,000	\$ -	\$ 196,354	\$ 196,354
McDowell Hospital	73,333	-	65,451	65,451
Total revenues	293,333	-	261,805	261,805
Expenditures:				
Transfer switches	293,333	-	261,805	261,805
Total expenditures	293,333	-	261,805	261,805
Increase in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Enterprise Fund – Universal Fund

Statement of Revenues and Expenditures – Budget and Actual – (Non-GAAP)

Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenue:			
Lease revenue	\$ 408,150	\$ 422,950	\$ 14,800
Total operating revenue	408,150	422,950	14,800
Nonoperating revenue:			
Investment earnings	750	173	(577)
Total nonoperating revenue	750	173	(577)
Total revenues	408,900	423,123	14,223
Expenditures:			
Operating:			
Utilities		1,539	
Contract services		43,649	
Capital outlay		98,075	
Maintenance and equipment		33,868	
Total operating expenditures	464,663	177,131	287,532
Debt service:			
Interest		125,026	
Debt principal		196,667	
Total debt service expenditures	-	321,693	(321,693)
Total expenditures	464,663	498,824	(34,161)
Revenues under expenditures	(55,763)	(75,701)	(19,938)
Other financing sources (uses):			
Transfer from General Fund	-	321,693	321,693
Transfer to General Fund	(30,237)	(30,237)	-
Transfer to Universal Career Pathways Skill Center Project	-	(60,289)	(60,289)
Fund balance appropriated	86,000	-	(86,000)
Total other financing sources	55,763	231,167	175,404
Revenues and other sources over expenditures	\$ -	\$ 155,466	\$ 155,466
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures		\$	155,466
Capital expenditures			98,075
Depreciation			(93,383)
Debt service principal			196,667
Capital contributions			190,930
Change in net position - GAAP		\$	547,755

McDowell County, North Carolina

Enterprise Fund – Waste Disposal Fund

Statement of Revenues and Expenditures – Budget and Actual – (Non-GAAP)

Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees	\$ 967,000	\$ 865,439	\$ (101,561)
Recycling revenue	65,000	41,619	(23,381)
Solid waste disposal	48,000	24,737	(23,263)
Other operating revenue	21,000	15,847	(5,153)
Total operating revenues	1,101,000	947,642	(153,358)
Nonoperating revenue:			
Investment earnings	500	280	(220)
Total nonoperating revenue	500	280	(220)
Total revenues	1,101,500	947,922	(153,578)
Other financing sources:			
Transfer from General Fund	1,282,023	1,286,023	4,000
Total other financing sources	1,282,023	1,286,023	4,000
Total revenues and other financing sources	2,383,523	2,233,945	(149,578)
Expenditures:			
Facility operations:			
Salaries and employee benefits		233,269	
Operating expenses		1,773,013	
Capital outlay		317,750	
Total expenditures	2,383,523	2,324,032	59,491
Revenues and other sources under expenditures	\$ -	\$ (90,087)	\$ (90,087)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures		\$	(90,087)
Capital expenditures			317,750
Depreciation			(53,052)
Debt service principal			39,300
Decrease in accrued vacation pay			6,326
Increase in other postemployment benefits			(548)
Change in net position - GAAP		\$	219,689

McDowell County, North Carolina

Enterprise Fund – Water Fund

Statement of Revenues and Expenditures – Budget and Actual – (Non-GAAP)

Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$ 65,815	\$ 62,753	\$ (3,062)
New customers	1,100	1,105	5
Tap fees	1,900	750	(1,150)
Miscellaneous	1,500	2,410	910
Total operating revenues	70,315	67,018	(3,297)
Nonoperating revenue:			
Investment earnings	-	13	13
Total nonoperating revenue	-	13	13
Total revenues	70,315	67,031	(3,284)
Expenditures:			
Operating:			
Water purchase		31,618	
Insurance		17,815	
Maintenance and equipment		28,281	
Total expenditures	70,315	77,714	(7,399)
Revenues under expenditures	\$ -	\$ (10,683)	\$ (10,683)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues under expenditures		\$	(10,683)
Depreciation			(94,976)
Capital contributions			3,510
Change in net position - GAAP		\$	(102,149)

