

**McDowell County,
North Carolina**

Year Ended June 30, 2015

Independent Auditors' Report
Financial Statements
and
Supplementary Information

McDowell County, North Carolina

County Officials

June 30, 2015

Board of Commissioners

David Walker	Chairperson
Barry McPeters	Vice Chairperson
V. Randy Hollifield	Member
Matthew Crawford	Member
Tony Brown	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
Linda Onufrey	Tax Collector
Lisa Sprouse	Social Services Director
Chad Phillips	Tax Assessor

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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 ended June 30, 2015, 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.

Auditors' 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, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. 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.

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, 2015, 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, the Law Enforcement Officers' Special Separation Allowance, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) and Schedule of Country Contributions on pages 4 through 14, 85 through 86, 87 through 88, 89 through 90, and 91 through 92, 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 auditor, 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 17, 2015 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 17, 2015

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, 2015. 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 and deferred outflows of resources of McDowell County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,056,531 (net position).
- The government's total net position increased by \$508,724 primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of \$20,038,797, an increase of \$834,721 over the prior year. Of this total amount, 57.45% or \$11,512,776 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,104,996 or 21.43% of total General Fund expenditures for the fiscal year. Fund balance available for appropriation represents 24.48% 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 \$895,362 during the current fiscal year, due to new debt borrowings in excess of debt retirement.
- McDowell County maintained its A bond rating for the 22th 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.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, 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 15 and 16-17 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 ten fiduciary funds, one of which is a pension trust fund and nine 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 31 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 85 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, 2015 and 2014
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 23,678,179	\$ 23,287,785	\$ 430,276	\$ 253,197	\$ 24,108,455	\$ 23,540,982
Capital assets	19,557,889	20,187,897	11,491,139	10,821,219	31,049,028	31,009,116
	43,236,068	43,475,682	11,921,415	11,074,416	55,157,483	54,550,098
Total deferred outflows of resources	844,369	-	14,887	-	859,256	-
Long-term liabilities outstanding	16,244,364	14,951,420	2,590,320	2,810,695	18,834,684	17,762,115
Other liabilities	1,425,348	2,837,303	116,244	159,519	1,541,592	2,996,822
	17,669,712	17,788,723	2,706,564	2,970,214	20,376,276	20,758,937
Total deferred inflows of resources	2,539,377	18,164	44,555	-	2,583,932	18,164
Net position:						
Net investment in capital assets	16,825,944	16,881,152	9,019,326	8,126,130	25,845,270	25,007,282
Restricted	11,432,813	11,284,550	-	-	11,432,813	11,284,550
Unrestricted (deficit)	(4,387,409)	(2,496,907)	165,857	(21,928)	(4,221,552)	(2,518,835)
	\$ 23,871,348	\$ 25,668,795	\$ 9,185,183	\$ 8,104,202	\$ 33,056,531	\$ 33,772,997

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,056,531 as of June 30, 2015. The County's net position increased by \$508,724 for the fiscal year ended June 30, 2015. One of the largest portions, 78.19% or \$25,845,270 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, \$11,432,813 or 34.59%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(4,221,552) is unrestricted (deficit).

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

- Obligations under installment purchases increased by \$895,362 consisting of new borrowings totaling of \$3,120,483 net of debt service payments totaling \$2,225,121.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.81%, slightly higher than the statewide average of 97.05%.

Following is a comparative summary of changes in net position.

McDowell County's Changes in Net Position
Years Ended June 30, 2015 and 2014
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 5,088,127	\$ 4,624,389	\$ 1,685,853	\$ 1,580,689	\$ 6,773,980	\$ 6,205,078
Operating grants and contributions	8,336,240	8,166,613	-	-	8,336,240	8,166,613
Capital grants and contributions	722,277	1,931,759	-	-	722,277	1,931,759
General revenues:						
Property taxes	21,540,323	21,573,086	-	-	21,540,323	21,573,086
Other taxes	8,876,998	8,502,232	-	-	8,876,998	8,502,232
Grants and contributions not restricted to specific programs	259,733	385,751	-	-	259,733	385,751
Other	304,878	369,958	73	91	304,951	370,049
Total revenues	45,128,576	45,553,788	1,685,926	1,580,780	46,814,502	47,134,568

McDowell County's Changes in Net Position – continued
Years Ended June 30, 2015 and 2014
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Expenses:						
General government	\$ 3,990,783	\$ 4,696,004	\$ -	\$ -	\$ 3,990,783	\$ 4,696,004
Public safety	12,275,916	12,042,060	-	-	12,275,916	12,042,060
Environmental protection	591,621	623,546	-	-	591,621	623,546
Economic and physical development	891,478	1,069,694	-	-	891,478	1,069,694
Human services	11,696,529	11,691,349	-	-	11,696,529	11,691,349
Cultural and recreational	1,195,804	1,169,990	-	-	1,195,804	1,169,990
Education	12,471,442	17,429,549	-	-	12,471,442	17,429,549
Interest on long-term debt	358,319	403,201	-	-	358,319	403,201
Universal	-	-	476,857	340,445	476,857	340,445
Waste disposal	-	-	2,209,187	2,126,156	2,209,187	2,126,156
Water	-	-	147,842	139,925	147,842	139,925
Total expenses	43,471,892	49,125,393	2,833,886	2,606,526	46,305,778	51,731,919
Increase (decrease) in net position before transfers	1,656,684	(3,571,605)	(1,147,960)	(1,025,746)	508,724	(4,597,351)
Transfers	(2,251,709)	(3,466,584)	2,251,709	3,466,584	-	-
Increase (decrease) in net position	(595,025)	(7,038,189)	1,103,749	2,440,838	508,724	(4,597,351)
Net position, beginning	25,668,795	32,706,984	8,104,202	5,663,364	33,772,997	38,370,348
Restatement	(1,202,422)	-	(22,768)	-	(1,225,190)	-
Net position, beginning, restated	24,466,373	32,706,984	8,081,434	5,663,364	32,547,807	38,370,348
Net position, ending	\$ 23,871,348	\$ 25,668,795	\$ 9,185,183	\$ 8,104,202	\$ 33,056,531	\$ 33,772,997

Governmental activities. Governmental activities decreased the County's net position by \$595,025. Key elements of this increase are as follows:

- Capital assets of \$1,016,719 were transferred to business-type activities.
- Capital improvements to school facilities in McDowell County that are recorded as capital assets by the Board of Education.

Business-type activities. Business-type activities increased the County's net position by \$1,103,749. Key elements of this increase are as follows:

- Capital assets of \$1,016,719 were transferred from governmental activities.
- Income was received from leasing of space in the Universal building.
- Subsidy of \$1,091,526 was received by the Waste Disposal Fund 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.

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 \$9,556,541, while total fund balance reached \$13,850,452. The governing body of McDowell County has determined that the County should maintain an available fund balance for the General Fund of at least equal to greater than 18% of the prior year expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. The County currently has an available fund balance of 24.48% of General Fund expenditures, while total fund balance represents 35.45% of that same amount.

At June 30, 2015, the governmental funds of McDowell County reported a combined fund balance of \$20,038,797, a 4.35% increase over last year. The primary reason for the increase is the increase in fund balance of the Jail and Courthouse Addition/Renovations Capital Project 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 \$1,901,772 including increases in property tax, grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$415,681.

Actual revenues in the General Fund, when compared to the final budget, had a positive variance of \$79,285.

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 \$169,530 with a current year increase of \$27,139. The Water Fund had a balance of \$4,211,792, due to a current year decrease of \$72,072. The Universal Fund had a balance of \$4,803,861, due to a current year increase of \$1,148,682.

Capital Asset and Debt Administration

Capital assets. McDowell County's capital assets for its governmental and business-type activities as of June 30, 2015, total \$31,049,028 (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:

- Purchase of vehicles for public safety.
- Purchase of ambulance.
- Renovations and equipment for the Universal building.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,522,724	\$ 4,702,724	\$ 752,250	\$ 752,250	\$ 5,274,974	\$ 5,454,974
Land improvements	829,959	896,734	103,213	89,376	933,172	986,110
Buildings	9,617,463	9,962,226	1,935,680	1,977,086	11,553,143	11,939,312
Building improvements	1,775,084	1,819,472	4,177,990	524,508	5,953,074	2,343,980
Equipment	1,378,623	1,418,225	365,207	316,023	1,743,830	1,734,248
Infrastructure	-	-	4,147,387	4,236,958	4,147,387	4,236,958
Vehicles	1,035,242	1,080,053	5,902	20,641	1,041,144	1,100,694
Construction in progress	398,794	308,463	3,510	2,904,377	402,304	3,212,840
	\$ 19,557,889	\$ 20,187,897	\$ 11,491,139	\$ 10,821,219	\$ 31,049,028	\$ 31,009,116

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	
	2015	2014	2015	2014	2015	2014
Installment purchases payable	\$ 14,140,958	\$ 13,022,319	\$ 2,471,812	\$ 2,695,089	\$ 16,612,770	\$ 15,717,408

McDowell County's total debt increased by \$895,362 during the past fiscal year, due to \$3,120,483 in new borrowings on installment purchase obligations, net of principal payments of \$2,225,121.

Installment purchases payable include contracts related to the construction of the McDowell County Schools in the amount of \$8,233,334. 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 included in installment purchases payable is a contract for the County's participation in the community college's capital improvement project in the amount of \$274,303. 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 \$300,000 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 eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for McDowell County is \$273,387,169 at June 30, 2015. 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 picture for McDowell County continues to show improvement. There were no industry closings or noteworthy setbacks. The unemployment rate dropped to a monthly average of 5.1% down from 6.3%. The unemployment rate is now below the State of North Carolina average and the lowest in the region excluding Buncombe County.

In addition, property values and sales are stable or showing modest improvement. A general consensus among realtors and developers is that considerable spillover from the desirability of the Asheville market is impacting McDowell County. Sales tax revenues have increased 1.2% and the County population is growing at a modest ½ percent annual rate.