McDowell County, North Carolina

Internal Service Fund – Self-Insurance Fund

Statement of Revenues and Expenditures – Budget and Actual – (Non-GAAP)

Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Employee contributions	\$ 289,000	\$ 287,338	\$ (1,662)
Employer contributions	1,858,476	1,862,770	4,294
Cobra payments	35,500	35,580	80
Total revenues	2,182,976	2,185,688	2,712
Expenditures:			
Employee benefits:			
Claims	1,730,036	1,805,261	(75,225)
Life Insurance	18,000	17,807	193
Fees	434,940	440,139	(5,199)
Total expenditures	2,182,976	2,263,207	(80,231)
Revenues under expenditures	\$ -	(77,519)	\$ (77,519)
Net position, beginning of year		(8,048)	
Net position, end of year		\$ (85,567)	

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Social Services Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 58,406	\$ 281,618	\$ 299,103	\$ 40,921
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 58,406	\$ 281,618	\$ 299,103	\$ 40,921
<u>Fines and Forfeitures Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 10,671	\$ 204,054	\$ 201,834	\$ 12,891
Accounts receivable - other governments	13,027	14,498	13,027	14,498
Total	\$ 23,698	\$ 218,552	\$ 214,861	\$ 27,389
<u>Liabilities</u>				
Due to other governments	\$ 23,698	\$ 218,552	\$ 214,861	\$ 27,389
<u>Motor Vehicle Tax Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 13,384	\$ 210,467	\$ 208,904	\$ 14,947
<u>Liabilities</u>				
Due to other governments	\$ 13,384	\$ 210,467	\$ 208,904	\$ 14,947
<u>Inmates Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 24,040	\$ 220,199	\$ 236,773	\$ 7,466
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 24,040	\$ 220,199	\$ 236,773	\$ 7,466
<u>Employee Sec 125 Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 5,874	\$ 29,221	\$ 35,095	\$ -
Accounts receivable - other	-	2,370	-	2,370
Total	\$ 5,874	\$ 31,591	\$ 35,095	\$ 2,370
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 5,874	\$ 31,591	\$ 35,095	\$ 2,370
<u>DMV Interest Fund:</u>				
<u>Assets</u>				
Cash and investments	\$ 1,189	\$ 23,384	\$ 22,751	\$ 1,822
<u>Liabilities</u>				
Due to other governments	\$ 1,189	\$ 23,384	\$ 22,751	\$ 1,822

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – continued

Year Ended June 30, 2013

	Balance July 1, 2012		Additions		Deductions		Balance June 30, 2013
<u>Tax Penalty Schools Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 25,973		\$ 25,973		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 25,973		\$ 25,973		\$ -
<u>DMV Operations Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 2,361,217		\$ 2,361,217		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 2,361,217		\$ 2,361,217		\$ -
<u>Rescue Squad Billing Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 138		\$ 254,576		\$ 254,673		\$ 41
<u>Liabilities</u>							
Due to other governments	\$ 138		\$ 254,576		\$ 254,673		\$ 41
<u>Deed of Trust Fee Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 436		\$ 5,990		\$ 5,965		\$ 461
<u>Liabilities</u>							
Due to other governments	\$ 436		\$ 5,990		\$ 5,965		\$ 461
<u>Totals - All Agency Funds:</u>							
<u>Assets</u>							
Cash and investments	\$ 114,138		\$ 3,616,699		\$ 3,652,288		\$ 78,549
Accounts receivable - other governments	13,027		14,498		13,027		14,498
Accounts receivable - other	-		2,370		-		2,370
Total	\$ 127,165		\$ 3,633,567		\$ 3,665,315		\$ 95,417
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 88,320		\$ 533,408		\$ 570,971		\$ 50,757
Due to other governments	38,845		3,100,159		3,094,344		44,660
Total	\$ 127,165		\$ 3,633,567		\$ 3,665,315		\$ 95,417