McDowell County took considerable steps in the 2014 fiscal year to improve its competitive position. The Universal Advanced Manufacturing Center was opened in October 2014 with a formal dedication by the governor. The Universal Center essentially consolidated all industry training programs at the community college into one modern facility. McDowell County and McDowell Technical Community College are addressing one of the most pressing issues facing the nation, the State and the community. The issue is workforce preparedness and development. The 3.9 million dollar investment constructed the 50,000 square foot facility and freed up 22,000 square feet of space on the College's main campus. The County secured a 2.1 million dollar Golden Leaf grant to assist with this project.

McDowell County was able to secure the location of a number of small manufacturing operations, commercial establishments and service businesses. A significant increase in hiring by existing industry has actually created a demand for labor that has not been experienced since before the recession.

McDowell County continues to work with the City of Marion to extend utilities and infrastructure into currently un-served areas. Two significant water line extensions were approved for bidding in the fiscal year and are currently in the process of permit approval.

McDowell County continues to work on general quality of life issues that do affect economic development. Significant efforts to extend Greenways, improve broadband coverage and efforts to enhance workplace wellness are examples.

Budget Highlights for the Fiscal Year Ending June 30, 2016

The 2015-2016 McDowell County budget was adopted by the Board of Commissioners with no increase in the general fund property tax rate. McDowell County retained a strong fiscal condition with a fund balance available for appropriation of \$9,556,541 as of June 30, 2015. The approved budget increased the General Fund by \$1,260,096 with growth in the property tax base, sales tax and small increases to the fire tax rate.

Budget Highlights for the Fiscal Year Ending June 30, 2016 – continued

The approved budget met the County's debt service obligation. The overall debt ratio remains low at 36.94%. McDowell County did incur additional debt in the amount of \$2,704,802 to renovate the original Courthouse, courtroom, and install an elevator. The debt also added security improvements as well as 32 additional female beds at the Law Enforcement Center.

The budget contained significant accomplishments including the following:

In 2011, McDowell County purchased the 410 acres, 398,000 square foot Universal property. McDowell County obtained grant funding to renovate and construct a 50,000 square foot manufacturing training center operated by McDowell Technical Community College in the building and leases the remaining out to various businesses. The grant funding secured approximately 2.6 million towards a project of 3.95 million. The balance was allocated by the County and the building was dedicated by Governor Pat McCrory in October 2014.

A major addition to the McDowell County High School occurred that enabled the transition from a Junior High to a Middle School concept. The ninth grade was located in the new 12.5 million dollar facility. McDowell County also allocated and secured grant funding, in cooperation with the Public School system, to implement a "One to One" initiative. The initiative will provide laptop computers to all students in both middle and high school.

Significant upgrades occurred to the 911 Communications Center. The upgrades included the implementation of a system enabling the implementation of nationally recognized protocols and call taking software. The entire 911 phone system was upgraded using State provided 911 funding.

Significant steps were taken to continue the expansion of the County water system. McDowell County recently purchased property near Lake James for the future water intake location. The sixty-five acre site will serve as the location for a 1.5 MGD treatment facility. An environmental assessment was completed and presented to the Board of Commissioners. Also, two grants were received that will enable a 12" waterline to be extended on Harmony Grove Road in the amount of \$400,000 to the I-40 interchange.

McDowell County partnered with the City of Marion and the McDowell Trails Association to submit a PART F grant that will enable the current greenway to be significantly extended. The goal is to connect the Historic McDowell House with the Historic Carson House. This project should receive notification in 2015 and be constructed in 2016.

Along these lines, McDowell County secured grant funding that allowed for the removal of two wings added to the McDowell House. McDowell County is the owner of the historic structure and is currently planning for the future use of the facility. A parking lot and amphitheater were constructed on the north side of the property.

McDowell County purchased property for the construction of a convenience center south of the Old Fort municipality. This site location is the final site that was targeted for construction by the County.

Budget Highlights for the Fiscal Year Ending June 30, 2016 – continued

McDowell County implemented a variety of technology enhancements including upgrades to the GIS system, the County Tax Administration system, and the installation of a “repeater” to improve emergency services communication. In addition, significant improvements to the County government channel and website were implemented.

A variety of additional undertakings were initiated or completed including an emphasis on employee wellness, the completion of a Recreation Master Plan, broadband inventory study, and the implementation of school dental program in the form of the “Toothbus.”

The McDowell County Board of Commissioners approved a new policy on non-profit reporting as well as major revisions to the County personnel handbook.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	McDowell County Tourism Development Authority
Assets				
Cash and cash equivalents	\$ 13,476,499	\$ 240,156	\$ 13,716,655	\$ 281,016
Taxes receivable - net	771,667	-	771,667	-
Due from other governments	4,020,039	-	4,020,039	44,902
Other receivables - net	1,200,812	154,002	1,354,814	-
Inventories	79,963	-	79,963	-
Restricted cash	3,009,868	17,837	3,027,705	-
Net pension assets	1,119,331	18,281	1,137,612	6,235
Capital assets:				
Land, non-depreciable improvements, and construction in progress	4,921,518	755,760	5,677,278	-
Other capital assets, net of depreciation	14,636,371	10,735,379	25,371,750	15,554
Total capital assets	19,557,889	11,491,139	31,049,028	15,554
Total assets	43,236,068	11,921,415	55,157,483	347,707
Deferred outflows of resources	844,369	14,887	859,256	5,077
Liabilities				
Accounts payable and accrued liabilities	1,425,348	116,244	1,541,592	9,116
Long-term liabilities:				
Due within one year	1,049,873	223,804	1,273,677	-
Due in more than one year	15,194,491	2,366,516	17,561,007	9,805
Total long-term liabilities	16,244,364	2,590,320	18,834,684	9,805
Total liabilities	17,669,712	2,706,564	20,376,276	18,921
Deferred inflows of resources	2,539,377	44,555	2,583,932	15,195
Net Position				
Net investment in capital assets	16,825,944	9,019,326	25,845,270	15,554
Restricted for:				
Stabilization of State Statute	5,216,132	-	5,216,132	44,902
Register of Deeds	76,307	-	76,307	-
Education	2,803,193	-	2,803,193	-
Human services	184,668	-	184,668	-
Cultural and recreational	2,408	-	2,408	-
Economic and physical development	25,535	-	25,535	-
Public safety	2,039,526	-	2,039,526	-
General government	1,085,044	-	1,085,044	-
Unrestricted (deficit)	(4,387,409)	165,857	(4,221,552)	258,212
Total net position	\$ 23,871,348	\$ 9,185,183	\$ 33,056,531	\$ 318,668

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

McDowell County, North Carolina

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit
	Primary Government								McDowell County
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Tourism Development Authority	
Governmental activities:									
General government	\$ 3,990,783	\$ 481,718	\$ -	\$ 2,532	\$ (3,506,533)	\$ -	\$ (3,506,533)		
Public safety	12,275,916	4,074,334	486,364	-	(7,715,218)	-	(7,715,218)		
Environmental protection	591,621	265	23,485	5,320	(562,551)	-	(562,551)		
Economic and physical development	891,478	28,060	85,573	485,213	(292,632)	-	(292,632)		
Human services	11,696,529	432,063	7,638,795	229,212	(3,396,459)	-	(3,396,459)		
Cultural and recreational	1,195,804	71,687	102,023	-	(1,022,094)	-	(1,022,094)		
Education	12,471,442	-	-	-	(12,471,442)	-	(12,471,442)		
Interest on long-term debt	358,319	-	-	-	(358,319)	-	(358,319)		
Total governmental activities	43,471,892	5,088,127	8,336,240	722,277	(29,325,248)	-	(29,325,248)		
Business-type activities:									
Universal	476,857	465,341	-	-	-	(11,516)	(11,516)		
Waste disposal	2,209,187	1,144,749	-	-	-	(1,064,438)	(1,064,438)		
Water	147,842	75,763	-	-	-	(72,079)	(72,079)		
Total business-type activities	2,833,886	1,685,853	-	-	-	(1,148,033)	(1,148,033)		
Total government	\$ 46,305,778	\$ 6,773,980	\$ 8,336,240	\$ 722,277	\$ (29,325,248)	\$ (1,148,033)	\$ (30,473,281)		
Component Unit:									
Tourism development	\$ 365,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(365,929)

McDowell County, North Carolina

Statement of Activities – continued

Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Primary Government				Component Unit			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	McDowell County Tourism Development Authority
Total government	\$ 46,305,778	\$ 6,773,980	\$ 8,336,240	\$ 722,277	\$ (29,325,248)	\$ (1,148,033)	\$ (30,473,281)	
Component Unit:								
Tourism development	\$ 365,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(365,929)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					21,540,323	-	21,540,323	-
Local option sales taxes					7,820,438	-	7,820,438	-
Other taxes and licenses					1,056,560	-	1,056,560	385,664
Grants and contributions not restricted to specific programs					259,733	-	259,733	-
Investment earnings, unrestricted					7,225	73	7,298	30
Miscellaneous, unrestricted					297,653	-	297,653	1,228
Transfer					(2,251,709)	2,251,709	-	-
Total general revenues and transfers					28,730,223	2,251,782	30,982,005	386,922
Changes in net position					(595,025)	1,103,749	508,724	20,993
Net position, beginning, previously reported					25,668,795	8,104,202	33,772,997	305,440
Restatement					(1,202,422)	(22,768)	(1,225,190)	(7,765)
Net position, beginning, restated					24,466,373	8,081,434	32,547,807	297,675
Net position, ending					\$ 23,871,348	\$ 9,185,183	\$ 33,056,531	\$ 318,668

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

McDowell County, North Carolina

Balance Sheets

Governmental Funds

June 30, 2015

	Major			
	General Fund	School Capital Projects Fund	Universal Career Pathways Skill Center Project	Jail and Courthouse Addition/ Renovations Project
Assets				
Cash and cash equivalents	\$ 9,953,584	\$ 2,861,058	\$ -	\$ -
Restricted cash	232,206	72,860	-	2,704,802
Taxes receivable - net	579,256	-	-	-
Accounts receivable – other governments	3,017,855	602,470	299,943	-
Accounts receivable EMS – net	927,618	-	-	-
Accounts receivable – other	184,607	-	-	-
Inventories	79,963	-	-	-
Due from other funds	675,865	-	-	-
Total assets	\$ 15,650,954	\$ 3,536,388	\$ 299,943	\$ 2,704,802
Liabilities				
Accounts payable and accrued liabilities	\$ 607,512	\$ 130,725	\$ -	\$ -
Due to other funds	-	-	524,943	114,877
Total liabilities	607,512	130,725	524,943	114,877
Deferred inflows of resources	1,192,990	-	-	-
Fund balances				
Nonspendable:				
Inventories	79,963	-	-	-
Restricted:				
Stabilization by State Statute	4,213,948	602,470	299,943	-
Register of Deeds	76,307	-	-	-
911 Funds	-	-	-	-
School capital	-	2,803,193	-	-
General government	52,758	-	-	1,032,286
Public safety	100,843	-	-	1,557,639
Human services	184,668	-	-	-
Cultural and recreational	-	-	-	-
Economic and physical development	25,535	-	-	-
Committed:				
Tax revaluation	32,797	-	-	-
Assigned:				
Subsequent year’s expenditures	395,000	-	-	-
Debt service	-	-	-	-
General government	-	-	-	-
Public safety	583,637	-	-	-
Economic and physical development	-	-	-	-
Unassigned (deficit)	8,104,996	-	(524,943)	-
Total fund balances (deficit)	13,850,452	3,405,663	(225,000)	2,589,925
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,650,954	\$ 3,536,388	\$ 299,943	\$ 2,704,802

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

McDowell County, North Carolina

Balance Sheets – continued

Governmental Funds – continued

June 30, 2015

	Nonmajor	
	Other Governmental Funds	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 444,908	\$ 13,259,550
Restricted cash	-	3,009,868
Taxes receivable - net	62,057	641,313
Accounts receivable – other governments	99,771	4,020,039
Accounts receivable EMS – net	-	927,618
Accounts receivable – other	-	184,607
Inventories	-	79,963
Due from other funds	-	675,865
Total assets	\$ 606,736	\$ 22,798,823
Liabilities		
Accounts payable and accrued liabilities	\$ 90,877	\$ 829,114
Due to other funds	36,045	675,865
Total liabilities	126,922	1,504,979
Deferred inflows of resources	62,057	1,255,047
Fund balances		
Nonspendable:		
Inventories	-	79,963
Restricted:		
Stabilization by State Statute	99,771	5,216,132
Register of Deeds	-	76,307
911 Funds	340,451	340,451
School capital	-	2,803,193
General government	-	1,085,044
Public safety	40,593	1,699,075
Human services	-	184,668
Cultural and recreational	2,408	2,408
Economic and physical development	-	25,535
Committed:		
Tax revaluation	-	32,797
Assigned:		
Subsequent year’s expenditures	-	395,000
Debt service	9	9
General government	7,780	7,780
Public safety	-	583,637
Economic and physical development	2,442	2,442
Unassigned (deficit)	(75,697)	7,504,356
Total fund balances	417,757	20,038,797
Total liabilities, deferred inflows of resources, and fund balances	\$ 606,736	

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

McDowell County, North Carolina

Balance Sheets – continued

Governmental Funds – continued

June 30, 2015

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

Governmental fund balances	\$ 20,038,797
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,557,889
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	130,354
Net pension asset	1,119,331
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	737,019
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.	13,770
Deferred inflows of resources for taxes and other receivables.	1,233,310
Pension related deferrals	(2,410,288)
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.	(16,548,834)
Net position of governmental activities	\$ 23,871,348

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, 2015

	Major			
	General Fund	School Capital Projects Fund	Universal Career Pathways Skill Center Project	Jail and Courthouse Addition/ Renovations Project
Revenues:				
Ad valorem taxes	\$ 19,474,502	\$ -	\$ -	\$ -
Local option sales taxes	5,572,952	2,247,486	-	-
Other taxes and licenses	1,056,560	-	-	-
Unrestricted intergovernmental	259,733	-	-	-
Restricted intergovernmental	7,768,722	(17,077)	-	-
Permits and fees	177,666	-	-	-
Sales and services	5,224,680	-	-	-
Investment earnings	6,881	305	-	-
Miscellaneous	376,021	227,609	341,019	-
Total revenues	39,917,717	2,458,323	341,019	-
Expenditures:				
Current:				
General government	4,143,974	-	-	-
Public safety	9,525,086	-	-	-
Environmental protection	619,038	-	-	-
Economic and physical development	784,785	-	-	-
Human services	11,380,234	-	-	-
Cultural and recreational	1,017,313	-	-	-
Miscellaneous	386,371	-	-	-
Intergovernmental:				
Education	9,192,483	-	-	-
Capital outlay	-	3,437,583	920,072	114,877
Debt service	773,297	-	-	-
Total expenditures	37,822,581	3,437,583	920,072	114,877
Revenues over (under) expenditures	2,095,136	(979,260)	(579,053)	(114,877)
Other financing sources (uses):				
Transfers to other funds	(1,637,879)	(1,249,879)	-	-
Transfers from other funds	-	-	312,971	-
Installment purchase obligations issued	415,681	-	-	2,704,802
Total other financing sources (uses)	(1,222,198)	(1,249,879)	312,971	2,704,802
Net change in fund balances	872,938	(2,229,139)	(266,082)	2,589,925
Fund balances – beginning of year	12,977,514	5,634,802	41,082	-
Fund balances – end of year	\$ 13,850,452	\$ 3,405,663	\$ (225,000)	\$ 2,589,925

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 – continued

Year Ended June 30, 2015

	Nonmajor	
	Other Governmental Funds	Total Governmental Funds
Revenues:		
Ad valorem taxes	\$ 2,471,547	\$ 21,946,049
Local option sales taxes	-	7,820,438
Other taxes and licenses	-	1,056,560
Unrestricted intergovernmental	-	259,733
Restricted intergovernmental	663,924	8,415,569
Permits and fees	-	177,666
Sales and services	-	5,224,680
Investment earnings	39	7,225
Miscellaneous	118,748	1,063,397
Total revenues	3,254,258	45,971,317
Expenditures:		
Current:		
General government	-	4,143,974
Public safety	2,787,183	12,312,269
Environmental protection	-	619,038
Economic and physical development	-	784,785
Human services	264,179	11,644,413
Cultural and recreational	19,509	1,036,822
Miscellaneous	-	386,371
Intergovernmental:		
Education	-	9,192,483
Capital outlay	260,735	4,733,267
Debt service	1,395,370	2,168,667
Total expenditures	4,726,976	47,022,089
Revenues over (under) expenditures	(1,472,718)	(1,050,772)
Other financing sources (uses):		
Transfers to other funds	-	(2,887,758)
Transfers from other funds	1,339,797	1,652,768
Installment purchase obligations issued	-	3,120,483
Total other financing sources (uses)	1,339,797	1,885,493
Net change in fund balances	(132,921)	834,721
Fund balances – beginning of year	550,678	19,204,076
Fund balances – end of year	\$ 417,757	\$ 20,038,797

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, 2015

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

Net change in fund balances – total governmental funds	\$	834,721
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 exceeded capital outlays in the current period.		(405,445)
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.		(224,560)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		737,019
Revenues in the fund financial statements that were previously recognized as revenues in the government-wide financial statements.		(618,181)
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.		(1,118,639)
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.		(203,108)
Net income of internal service fund, determined to be a governmental-type activity.		403,168
<hr/>		
Total changes in net position of governmental activities	\$	(595,025)
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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, 2015

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 19,476,910	\$ 19,616,839	\$ 19,474,502	\$ (142,337)
Local option sales taxes	5,558,472	5,710,167	5,572,952	(137,215)
Other taxes and licenses	957,772	1,092,363	1,056,560	(35,803)
Unrestricted intergovernmental	135,000	135,000	259,733	124,733
Restricted intergovernmental	7,764,628	8,437,395	7,768,722	(668,673)
Permits and fees	193,920	194,520	177,666	(16,854)
Sales and services	3,736,155	4,377,411	5,224,680	847,269
Investment earnings	20,000	20,000	6,878	(13,122)
Miscellaneous	93,800	254,734	376,021	121,287
Total revenues	37,936,657	39,838,429	39,917,714	79,285
Expenditures:				
Current:				
General government	4,220,372	4,270,367	4,143,974	126,393
Public safety	8,825,164	10,051,913	9,525,086	526,827
Environmental protection	709,028	753,559	619,038	134,521
Economic and physical development	906,944	789,881	784,785	5,096
Human services	11,294,827	12,226,838	11,380,234	846,604
Cultural and recreational	1,010,517	1,054,566	1,017,313	37,253
Miscellaneous	112,548	496,262	386,371	109,891
Intergovernmental:				
Education	9,053,772	9,203,772	9,192,483	11,289
Debt service	783,479	783,491	773,297	10,194
Total expenditures	36,916,651	39,630,649	37,822,581	1,808,068
Revenues over (under) expenditures	1,020,006	207,780	2,095,133	1,887,353
Other financing sources (uses):				
Transfers to other funds	(1,549,243)	(1,652,879)	(1,652,879)	-
Transfers from other funds	30,237	30,237	-	(30,237)
Installment purchase obligations issued	-	415,681	415,681	-
Fund balance appropriated	499,000	999,181	-	(999,181)
Total other financing sources (uses)	(1,020,006)	(207,780)	(1,237,198)	(1,029,418)
Net change in fund balance	\$ -	\$ -	857,935	\$ 857,935
Fund balance - beginning of year			12,959,720	
Fund balance - end of year			13,817,655	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			3	
Transfer in from General Fund			15,000	
Fund Balance, beginning			17,794	
Fund Balance, ending (Page 20)			\$ 13,850,452	