McDowell County, North Carolina

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2013

Year of Levy	Uncollected Balance June 30, 2012	Additions	Collections and Adjustments	Uncollected Balance June 30, 2013
2012	\$ -	\$ 18,629,206	\$ 18,036,182	\$ 593,024
2011	613,283	-	409,204	204,079
2010	209,203	-	54,186	155,017
2009	155,821	-	25,152	130,669
2008	137,066	-	26,675	110,391
2007	106,892	-	12,022	94,870
2006	101,994	-	10,323	91,671
2005	98,727	-	9,295	89,432
2004	86,271	-	6,181	80,090
2003	88,427	-	6,234	82,193
2002	87,915	-	87,915	-
	\$ 1,685,599	\$ 18,629,206	\$ 18,683,369	1,631,436
Less allowance for uncollectible ad valorem taxes				(568,369)
Ad Valorem taxes receivable - net				\$ 1,063,067
Reconciliation with revenues:				
Taxes - Ad Valorem:				
General Fund				\$ 18,650,830
Releases				29,717
Discounts				84,711
Amounts written off for the 2002 levy per the statute of limitations				86,657
Other adjustments				(16,759)
				18,835,156
Less interest collected				(151,787)
Total collections and adjustments				\$ 18,683,369

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2013

	County-wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,195,200,865	\$ 0.55	\$ 17,573,604	\$ 15,927,572	\$ 1,646,032
Penalties	-		17,381	17,381	-
Total	3,195,200,865		17,590,985	15,944,953	1,646,032
Discoveries:					
Current year taxes	186,882,688	0.55	1,027,855	1,027,855	-
Prior year taxes	17,815,126	0.55	97,983	97,983	-
Penalties	-		9,711	9,711	-
Total	204,697,814		1,135,549	1,135,549	-
Abatements	(17,695,962)		(97,328)	(66,082)	(31,246)
Total property valuation	\$ 3,382,202,717				
Net levy			18,629,206	17,014,420	1,614,786
Uncollected taxes at June 30, 2013			(593,024)	(276,028)	(316,996)
Current year's taxes collected			\$ 18,036,182	\$ 16,738,392	\$ 1,297,790
Current levy collection percentage			96.82%	98.38%	80.37%

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2013

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio ¹		100%
Real Property	\$	2,856,407,882
Personal Property		342,439,641
Public Service Companies ²		183,355,194
<hr/>		
Total Assessed Valuation	\$	3,382,202,717
<hr/>		
Tax Rate per \$100	\$	0.55
Levy (includes discoveries and abatements) ³	\$	18,629,206

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection and rescue districts for the fiscal year ended June 30, 2013:

Fire Protection and Rescue Districts	\$	1,979,144
--------------------------------------	----	-----------

1
Percentage of appraised value has been established by statute.

2
Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

3
The levy includes interest and penalties.

McDowell County, North Carolina

Ten Largest Taxpayers

Year Ended June 30, 2013

Taxpayer	Type of Business	2013 Assessed Valuation	Percentage of Total Assessed Valuation
Baxter Healthcare	IV Solution	\$ 153,553,218	4.54%
Duke Energy	Utility	102,184,609	3.02%
CSX Transportation	Railroad	41,623,690	1.23%
Baldor Electric Company	Manufacturing	25,685,196	0.76%
IAC Group North America	Manufacturing	19,604,356	0.58%
Norfolk Southern	Railroad	18,200,989	0.54%
Rutherford EMC	Utility	15,495,567	0.46%
Great Meadows	Subdivision	14,463,560	0.43%
Walmart	Retail	13,707,140	0.41%
Frontier Property	Utility	13,505,612	0.40%
Total		\$ 418,023,937	12.37%

McDowell County, North Carolina

Compliance Section

Year Ended June 30, 2013



**Independent Auditors' Report
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of County Commissioners
McDowell County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise McDowell County's basic financial statements, and have issued our report thereon dated December 5, 2013. Our report includes a reference to other auditors who audited the financial statements of McDowell County Tourism Development Authority, as described in our report on McDowell County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of McDowell County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency identified as 2013-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance 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 2013-2.

McDowell County's Response to Finding

McDowell 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 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.

Johnson Price Sprinkle PA

Marion, North Carolina
December 5, 2013

**Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major Federal Program and Internal
Control Over Compliance in Accordance with OMB Circular
A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners
McDowell County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited McDowell 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 McDowell County's major federal programs for the year ended June 30, 2013. McDowell 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of McDowell 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McDowell 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 McDowell County's compliance.