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

McDowell County, North Carolina

Statements of Net Position

Proprietary Funds

June 30, 2015

Major					
Enterprise Funds					Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Assets					
Current assets:					
Cash	\$ 94,459	\$ 64,483	\$ 81,214	\$ 240,156	\$ 216,949
Receivables - net	26,371	764	126,867	154,002	88,587
Total current assets	120,830	65,247	208,081	394,158	305,536
Noncurrent assets:					
Restricted cash	-	17,837	-	17,837	-
Net pension asset	-	-	18,281	18,281	-
Capital assets:					
Land and construction in progress	752,250	3,510	-	755,760	-
Other capital assets, net of depreciation	6,299,201	4,147,387	288,791	10,735,379	-
Total capital assets	7,051,451	4,150,897	288,791	11,491,139	-
Total noncurrent assets	7,051,451	4,168,734	307,072	11,527,257	-
Total assets	7,172,281	4,233,981	515,153	11,921,415	305,536
Deferred outflows of resources	-	-	14,887	14,887	-
Liabilities					
Current liabilities:					
Accounts payable	8,421	4,352	85,634	98,407	291,766
Customer deposits	-	17,837	-	17,837	-
Current installments of long-term debt	196,667	-	27,137	223,804	-
Total current liabilities	205,088	22,189	112,771	340,048	291,766
Noncurrent liabilities:					
Accrued landfill closure and postclosure care costs	-	-	30,000	30,000	-
Compensated absences payable	-	-	9,182	9,182	-
Other postemployment benefits	-	-	79,326	79,326	-
Long-term debt	2,163,332	-	84,676	2,248,008	-
Total noncurrent liabilities	2,163,332	-	203,184	2,366,516	-
Total liabilities	2,368,420	22,189	315,955	2,706,564	291,766
Deferred inflows of resources	-	-	44,555	44,555	-
Net position					
Net investment in capital assets	4,691,451	4,150,897	176,978	9,019,326	-
Unrestricted (deficit)	112,410	60,895	(7,448)	165,857	13,770
Total net position	\$ 4,803,861	\$ 4,211,792	\$ 169,530	\$ 9,185,183	\$ 13,770

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, 2015

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self-Insurance Fund
Operating revenues:					
Charges for services	\$ 465,341	\$ 74,908	\$ 1,116,357	\$ 1,656,606	\$ 3,328,884
Other operating revenues	-	855	28,392	29,247	-
Total operating revenues	465,341	75,763	1,144,749	1,685,853	3,328,884
Operating expense:					
Salaries and benefits	-	-	240,980	240,980	2,465,972
Operating expenses	150,418	53,269	1,902,024	2,105,711	459,744
Depreciation	218,366	94,573	63,587	376,526	-
Total operating expenses	368,784	147,842	2,206,591	2,723,217	2,925,716
Operating income (loss)	96,557	(72,079)	(1,061,842)	(1,037,364)	403,168
Non-operating revenues (expenses):					
Investment earnings	15	7	51	73	-
Interest expense	(108,073)	-	(2,596)	(110,669)	-
Total non-operating revenues (expenses)	(108,058)	7	(2,545)	(110,596)	-
Income (loss) before contributions and transfers	(11,501)	(72,072)	(1,064,387)	(1,147,960)	403,168
Capital contributions	1,016,719	-	-	1,016,719	-
Transfers from General Fund	304,740	-	1,091,526	1,396,266	-
Transfer to Universal Career Pathways Skill Center Project	(161,276)	-	-	(161,276)	-
Change in net position	1,148,682	(72,072)	27,139	1,103,749	403,168
Net position - beginning of year	3,655,179	4,283,864	165,159	8,104,202	(389,398)
Restatement	-	-	(22,768)	(22,768)	-
Net position - beginning of year	3,655,179	4,283,864	142,391	8,081,434	(389,398)
Net position - end of year	\$ 4,803,861	\$ 4,211,792	\$ 169,530	\$ 9,185,183	\$ 13,770

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, 2015

	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	\$ 438,970	\$ 75,450	\$ 1,125,627	\$ 1,640,047		\$ 3,288,132
Cash paid for goods and services	(199,251)	(52,501)	(1,899,293)	(2,151,045)		(459,744)
Cash paid to employees for services and for employee benefits	-	-	(249,458)	(249,458)		(2,737,433)
Customer deposits received	-	2,061	-	2,061		-
Net cash provided (used) by operating activities	239,719	25,010	(1,023,124)	(758,395)		90,955
Cash flows from non-capital financing activities:						
Transfer from General Fund	304,740	-	1,091,526	1,396,266		-
Transfer to Universal Career Pathways Skill Center Project	(161,276)	-	-	(161,276)		-
Net cash provided (used) by non-capital financing activities	143,464	-	1,091,526	1,234,990		-
Cash flows from capital and related financing activities:						
Purchase of property and equipment	(14,841)	(5,002)	(9,886)	(29,729)		-
Repayment of long-term debt	(196,667)	-	(26,610)	(223,277)		-
Interest paid	(108,073)	-	(2,596)	(110,669)		-
Net cash used by capital and related financing activities	(319,581)	(5,002)	(39,092)	(363,675)		-
Cash flows from investing activities:						
Investment earnings	15	7	51	73		-
Net cash provided by investing activities	15	7	51	73		-
Net increase (decrease) in cash	63,617	20,015	29,361	112,993		90,955
Cash - beginning of year	30,842	62,305	51,853	145,000		125,994
Cash - end of year	\$ 94,459	\$ 82,320	\$ 81,214	\$ 257,993		\$ 216,949
Presented on the accompanying statements of net position as:						
Cash	\$ 94,459	\$ 64,483	\$ 81,214	\$ 240,156		\$ 216,949
Restricted cash	-	17,837	-	17,837		-
	\$ 94,459	\$ 82,320	\$ 81,214	\$ 257,993		\$ 216,949

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, 2015

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self-Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 96,557	\$ (72,079)	\$ (1,061,842)	\$ (1,037,364)	\$ 403,168
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	218,366	94,573	63,587	376,526	-
Pension expense	-	-	1,619	1,619	-
Provision for uncollectible accounts	-	-	495	495	-
Changes in:					
Accounts receivable	(26,371)	(313)	(19,617)	(46,301)	(40,751)
Accounts payable	(48,833)	768	2,731	(45,334)	(271,462)
Customer deposits	-	2,061	-	2,061	-
Compensated absences payable	-	-	2,255	2,255	-
Other postemployment benefits payable	-	-	647	647	-
Deferred outflows of resources for pensions	-	-	(12,999)	(12,999)	-
Net cash provided (used) by operating activities	\$ 239,719	\$ 25,010	\$ (1,023,124)	\$ (758,395)	\$ 90,955
Noncash information:					
Capital contributions	\$ 1,016,719	\$ -	\$ -	\$ 1,016,719	\$ -

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

McDowell County, North Carolina

Statements of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and investments	\$ 49,019	\$ 55,619
Accounts receivable - other governments	-	29,746
Accounts receivable - other	-	532
Total assets	49,019	85,897
<u>Liabilities and net position</u>		
Liabilities:		
Miscellaneous liabilities	-	54,442
Intergovernmental payable	-	31,455
Total liabilities	-	85,897
Net position:		
Assets held in trust for pension benefits	\$ 49,019	\$ -

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, 2015

Additions

Employer contributions	\$	27,500
Investment income:		
Interest		5
		<hr/>
		27,505

Deductions

Benefits		(22,693)
		<hr/>

Change in net position		4,812
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Net position - beginning of year		<hr/> 44,207
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Net position - end of year	\$	<hr/> 49,019
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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, 2015

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

School Capital 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, plus lottery distributions.

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, partially funded by the Golden Leaf Foundation.

Jail and Courthouse Addition/Renovations. The County uses this fund to account for expenditures related to the addition to the existing jail facility and improvements to the courthouse, funded mainly through the issuance of an installment purchase obligation.

Note A – Summary of Significant Accounting Policies – continued:

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

The County reports the following major enterprise funds:

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

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

Waste Disposal Fund. This fund accounts for the waste management operations of the County.

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. The resources in the LEO Special Separation Allowance Fund have been set aside to pay future obligations of the LEO Special Separation Allowance but are not held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4.

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 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.

Note A – Summary of Significant Accounting Policies – continued:

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

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. The Debt Service Fund is a nonmajor fund. All capital project funds are reported as nonmajor capital project funds except for the School Capital Projects Fund, the Universal Career Pathways Skill Center Project, and the Jail and Courthouse Addition/Renovations Project.

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

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

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note A – Summary of Significant Accounting Policies – continued:

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

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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.

(3) 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 System Special Revenue Fund, and the 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.

Note A – Summary of Significant Accounting Policies – continued:

(3) Budgetary Data – continued

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.

(4) Assets, Liabilities, Deferred Inflows and Outflows of Resources, 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 and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The investments of the County and the Authority 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.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note A – Summary of Significant Accounting Policies – continued:

(4) Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity – continued

Restricted Cash

The unexpended proceeds from installment purchase obligations issued for the purchase of public safety equipment and vehicles, the addition to the jail facility, and improvements to the courthouse 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.

Governmental activities:

General Fund	Unexpended debt proceeds	\$	232,206
Jail and Courthouse Addition/Renovations	Unexpended debt proceeds		2,704,802
School Capital Projects Fund	Unexpended Public School Building funds		72,860
Total governmental activities			3,009,868

Business-type activities:

Water Fund	Customer deposits		17,837
Total business-type activities			17,837

Total restricted cash		\$	3,027,705
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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, 2014. 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.