Opinion on Each Major Federal Program

In our opinion, McDowell 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, 2013.

Report on Internal Control Over Compliance

Management of McDowell 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 McDowell 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, material weakness or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-3 that we consider to be a significant deficiency.

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

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

Johnson Price Sprinkle PA

Marion, North Carolina
December 5, 2013

**Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major State Program
and Internal Control Over Compliance in Accordance with
Applicable Sections of OMB Circular A-133 and the
State Single Audit Implementation Act**

To the Board of County Commissioners
McDowell County, North Carolina

Report on Compliance for Each Major State Program

We have audited McDowell 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 McDowell County's major state programs for the year ended June 30, 2013. McDowell 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of McDowell County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about McDowell 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 McDowell County's compliance.

Opinion on Each Major State Program

In our opinion, McDowell 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, 2013.

Report on Internal Control Over Compliance

Management of McDowell 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 McDowell 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, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-3 that we consider to be significant deficiencies.

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

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

Johnson Price Sprinkle PA

Marion, North Carolina
December 5, 2013

McDowell County, North Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 yes no

Identification of major federal programs:

CFDA #	Program Name
93.778	Title XIX - Medicaid
93.767	NC Health Choice

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2013

The list of major federal programs includes programs that did not meet the criteria for a major program as defined in OMB Circular A-133 Section .520, but were tested as a major program because the program was a major program selected by the N.C. State Auditor’s Office (NC Health Choice).

Dollar threshold to distinguish
between Type A and Type B Programs \$ 1,506,872

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes no

- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act yes no

Identification of major State programs:

- Program Name
- State/County Special Assistance for Adults
 - Parks and Recreation Trust Fund
 - Title XIX – Medicaid (State Appropriations)
 - NC Health Choice (State Appropriations)

Section II. Financial Statement Findings

Material Weakness

Finding: 2013-1: Control Environment and Monitoring

Criteria: An effective system of internal controls requires adequate segregation of duties to ensure that financial transactions are subjected to an approval process by personnel not involved in the initiation or processing phases of the transaction.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2013

Section II. Financial Statement Findings – continued

Condition: The finance office and other departments with financial transactions are unable to consistently apply the monitoring or approval function.

Effect: Errors in transaction processing and financial reporting could occur.

Cause: The level of full-time equivalent employees in the finance and other departments is not adequate, especially during periods of absenteeism and turnover.

Recommendation: Management should consider the addition of personnel to facilitate the appropriate segregation of duties.

Management's Response: The County agrees with the finding. The finance officer intends to increase training for all department heads responsible for oversight functions.

Material Noncompliance

Finding: 2013-2: Excess of Expenditures over Appropriations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: McDowell County expended \$321,693 more for debt service in the Universal Fund and expended \$75,225 more for employee benefits in the Self-Insurance Fund than appropriated in the annual budget ordinance. McDowell County did not budget a transfer \$321,693 from the General Fund to the Universal Fund.

Effect: Expenditures material to the relevant fund were spent that had not been appropriated.

Cause: Insurance claims increased significantly during the last two months of the fiscal year. This increase exceeded the budgeted expectations of management. The debt service payment for the Universal Fund (enterprise fund) was budgeted as an expenditure of the General Fund as opposed to a transfer to the Universal Fund.

Recommendation: Budget amendments should be adopted when expenditures exceed estimated expenditures in the budget ordinance prior to expending the funds. Debt service of enterprise fund debt should be budgeted in the enterprise fund.

Management's Response: The County agrees with the finding.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2013

Section III. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

Passed through the North Carolina Department of Health and Human Services

Program Name: Title XIX - Medicaid

CFDA # 93.778

Program Name: NC Health Choice

CFDA # 93.767

Finding: 2013-3

Criteria: Case files should contain income verification/budget that has been computed and documented correctly.

Condition: Five case files contained errors related to the calculation of income verification/budget.

Questioned Cost: \$0. The case files contained errors in the computation of income budget and documentation of wages and number in the household unit, but with no impact on eligibility determination.

Context: Of the 755 Health Choice case files and 7,652 Medicaid case files, 50 files were examined and five case files were determined to have errors related to income verification or calculation.