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.

Note A – Summary of Significant Accounting Policies – continued:

(4) Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity – continued

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 and the Authority 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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion – pension related deferrals and contributions made to the pension plan in the current fiscal year.

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has the following items that meet the criterion for this category – prepaid taxes, special assessments receivable, and other pension related deferrals.

Note A – Summary of Significant Accounting Policies – continued:

(4) Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity – continued

Long-Term Obligations

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

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

Compensated Absences

The vacation 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

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note A – Summary of Significant Accounting Policies – continued:

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

Fund Balances – continued

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 Register of Deeds – Portion of fund balance that is restricted by revenue source to pay for the computer equipment and image technology for the Register of Deed's office.

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.

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.

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.

Note A – Summary of Significant Accounting Policies – continued:

(4) Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity – continued
Fund Balances – continued

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.

Assigned for Debt Service – Portion of fund balance that has been budgeted by the board for debt service expenditures.

Assigned for General Government – Portion of fund balance that has been budgeted by the board for the Lake James EPA Project.

Assigned for Public Safety – Portion of fund balance that has been budgeted by the board for the jail and EMS.

Assigned for Economic and Physical Development – Portion of fund balance that has been budgeted by the board for the Trail Project.

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 policy that provides guidance 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 has the authority to deviate from this policy if it is in the best interest of the County.

McDowell County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 18% of the prior year expenditures.

Note A – Summary of Significant Accounting Policies – continued:

(4) Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity – continued

Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees’ Retirement System (LGERS) and the Register of Deeds’ Supplemental Pension Fund (RODSPF) (collectively, the “state-administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County’s employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

(5) 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 \$3,832,551 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)	\$ 37,023,048
Less accumulated depreciation	(17,465,159)
Net capital assets	19,557,889
Net pension asset	1,119,331
Contributions to the pension plan in the current fiscal year	737,019
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.	130,354

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note A – Summary of Significant Accounting Policies – continued:

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

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

Description	Amount
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.	\$ 13,770
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide.	1,233,310
Pension related deferrals	(2,410,288)
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	(14,140,958)
Compensated absences	(738,617)
Other postemployment benefits	(879,048)
Unfunded pension benefit obligation	(485,741)
Accrued interest payable	(71,452)
Other long-term liabilities	(233,018)
Total adjustment	\$ 3,832,551

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 \$1,429,746 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 818,963
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.	(1,224,408)
Cost of disposed capital assets not recorded in fund statements.	(224,560)
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.	(3,120,483)

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note A – Summary of Significant Accounting Policies – continued:

(5) 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 – continued.*

Description	Amount
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.	\$ 2,001,844
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	737,019
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).	7,767
Difference in unfunded pension benefit obligation, accrued in the government-wide statements but not in the fund statements.	(30,386)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	(22,172)
Difference in other postemployment benefits, accrued in the government-wide statements but not in the fund statements.	(121,747)
Difference in amounts payable under various inter-local agreements.	51,967
County's portion of collective pension expense	(88,537)
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.	(31,746)
Decrease in deferred inflows of resources.	(645,040)
Amortization of income under long-term lease, not recorded on fund statements.	58,605
Net income of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	403,168
Total adjustment	\$ (1,429,746)

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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, 2015, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
General Fund:			
Facility maintenance – salaries and employee benefits	\$ 429,744	\$ 431,619	\$ 1,875
Economic and industrial development	76,747	89,422	12,675
Jail and Courthouse Addition/Renovations:			
Legal	10,000	15,333	5,333
Lake James EPA Project:			
Debt Service	-	95,423	95,423

Management will implement review procedures to ensure that budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Deficit Fund Balances of Individual Funds

The following individual fund has a deficit fund balance at June 30, 2015: Universal Career Pathways Skill Center Project (\$225,000). The deficit fund balance is expected to be recovered through revenues in the June 30, 2016 fiscal year.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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, 2015, the County's deposits had a carrying amount of \$10,032,814 and a bank balance of \$11,056,307. Of the bank balance, \$1,166,922 was covered by federal depository insurance, and \$9,473,565 in interest bearing deposits and \$415,820 in non-interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2015, the County had \$6,858 cash on hand.

At June 30, 2015, the Authority's portion of cash on deposit with the County had a carrying amount of \$280,966.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Investments

At June 30, 2015, the County’s investment balances were as follows:

	Reported Value	Fair Value
North Carolina Capital Management Trust:		
Cash Portfolio, cash equivalent	\$ 6,809,326	\$ 6,809,326
Total Investments	\$ 6,809,326	\$ 6,809,326

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, 2015.

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, 2015

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
2012	\$ 250,384	\$ 70,733	\$ 321,117
2013	280,263	53,951	334,214
2014	295,065	30,244	325,309
2015	280,158	-	280,158
Total	\$ 1,105,870	\$ 154,928	\$ 1,260,798

Receivables

Receivables at the government-wide level at June 30, 2015 were as follows:

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
Governmental Activities:					
General	\$ 1,585,418	\$ 3,017,855	\$ 5,217,245	\$ 273,194	\$ 10,093,712
Other Governmental	115,051	1,002,184	-	-	1,117,235
Total receivables	1,700,469	4,020,039	5,217,245	273,194	11,210,947
Allowance for doubtful accounts	(928,802)	-	(4,289,627)	-	(5,218,429)
Total - governmental activities	\$ 771,667	\$ 4,020,039	\$ 927,618	\$ 273,194	\$ 5,992,518
Business-type Activities:					
Universal	\$ -	\$ -	\$ -	\$ 26,371	\$ 26,371
Waste disposal	-	-	-	142,520	142,520
Water	-	-	-	764	764
Total receivables	-	-	-	169,655	169,655
Allowance for doubtful accounts	-	-	-	(15,653)	(15,653)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 154,002	\$ 154,002

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

Local option sales tax	\$ 2,098,172
State and federal assistance	983,105
Other	938,762
Total	\$ 4,020,039

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balances 07/01/14	Increases	Decreases	Balances 06/30/15
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,702,724	\$ 20,000	\$ 200,000	\$ 4,522,724
Construction in progress	308,463	90,331	-	398,794
Total capital assets not being depreciated	5,011,187	110,331	200,000	4,921,518
Capital assets being depreciated:				
Building improvements	2,715,609	93,417	32,000	2,777,026
Buildings	19,222,973	-	-	19,222,973
Equipment	4,121,040	260,299	119,913	4,261,426
Land improvements	1,531,339	19,949	-	1,551,288
Vehicles	4,160,416	334,964	206,563	4,288,817
Total capital assets being depreciated	31,751,377	708,629	358,476	32,101,530
Less accumulated depreciation for:				
Building improvements	896,137	133,805	28,000	1,001,942
Buildings	9,260,747	344,763	-	9,605,510
Equipment	2,702,815	283,120	103,132	2,882,803
Land improvements	634,605	86,724	-	721,329
Vehicles	3,080,363	375,996	202,784	3,253,575
Total accumulated depreciation	16,574,667	\$ 1,224,408	\$ 333,916	17,465,159
Total capital assets being depreciated, net	15,176,710			14,636,371
Governmental activity capital assets, net	\$ 20,187,897			\$ 19,557,889

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

General government	\$ 184,533
Public safety	609,721
Economic and physical development	51,726
Environmental protection	49,011
Human services	174,650
Cultural and recreational	154,767
Total depreciation expense	\$ 1,224,408

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/14	Increases	Decreases	Balances 06/30/15
Business-type activities:				
Universal:				
Capital assets not being depreciated:				
Land	\$ 752,250	\$ -	\$ -	\$ 752,250
Construction in progress	2,900,867	-	2,900,867	-
Total capital assets not being depreciated	3,653,117	-	2,900,867	752,250
Capital assets being depreciated:				
Buildings	2,070,246	-	-	2,070,246
Building Improvements	640,672	3,809,077	-	4,449,749
Equipment	91,631	96,648	-	188,279
Land Improvements	-	26,700	-	26,700
Total capital assets being depreciated	2,802,549	3,932,425	-	6,734,974
Less accumulated depreciation for:				
Buildings	93,161	41,405	-	134,566
Building improvements	116,164	155,595	-	271,759
Equipment	8,082	19,809	-	27,891
Land Improvements	-	1,557	-	1,557
Total accumulated depreciation	217,407	218,366	-	435,773
Total capital assets being depreciated, net - Universal	2,585,142			6,299,201
Total capital assets, net - Universal	6,238,259			7,051,451
Waste Disposal:				
Capital assets being depreciated:				
Buildings	203,914	-	-	203,914
Equipment	367,318	3,011	-	370,329
Land improvements	192,994	6,875	-	199,869
Vehicles	477,765	-	-	477,765
Total capital assets being depreciated	1,241,991	9,886	-	1,251,877
Less accumulated depreciation for:				
Buildings	203,914	-	-	203,914
Equipment	134,843	30,667	-	165,510
Land improvements	103,618	18,181	-	121,799
Vehicles	457,124	14,739	-	471,863
Total accumulated depreciation	899,499	63,587	-	963,086
Total capital assets being depreciated, net - waste disposal	342,492			288,791

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/14	Increases	Decreases	Balances 06/30/15
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	5,002	-	4,675,112
Computer software	12,733	-	-	12,733
Total capital assets being depreciated	4,683,987	5,002	-	4,688,989
Less accumulated depreciation for:				
Equipment	1,144	-	-	1,144
Infrastructure	433,152	94,573	-	527,725
Computer software	12,733	-	-	12,733
Total accumulated depreciation	447,029	\$ 94,573	\$ -	541,602
Total capital assets being depreciated, net - water	4,236,958			4,147,387
Total capital assets, net - water	4,240,468			4,150,897
Business-type activities capital assets, net	\$ 10,821,219			\$ 11,491,139