Effect: Case files did not contain correct computation and documentation of income verification/budget and number in the household unit.

Cause: New caseworkers were hired, along with the implementation of new policies and procedures, including the implementation of new NC FAST software.

Recommendation: Procedures should be in place whereby all income verification/budget calculations are reviewed.

Views of responsible officials and planned correction action: The County agrees with the finding. The economic supervisors will implement adequate training and review procedures to ensure that this problem does not occur.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2013

Section IV. State Award Findings and Questioned Costs

Program Name: Title XIX – Medicaid (State Appropriations)

Program Name: NC Health Choice (State Appropriations)

See finding 2013-3.

Section II: Financial Statement Findings

Material Weakness

Finding 2013-1: Control Environment and Monitoring

Name of contact person: Alison Morgan, Finance Officer

Corrective Action: Training and realignment of duties will be implemented as soon as possible until management and the Board of Commissioners identify improved staffing options.

Proposed Completion Date: Immediately.

Finding 2013-2: Excess of Expenditures over Appropriations

Name of contact person: Alison Morgan, Finance Officer

Corrective Action: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Proposed Completion Date: Immediately.

Section III. Federal Award Findings and Questioned Costs

Finding 2013-3: Title XIX - Medicaid and NC Health Choice – Income/Verification Errors

Name of contact person: Lisa Sprouse, Interim Social Services Director

Corrective Action: The economic supervisors will be responsible for training employees and will conduct second party reviews on income verification/budget. In the weekly unit meetings, the economic supervisors will go over the Family and Children Medicaid manual, including NC Health Choice sections. Sections to be reviewed will relate to income limits, processing requirements, household case composition, computation of countable income, budgeting and enrollments fees for NC Health Choice.

Proposed Completion Date: Immediately.

Section IV. State Award Findings and Questioned Costs

Finding 2013-3: Title XIX - Medicaid and NC Health Choice – Income/Verification Errors

Name of contact person: Lisa Sprouse, Interim Social Services Director

Corrective Action: The economic supervisors will be responsible for training employees and will conduct second party reviews on income verification/budget. In the weekly unit meetings, the economic supervisors will go over the Family and Children Medicaid manual, including NC Health Choice sections. Sections to be reviewed will relate to income limits, processing requirements, household case composition, computation of countable income, budgeting and enrollments fees for NC Health Choice.

Proposed Completion Date: Immediately.

McDowell County, North Carolina

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2013

Finding: 2010-1: Control Environment and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2011.

Finding: 2010-2: Information and Communication.

Status: Finding is repeated in 2011.

Finding: 2010-3: Food and Nutrition Services – Missing Signatures.

Status: Corrected. Finding was discussed at staff meetings numerous times over the course of the year. Training for proper intake procedures have also been initiated and are completed on a quarterly basis. DSS has also instituted a third party review process that now has most work having a peer review, a lead worker review and a supervisory review.

Finding: 2010-4: Health Choice – Income/Verification Errors.

Status: Finding is repeated in 2013. Training occurred in this unit on many occasions over the last year on proper eligibility procedures for applications. This training was done by the supervisor of the unit as well as a representative from the Division of Medical Assistance. DSS also instituted a peer review process to make sure that proper procedures are being followed along with increasing the sample reviewed by the supervisor.

Finding: 2011-1: Control Environment and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2012.

Finding: 2011-2: Information and Communication.

Status: Responsible parties for ensuring communication of non-cash activity have been identified and a system of regular follow up has been implemented.

Finding: 2011-3: Excess of Expenditures over Appropriations.

Status: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

McDowell County, North Carolina

Summary Schedule of Prior Year Audit Findings - continued

Year Ended June 30, 2013

Finding: 2011-4: Title XIX – Medicaid, Subsidized Child Care Cluster, Low-Income Home Energy Assistance – Legal Fees.

Status: The expenditure that was determined not to be an allowed cost was subtracted from the expense line item on the October 2011 Form-1571.

Finding: 2011-5: Title XIX – Medicaid, Subsidized Child Care Cluster, Low-Income Home Energy Assistance – Computer Acquisition Plan.

Status: Procedures have been implemented in order to ensure that computer equipment needs are covered under a current computer acquisition plan.

Finding: 2012-1: Control Environment and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2013.