Construction Commitments

The government has active construction projects as of June 30, 2015. The projects include various school capital projects and the Jail and Courthouse Addition/Renovations Project. At June 30, 2015, the government's commitments with contractors are as follows:

Project	Spent-to date	Remaining Commitment
Jail and Courthouse Addition/Renovations	\$ -	\$ 2,759,502
Nebo Roof	48,409	294,940
High School Addition	9,237,673	221,660
	\$ 9,286,082	\$ 3,276,102

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities

Payables

Payables at the government-wide level at June 30, 2015 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental activities:					
General	\$ 612,269	\$ (4,759)	\$ 71,452	\$ 233,018	\$ 911,980
Other governmental	221,602	291,766	-	-	513,368
	<u>\$ 833,871</u>	<u>\$ 287,007</u>	<u>\$ 71,452</u>	<u>\$ 233,018</u>	<u>\$ 1,425,348</u>
Business-type activities:					
Universal	\$ 8,421	\$ -	\$ -	\$ -	\$ 8,421
Waste disposal	85,634	-	-	-	85,634
Water fund	4,352	-	-	17,837	22,189
	<u>\$ 98,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,837</u>	<u>\$ 116,244</u>

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description

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

2. Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. **Local Governmental Employees’ Retirement System – continued**

2. **Benefits Provided – continued**

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

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

3. **Contributions**

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County’s contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$746,980 for the year ended June 30, 2015.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

4. Refunds of Contributions

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

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

At June 30, 2015 the County reported an asset of \$1,050,472 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on a projection of the County’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County’s proportion was .178%, which was an increase of .010% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$93,036. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 114,783
Net difference between projected and actual earnings on pension plan investments	-	2,445,477
Changes in proportion and differences between County contributions and proportionate share of contributions	108,436	-
County contributions subsequent to the measurement date	746,980	-
Total Investments	\$ 855,416	\$ 2,560,260

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

\$746,980 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (612,960)
2017	(612,960)
2018	(612,960)
2019	(612,944)
2020	-
Thereafter	-

1. Actuarial Assumptions.

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

1. Actuarial Assumptions – continued

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies’ return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

1. Actuarial Assumptions – continued

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

2. Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate

The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current value:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County’s proportionate share of the net pension liability (asset)	\$ 3,565,759	\$ (1,050,472)	\$ (4,937,191)

4. Pension plan fiduciary net position

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68. All full-time County law enforcement officers are covered by the Separation Allowance.

At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	44
<u>Total</u>	<u>47</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.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on an as needed basis. For the current year, the County contributed \$27,500 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. 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, 2014 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, 2014 was 16 years.

4. Funded Status and Funding Progress

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	\$	73,584
Interest on net pension obligation		22,768
Adjustment to annual required contribution		(38,466)
<hr/>		
Annual pension cost		57,886
Employer contributions made for fiscal year ending 06/30/15		(27,500)
<hr/>		
Increase in net pension obligation		30,386
Net pension obligation, beginning of fiscal year		455,355
<hr/>		
Net pension obligation, end of fiscal year	\$	485,741

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>
2013	\$ 55,820	0.00%	\$ 407,711
2014	\$ 47,644	0.00%	\$ 455,355
2015	\$ 57,886	47.51%	\$ 485,741

Note C – Detail Notes on All Funds – continued:

(2) Liabilities - continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

5. Funded Status and Funding Progress – continued

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, 2015, 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, 2014, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$493,671. The covered payroll (annual payroll of active employees covered by the plan) was \$1,639,148, and the ratio of the UAAL to the covered payroll was 30.12%.

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, 2015 were \$88,411 which consisted of \$73,973 from the County and \$14,438 from law enforcement officers.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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, 2015, contributions of \$17,058 were made to the Section 457 plan, which consisted of \$6,152 from the County and \$10,906 from employees. For the year ended June 30, 2015, contributions of \$173,250 were made to the 401(k) plan, which consisted of \$98,287 from the County and \$74,963 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 (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds' Supplemental Pension Fund – continued

1. Plan Description – continued

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

2. Benefits Provided

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

3. Contributions

Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,039 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$87,139 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .384% which was an increase of .01% from its proportion measured as of June 30, 2014.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Register of Deeds’ Supplemental Pension Fund – continued

For the year ended June 30, 2015, the County recognized pension expense of \$(2,881). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 801	\$ -
Net difference between projected and actual earnings on pension plan investments	-	469
Changes in proportion and differences between County contributions and proportionate share of contributions	-	1,467
County contributions subsequent to the measurement date	3,039	-
Total Investments	\$ 3,840	\$ 1,936

\$3,039 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (420)
2017	(420)
2018	(178)
2019	(117)
2020	-
Thereafter	-

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Register of Deeds' Supplemental Pension Fund – continued

1. Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real estate rate of return for the fixed income asset class as of June 30, 2014 is 2.5%.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds’ Supplemental Pension Fund – continued

1. Actuarial Assumptions – continued

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

2. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate

The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.25%)
County’s proportionate share of the net pension liability (asset)	\$ (78,247)	\$ (87,139)	\$ (94,782)

4. Pension plan fiduciary net position

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

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, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	17	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	135	29
Total	152	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 3.47% of annual covered payroll. For the current year, the County contributed \$78,872. 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. .77% and .09% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$450. 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, 2015

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	\$	214,341
Interest on net OPEB obligation		33,439
Adjustments to annual required contribution		(46,514)
Annual OPEB cost (expense)		201,266
Contributions made		(78,872)
Increase in net OPEB obligation		122,394
Net OPEB obligation, beginning of year		835,980
Net OPEB obligation, end of year	\$	958,374

The net OPEB obligation at June 30, 2015 includes \$879,048 reported in the governmental activities and \$79,326 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
2013	\$ 171,245	86.87%	\$ 675,935
2014	\$ 203,755	21.45%	\$ 835,980
2015	\$ 201,266	39.19%	\$ 958,374

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, 2014, 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 \$3,048,717. The covered payroll (annual payroll of active employees covered by the plan) was \$6,181,649, and the ratio of the UAAL to the covered payroll was 49.32 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, 2014 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 rate varied between 7.50% 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, 2014 was 30 years.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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.

For the fiscal year ended June 30, 2015, the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Years Relief	FY Contributions Resume
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. McDowell County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

g. Other Employment Benefits – continued

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.

Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions – difference between expected and actual experience		
LGERS	\$ 801	\$ -
Register of Deeds	-	114,783
Pensions – difference between projected and actual investment earnings	-	2,445,945
Pensions – change in proportion and difference between employer contributions and proportionate share of contributions	108,436	1,467
Contributions to pension plan in 2014-2015 fiscal year	750,019	-
Prepaid taxes not yet earned	-	21,737
Total	\$ 859,256	\$ 2,583,932
Prepaid taxes not yet earned (General)	-	21,737
Taxes receivable, net (General)	-	579,256
Taxes receivable, net (Special Revenue)	-	62,057
Other receivables (General)	-	128,083
EMS receivables (General)	-	463,914
Total	\$ -	\$ 1,255,047

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

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, 2015, the County recognized \$58,605 in rental income, leaving a zero balance 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. In January 2015, the lease was renewed for five years for a monthly rental of \$3,811, subject to annual Consumer Price Index adjustments.

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 the statutory limits. The pool is reinsured through commercial companies for losses in excess of \$750,000 (annual aggregate) for workers' compensation.

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 \$500,000 for the Old Fort library building and \$500,000 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.

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.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Risk Management – continued

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 \$2,855,972 for the year ended June 30, 2015. 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 2014-2015 was \$312,562. The County accounts for the self-funded Health Care Benefit Plan in the Internal Service Fund.

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.

Installment Purchases – McDowell County Board of Education and McDowell 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 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 Board of Education

- 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. \$ 866,667
- 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. 7,366,667

McDowell 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. 274,303
-
- \$ 8,507,637**
-

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities - continued

Installment Purchases – McDowell County Board of Education and McDowell Technical Community College – continued

For McDowell County, the future minimum payments as of June 30, 2015, including interest, are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 1,049,873	\$ 225,089
2017	1,049,873	189,233
2018	616,540	158,350
2019	616,540	142,385
2020	616,540	126,419
2021-2025	2,858,271	408,549
2026-2028	1,700,000	74,524
Total principal payments	\$ 8,507,637	
Total interest payments		\$ 1,324,549

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 April 2002 for \$1,980,916, payable in 30 semiannual installments of \$66,030 plus interest at 4.60%, secured by Senior Center. \$ 264,122
- 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. 223,333
- 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. 515,020
- 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. 300,000
- 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. 598,400

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

- 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. \$ 4,559
- 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. 5,939
- 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. 19,694
- 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. 38,185
- 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. 29,634
- 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. 61,500
- 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. 73,250
- Installment purchase contract, executed in March 2014 for \$212,889, payable in 8 semiannual installments of \$27,554, including interest at 1.56%, secured by trash truck purchased. 160,901
- Installment purchase contract, executed in May 2014 for \$86,999, payable in 8 semiannual installments of \$11,340, including interest at 1.88%, secured by vehicle purchased. 65,856
- Installment purchase contract, executed in April 2014 for \$120,018, payable in 8 semiannual installments of \$15,524, including interest at 1.62%, secured by vehicles purchased. 90,558
- Installment purchase contract, executed in October 2013 for \$66,410, payable in 8 semiannual installments of \$8,696, including interest at 2.09%, secured by EMS equipment purchased. 42,151

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

• Installment purchase contract, executed in August 2015 for \$68,495, payable in 8 semiannual installments of \$8,958, including interest at 2.03%, secured by EMS vehicles.	\$ 60,233
• Installment purchase contract, executed in April 2015 for \$326,635, payable in 8 semiannual installments of \$42,378, including interest at 1.67%, secured by equipment and vehicles purchased.	326,635
• Installment purchase contract, executed in June 2015 for \$2,704,802, payable in 30 semiannual installments of \$90,160, plus interest at 2.62%, secured by the Jail facility/property.	2,704,802
• Installment purchase contract, executed in October 2014 for \$20,550, payable in 8 semiannual installments of \$2,686, including interest at 2.25%, secured by vehicle purchased.	15,490
	<hr/>
	\$ 5,600,262

Business-Type Activities:

• 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.	\$ 111,812
• 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.	1,180,000
• 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.	1,180,000
	<hr/>
	\$ 2,471,812

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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
2016	\$ 983,475	\$ 155,988
2017	889,995	128,098
2018	573,788	104,308
2019	445,172	89,693
2020	352,598	77,183
2021-2025	1,453,633	223,122
2026-2030	901,601	64,961
Total principal payments	\$ 5,600,262	
Total interest payments		\$ 843,353

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2016	\$ 223,803	\$ 101,667
2017	224,341	92,653
2018	224,888	83,629
2019	225,447	74,594
2020	196,667	65,692
2021-2025	983,333	201,313
2026-2028	393,333	21,190
Total principal payments	\$ 2,471,812	
Total interest payments		\$ 640,738

Debt Related to Capital Activities

Of the total Governmental Activities debt listed, only \$5,600,262 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$232,206.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Long-Term Obligations – Summary

At June 30, 2015, McDowell County had a legal debt margin of \$273,387,169. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15	Current Portion of Balance
Governmental activities:					
Installment purchases, including					
amortized call premium	\$ 13,022,319	\$ 3,120,483	\$ 2,001,844	\$ 14,140,958	\$ 1,049,873
Unfunded pension benefit obligation	455,355	30,386	-	485,741	-
Compensated absences	716,445	510,671	488,499	738,617	-
Net pension liability (LGRS)	1,995,934	-	1,995,934	-	-
Other postemployment benefits	757,301	121,747	-	879,048	-
Total governmental activities	\$ 16,947,354	\$ 3,783,287	\$ 4,486,277	\$ 16,244,364	\$ 1,049,873
Business-type activities:					
Universal Fund					
Installment purchases	\$ 2,556,666	\$ -	\$ 196,667	\$ 2,359,999	\$ 196,667
Total Universal Fund	2,556,666	-	196,667	2,359,999	196,667
Waste Disposal Fund					
Installment purchases	138,423	-	26,610	111,813	27,137
Compensated absences	6,927	7,088	4,833	9,182	-
Net pension liability (LGRS)	35,138	-	35,138	-	-
Other postemployment benefits	78,679	647	-	79,326	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
Total Waste Disposal Fund	289,167	7,735	66,581	230,321	27,137
Total business-type activities	\$ 2,845,833	\$ 7,735	\$ 263,248	\$ 2,590,320	\$ 223,804

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.

The LGRS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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. 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.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

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, 2015 and reported for subsequent reimbursement.

(3) Interfund Balances and Activity

At June 30, 2015, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	McDowell House Restoration	\$ 36,045
General Fund	Universal Career Pathways Skill Center Project	524,943
General Fund	Jail and Courthouse Addition/Renovations	114,877
		<hr/>
		\$ 675,865

The payables to the General Fund represent project expenditures incurred near year end. All interfund balances will be paid during the year ending June 30, 2016.

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.	\$ 1,091,526
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.	1,249,879
Transfer from the General Fund to the Lake James EPA Project to provide local match for the project.	89,918
Transfer from the General Fund to the Universal Career Pathways Skill Center Project to provide resources for the project.	151,695
Transfer from the General Fund to the Universal Fund for the retirement of debt obligations.	304,740
Transfer from Universal Fund to Universal Career Pathways Skill Center Project to provide resources for the project.	161,276
	<hr/>
	\$ 3,049,034

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note C – Detail Notes on All Funds – continued:

(4) Transfers

Transfers at the government-wide level for the year ended June 30, 2015 included \$1,016,719 in capital assets transferred from governmental activities to business-type activities. The capital assets transferred consisted of building improvements for this amount 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.

(5) Fund Balance

McDowell County has a revenue spending policy 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 has the authority to deviate from this policy 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	\$	13,850,452
Less: Inventories		79,963
Stabilization by State Statute		4,213,948
Appropriated fund balance in 2016 budget		395,000
PEG channel		52,758
Register of deeds		76,307
Asset forfeiture		83,141
Social services		175,019
Senior Center		9,649
Cooperative extension		25,535
Tax revaluation		32,797
Jail		583,637
EMS		17,702
Remaining fund balance	\$	8,104,996

McDowell County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 18% of the prior year expenditures.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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 \$889,650 and \$60,998 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2015. 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 \$ 60,939 for the year ended June 30, 2015. 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, 2015. 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 \$97,685 for the year ended June 30, 2015.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

Note D – Joint Ventures – continued:

McDowell House

During the year ended June 30, 2008, the County entered into an agreement with the McDowell County 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 County 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, 2015, 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, 2015, the County contributed \$245,219 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, 2015, the County contributed \$82,471 to the general operations of MEDA, including personnel costs (See related Note F).

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2015

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 \$13,194 in annual allocation to the Commission during the fiscal year ended June 30, 2015.

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 E, 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, 2015, one County commissioner is employed by the City of Marion and one County Commissioner is employed by McDowell County Schools.

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	\$ 266,983	\$ -
Medicaid	48,201,599	26,276,009
NC Health Choice	870,341	274,749
State/County Special Assistance to Adults	-	436,901
Foster Care Adoption Assistance	402,628	107,603
CWS Adoption Subsidy	-	214,186
CWS Child Protective Services	-	155,664
Total	\$ 49,741,551	\$ 27,465,112

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, 2015, \$33,973 was paid under the economic development incentive agreements described above. Future installments of three active agreements amount to \$358,942 and \$39,200 for the years ending June 30, 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, 2015

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 Waste Disposal Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 67% of waste disposal revenue. Sales to this customer amounted to \$699,006 for the year ended June 30, 2015, with an account receivable balance of \$68,238 at June 30, 2015.

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 – Change in Accounting Principles/Restatement:

The County implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,202,422 and \$22,768, respectively.

Note M – Subsequent Events:

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through December 17, 2015; the date of the financial statements is December 17, 2015.

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)
12-31-2007	\$ 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%
12-31-2013	\$ 44,205	\$ 573,684	\$ 529,479	7.71%	\$ 1,520,435	34.82%
12-31-2014	\$ 59,061	\$ 552,732	\$ 493,671	10.69%	\$ 1,639,148	30.12%

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
2013	\$ 60,124	0.00%
2014	\$ 60,475	0.00%
2015	\$ 73,584	37.37%

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	12/31/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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)
12-31-2007	\$ -	\$ 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%
12-31-2013	\$ -	\$ 2,172,696	\$ 2,172,696	0.00%	\$ 6,428,977	33.80%
12-31-2014	\$ -	\$ 3,048,717	\$ 3,048,717	0.00%	\$ 6,181,649	49.32%

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
2013	\$ 181,443	86.87%
2014	\$ 214,312	21.45%
2015	\$ 214,341	39.19%

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	12/31/14
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	7.50% - 5.00%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

McDowell County, North Carolina

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

Local Government Employees' Retirement System

Last Two Fiscal Years*

	2015	2014
County's proportion of the net pension liability (asset) %	0.178%	0.168%
County's proportionate share of the net pension liability (asset) \$	\$ (1,050,472)	\$ 2,031,072
County's covered-employee payroll	\$ 10,543,704	\$ 10,231,851
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9.96%	19.85%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

McDowell County, North Carolina

Schedule of County Contributions

Local Government Employees' Retirement System

Last Two Fiscal Years

	2015	2014
Contractually required contributions	\$ 746,980	\$ 722,743
Contributions in relation to the contractually required contribution	746,980	722,743
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 10,543,704	\$ 10,231,851
Contributions as a percentage of covered-employee payroll	7.08%	7.06%

McDowell County, North Carolina

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

Registers of Deeds' Supplemental Pension Fund

Last Two Fiscal Years*

	2015	2014
County's proportion of the net pension liability (asset) %	0.384%	0.374%
County's proportionate share of the net pension liability (asset) \$	\$ (87,139)	\$ (79,985)
County's covered-employee payroll	\$ 45,942	\$ 44,814
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-189.67%	-178.48%
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

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

McDowell County, North Carolina

Schedule of County Contributions

Registers of Deeds' Supplemental Pension Fund

Last Two Fiscal Years

	2015	2014
Contractually required contributions	\$ 3,039	\$ 3,139
Contributions in relation to the contractually required contribution	3,039	3,139
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 45,942	\$ 44,814
Contributions as a percentage of covered-employee payroll	6.61%	7.00%

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year property taxes	\$ 19,003,639	\$ 18,977,492	\$ (26,147)
Discount	(88,300)	(88,236)	64
Delinquent tax	550,000	422,360	(127,640)
Tax interest	139,000	162,886	23,886
Tax penalties	12,500	-	(12,500)
Total	19,616,839	19,474,502	(142,337)
Local option sales taxes:			
Article 39 one percent	3,225,312	3,191,291	(34,021)
Article 40 one-half percent	2,046,855	2,093,539	46,684
Article 42 one-half percent	438,000	287,980	(150,020)
Article 44 one-half percent	-	142	142
Total	5,710,167	5,572,952	(137,215)
Other taxes and licenses:			
Deed stamp excise tax	175,172	122,733	(52,439)
Real estate transfer tax	206,350	219,628	13,278
Scrap tire disposal tax	105,241	104,506	(735)
Occupancy tax	385,000	391,620	6,620
Cable franchise	220,000	217,630	(2,370)
Dog tax	600	443	(157)
Total	1,092,363	1,056,560	(35,803)
Unrestricted intergovernmental:			
Payments in lieu of taxes	135,000	259,733	124,733
Restricted intergovernmental:			
State and federal grants:			
DSS	7,444,177	6,831,465	(612,712)
State aid library	99,500	102,023	2,523
Senior Center - aging	540,777	397,039	(143,738)
Soil and water reimbursement	32,320	23,485	(8,835)
Veterans service	2,000	-	(2,000)
Juvenile Crime Prevention	126,168	126,168	-
EMA reimbursement	22,000	38,220	16,220
Asset forfeiture	14,061	8,414	(5,647)
Other	73,378	140,070	66,692
Court facility fees	60,000	73,367	13,367
Officer fees	15,514	20,693	5,179
ABC profits for law enforcement	7,500	7,778	278
Total	8,437,395	7,768,722	(668,673)