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2013

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Federal Awards:			
U.S. Department of Agriculture:			
Passed through North Carolina Department of Health and Human Services, Division of Social Services:			
Food and Nutrition Services Program	10.561	\$ 465,192	\$ -
Total U.S. Department of Agriculture		465,192	-
U.S. Department of Housing and Urban Development:			
Passed through North Carolina Office of Economic Recovery and Investment			
Homelessness Prevention and Rapid Re-Housing Program, Title XII of the American Recovery and Reinvestment Act of 2009 (ARRA):			
ARRA - Prevention	14.257	514	-
ARRA - Re-Housing	14.257	3,914	-
		4,428	-
Passed through North Carolina Department of Commerce:			
Community Development Block Grants:			
Scattered Housing 11-C-2364	14.228	7,000	-
Passed through North Carolina Housing Finance:			
Single Family Rehab Program	14.239	136,678	-
Total U.S. Department of Housing and Urban Development		148,106	-
U.S. Department of Justice:			
Direct federal:			
Office of Justice Programs:			
State Criminal Alien Assistance Program	16.606	1,115	-
Bureau of Justice Assistance:			
Bullet Proof Vest Program	16.607	14,397	-
Total U.S. Department of Justice		15,512	-
U.S. Election Assistance Commission:			
Passed through North Carolina State Board of Elections:			
Help America Vote Act (HAVA II)	90.401	5,847	-
Total U.S. Election Assistance Commission		5,847	-
U.S. Department of Homeland Security:			
Passed through North Carolina Department of Public Safety:			
Homeland Security – Training Grant 2010	97.067	2,609	-
Homeland Security – Training Grant 2010	97.067	1,974	-
Homeland Security – Generator Grant	97.067	5,261	-
		9,844	-
Division of Emergency Management:			
Pre-Disaster Mitigation	97.047	196,354	-
Total U.S. Department of Homeland Security		206,198	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2013

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number		Federal (Direct & Pass-through) Expenditures	State Expenditures
U.S. Environmental Protection Agency:				
Direct federal:				
Congressional Mandated Projects	66.202	\$	55,566	\$ -
Total U.S. Environmental Protection Agency			55,566	-
U.S. Office of Library Services:				
Passed through North Carolina Department of Cultural Resources, Library Service and Technology Act:				
NC Cardinal Grant	45.310		24,458	
EZ Technology Planning Grant	45.310		18,696	-
Total U.S. Office of Library Services			43,154	-
U.S. Department of Health and Human Services:				
<i>Health Care Financing Administration:</i>				
Passed through North Carolina Department of Health and Human Services:				
Division of Medical Assistance (Medicaid):				
Direct Benefit Payments:				
Medical Assistance Program	93.778	*	43,295,519	24,250,064
Division of Social Services:				
Medicaid Administration	93.778	*	674,537	100,901
Adult Care Home Case Management	93.778	*	43,592	20,788
			44,013,648	24,371,753
NC Health Choice	93.767	*	20,195	2,016
			44,033,843	24,373,769
<i>Administration on Aging:</i>				
Passed through North Carolina Department of Health and Human Services and Isothermal Planning and Development Commission:				
Aging Cluster:				
Special Programs for the Aging, Title III:				
Part B - Grants for Supportive Services and Senior Centers				
	N/A		-	11,753
Part C - Nutrition Services	93.045		202,700	35,771
Part D - In-Home Services	93.044		88,925	15,693
			291,625	63,217
NSIP Supplement	93.053		42,735	-
			334,360	63,217

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2013

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
U.S. Department of Health and Human Services - continued:			
<u>Subsidized Child Care Cluster:</u>			
Passed through North Carolina Department of Health and Human Services:			
<i>Administration for Children and Families:</i>			
<i>Child Care Development Fund Cluster:</i>			
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	564,702	-
Child Care and Development Fund - Mandatory	93.596	162,274	-
Child Care and Development Fund - Matching	93.596	232,713	47,662
Social Services Block Grant	93.667	2,419	-
Child Care Development Fund Cluster		1,042,108	47,662
IV-E Foster Care	93.658	11,755	5,532
Temporary Assistance for Needy Families	93.558	288,724	48,291
Smart Start	N/A	-	37,516
Smart Start Quality TANF MOE	N/A	-	152,427
State Funding	N/A	-	123,154
Subsidized Child Care Cluster		1,342,587	414,582
Division of Social Services:			
<i>Foster Care and Adoption Cluster:</i>			
Title IV-E – Foster Care:			
Administrative	93.658	315,584	34,348
Benefit Payments	93.658	236,031	59,035
Adoption Training	93.659	15,208	-
Adoption Assistance - Direct Benefit Payments	93.659	331,616	87,742
		898,439	181,125
Passed through North Carolina Department of Health and Human Services:			
Work First/Temporary Assistance for Needy Families (TANF):			
Direct Benefit Payments	93.558	316,079	-
Special Children Adoption	93.558	26,400	-
Work First Benefits	93.558	480,407	-
Administration	93.558	311,400	504
Administration - Adoption Foster Care (TANF Share)	93.558	54,878	-
		1,189,164	504
LINKS	93.674	54,644	4,215
Social Services Block Grant	93.667	656,864	16,806
Family Preservation	93.556	4,505	-
Child Welfare Services:			
Permanency Planning	93.645	23,184	1,964
Child Support Enforcement	93.563	289,702	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2013

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
U.S. Department of Health and Human Services - continued:			
Passed through North Carolina Department of Health and Human Services - continued:			
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:			
Administration	93.568	\$ 462,194	\$ -
Total U.S. Department of Health and Human Services		49,289,486	25,056,182
Total Federal awards		50,229,061	25,056,182
State Awards:			
North Carolina Department of Health and Human Services:			
Division of Social Services:			
Soil Conservation		-	23,400
Child Protective Services:			
Foster Care		-	148,413
Child Welfare Services:			
Direct Benefit Payments:			
Adoption Subsidy		-	198,099
Division of Aging:			
Direct Benefit Payments:			
State/County Special Assistance to Adults		*	448,784
Office of Rural Health and Community Care:			
Medication Assistance Program Grant		-	19,429
Total North Carolina Department of Health and Human Services		-	838,125
North Carolina Department of Transportation:			
Elderly and Handicapped Transportation Assistance Program (EDTAP)			
		-	58,223
Work First Transportation		-	14,703
Total North Carolina Department of Transportation		-	72,926
North Carolina Department of Public Safety:			
Division of Emergency Management:			
Emergency Management Preparedness Grant		-	35,502
Division of Youth Services:			
Juvenile Crime Prevention Council		-	130,898
Total North Carolina Department of Public Safety		-	166,400
North Carolina Department of Cultural Resources:			
State Aid to Libraries:			
Administration and Library Development		-	100,613
North Carolina Department of Administration:			
Division of Veterans Affairs:			
N.C. General Statute 165-6 (9)		-	1,452

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2013

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
State Awards:			
North Carolina Department of Commerce:			
Rural Economic Development Center:			
Building Reuse and Restoration – SBFI		\$ -	\$ 157,700
One NC Fund - Janesville Products		-	30,000
Total North Carolina Department of Commerce		-	187,700
North Carolina Office of Rural Health and Community Care:			
Access II Care of Western North Carolina		-	20,000
North Carolina Department of Environmental and Natural Resources:			
Division of Parks and Recreation:			
PARTF Grant		*	365,285
North Carolina Department of Insurance:			
SHIIP Grant		-	10,000
North Carolina Department of Public Instruction:			
Public School Building Fund		-	1,846,553
Total State awards		-	3,609,054
Total Federal and State awards		\$ 50,229,061	\$ 28,665,236

* Indicates major program

Notes to the preceding schedule:

Note 1:

Basis of Presentation:

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of McDowell 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 County's 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.

The following are clustered by the North Carolina Department of Health and Human Services and are treated separately for state audit requirement purposes: *Subsidized Child Care* and *Foster Care and Adoption*.

Subrecipients:

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

Subrecipient/Program	Federal CFDA Number	Federal Expenditures	State Expenditures
Janesville Products/North Carolina			
Department of Commerce	n/a	\$ -	\$ 30,000
SBFI/North Carolina Department of Commerce	n/a	-	157,700
		\$ -	\$ 187,700