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building inspections	\$ 117,500	\$ 108,586	\$ (8,914)
Sign revenue	1,750	1,215	(535)
Homeowners' recovery	2,000	513	(1,487)
Register of Deeds:			
Acknowledgement and oath	1,170	8,361	7,191
Copies	48,600	41,791	(6,809)
Flood plain fees	16,000	11,737	(4,263)
Cultural resources	7,500	5,463	(2,037)
Total	194,520	177,666	(16,854)
Sales and services:			
NCDMV notary	32,500	33,718	1,218
NCDMV reimbursement	81,000	90,770	9,770
NCDMV tax collection fee	29,000	45,093	16,093
NCDMV reimbursement city/town	32,500	22,671	(9,829)
Tax mapping	800	370	(430)
Library fines	17,500	12,345	(5,155)
Library donations	2,821	5,541	2,720
Library copies	6,750	4,296	(2,454)
Library fax fees	2,250	2,665	415
Rent – dialysis clinic	45,735	38,669	(7,066)
Rent – Senior Center building	66,000	61,620	(4,380)
Fax fees	50	-	(50)
Vending income	750	105	(645)
Rent – Mental Health building	25,276	25,190	(86)
Rent – Baldwin Avenue - Isothermal	6,360	6,520	160
Tower rental	32,114	36,049	3,935
Rent – Baldwin Avenue - ESC	22,907	21,540	(1,367)
City of Marion reimbursement	90,526	97,613	7,087
Adoption fees	7,000	14,206	7,206
Canteen fees	95,000	117,468	22,468
SRO funds	500	-	(500)
Sheriff – process fees	60,000	56,421	(3,579)
Sheriff – permits	4,500	5,620	1,120
Jail phone reimbursement	40,000	37,746	(2,254)
Sheriff – concealed weapons permit	46,410	56,570	10,160
Sheriff – employee fund	5,500	4,292	(1,208)
Soil and water rent	1,200	1,200	-
Jail lease revenue	914,599	977,342	62,743
Jail fees	19,500	30,580	11,080
EMS collections	2,338,152	2,434,922	96,770
EMS Medicaid	74,913	154,595	79,682

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Sales and services - continued:			
Rescue Squad billing	\$ 22,400	\$ 20,652	\$ (1,748)
Sheriff – in school cop match	81,000	93,777	12,777
Recreation program fees	82,250	52,379	(29,871)
Other	89,648	662,135	572,487
Total	4,377,411	5,224,680	847,269
Investment earnings	20,000	6,878	(13,122)
Miscellaneous:			
Auction proceeds	4,500	4,686	186
Paper execution fees	70,000	65,164	(4,836)
Civil license revocation	3,800	2,652	(1,148)
Miscellaneous	6,500	66,959	60,459
4-H donations	17,000	12,059	(4,941)
Cooperative extension donations	2,430	3,360	930
Animal control – other	-	2,925	2,925
Other	150,504	218,216	67,712
Total	254,734	376,021	121,287
Total revenues	39,838,429	39,917,714	79,285
Expenditures:			
General government:			
Board of Commissioners:			
Salaries and employee benefits	150,518	150,518	-
Operating expenditures	34,783	26,314	8,469
Total	185,301	176,832	8,469
Human resources:			
Operating expenditures	309,594	308,094	1,500
Total	309,594	308,094	1,500
County administration:			
Salaries and employee benefits	317,484	317,168	316
Operating expenditures	17,480	16,147	1,333
Capital expenditures	75	-	75
Total	335,039	333,315	1,724
Finance:			
Salaries and employee benefits	352,545	347,903	4,642
Operating expenditures	196,423	187,628	8,795
Capital expenditures	2,090	2,090	-
Total	551,058	537,621	13,437

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	\$ 312,236	\$ 311,585	\$ 651
Operating expenditures	116,954	106,793	10,161
Capital expenditures	3,000	2,910	90
Total	432,190	421,288	10,902
Tax - collections:			
Salaries and employee benefits	175,851	174,651	1,200
Operating expenditures	72,740	49,738	23,002
Capital expenditures	7,400	1,045	6,355
Total	255,991	225,434	30,557
Legal	27,682	27,681	1
Board of Elections:			
Salaries and employee benefits	158,096	147,497	10,599
Operating expenditures	90,809	66,423	24,386
Total	248,905	213,920	34,985
Register of Deeds:			
Salaries and employee benefits	178,582	178,008	574
Operating expenditures	191,355	177,902	13,453
Capital expenditures	3,484	2,920	564
Total	373,421	358,830	14,591
Clerk of Court:			
Operating expenditures	5,314	3,884	1,430
Capital expenditures	2,340	1,374	966
Total	7,654	5,258	2,396
Garage:			
Salaries and employee benefits	121,075	120,912	163
Operating expenditures	20,000	19,679	321
Capital expenditures	4,550	4,550	-
Total	145,625	145,141	484
Facility maintenance:			
Salaries and employee benefits	429,744	431,619	(1,875)
Operating expenditures	703,138	694,512	8,626
Capital expenditures	26,623	26,408	215
Total	1,159,505	1,152,539	6,966

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
DMV Operations:			
Salaries and employee benefits	\$ 118,502	\$ 118,413	\$ 89
Operating expenditures	119,900	119,608	292
Total	238,402	238,021	381
Total general government	4,270,367	4,143,974	126,393
Public safety:			
Sheriff:			
Salaries and employee benefits	2,460,402	2,378,849	81,553
Operating expenditures	641,488	590,142	51,346
Capital expenditures	273,157	214,262	58,895
Total	3,375,047	3,183,253	191,794
Jail:			
Salaries and employee benefits	948,442	943,626	4,816
Operating expenditures	1,066,539	990,052	76,487
Capital expenditures	79,918	79,849	69
Total	2,094,899	2,013,527	81,372
EMS:			
Salaries and employee benefits	1,855,947	1,838,142	17,805
Operating expenditures	430,040	416,436	13,604
Capital expenditures	322,503	156,737	165,766
Total	2,608,490	2,411,315	197,175
Emergency management:			
Salaries and employee benefits	131,859	130,160	1,699
Operating expenditures	23,675	22,940	735
Capital expenditures	3,200	2,860	340
Total	158,734	155,960	2,774
Fire protection	346,177	346,177	-
Forest service	73,485	72,155	1,330
Emergency communication:			
Salaries and employee benefits	633,377	623,228	10,149
Operating expenditures	26,100	24,958	1,142
Capital expenditures	43,870	43,410	460
Total	703,347	691,596	11,751

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Animal Control:			
Salaries and employee benefits	\$ 64,460	\$ 63,792	\$ 668
Operating expenditures	67,933	54,885	13,048
Capital expenditures	3,250	411	2,839
Total	135,643	119,088	16,555
Building Inspections:			
Salaries and employee benefits	284,342	278,615	5,727
Operating expenditures	36,000	28,913	7,087
Capital expenditures	22,050	20,351	1,699
Total	342,392	327,879	14,513
Medical Examiner	25,500	25,116	384
Rescue Squad billing	160,000	152,913	7,087
Rescue Squad	28,199	26,107	2,092
Total public safety	10,051,913	9,525,086	526,827
Environmental protection:			
Waste collections:			
Salaries and employee benefits	356,055	318,885	37,170
Operating expenditures	141,500	106,149	35,351
Capital expenditures	9,775	9,775	-
Total	507,330	434,809	72,521
Soil and Water District technician:			
Salaries and employee benefits	42,985	42,933	52
Operating expenditures	24,442	23,784	658
Capital expenditures	6,220	209	6,011
Total	73,647	66,926	6,721
Soil and Water Conservation:			
Salaries and employee benefits	42,626	42,385	241
Operating expenditures	12,049	10,696	1,353
Capital expenditures	550	95	455
Total	55,225	53,176	2,049
Watershed Commission	12,500	12,046	454
Water and sewer	104,857	52,081	52,776
Total environmental protection	753,559	619,038	134,521

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Keep McDowell Beautiful:			
Salaries and employee benefits	\$ 21,048	\$ 16,539	\$ 4,509
Operating expenditures	11,100	11,100	-
Total	32,148	27,639	4,509
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
Total	12,563	12,563	-
Cooperative Extension:			
Operating expenditures	189,282	182,447	6,835
Capital expenditures	1,507	1,338	169
Total	190,789	183,785	7,004
Isothermal Planning Commission:			
Isothermal operating expenditures	14,528	14,528	-
Planning board	500	286	214
Total	15,028	14,814	214
McDowell Economic Development Association:			
Salaries and employee benefits	70,991	69,399	1,592
Operating expenditures	16,065	13,072	2,993
Total	87,056	82,471	4,585
Economic and industrial development	76,747	89,422	(12,675)
Tourism Development Authority	375,550	374,091	1,459
Total economic and physical development	789,881	784,785	5,096
Human services:			
Health Department	245,219	245,219	-
Mental health	67,856	67,856	-
Alcohol and substance abuse	4,000	-	4,000
Volunteer Center:			
Salaries and employee benefits	22,723	22,658	65
Operating expenditures	8,900	4,081	4,819
Capital expenditures	600	-	600
Total	32,223	26,739	5,484

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Juvenile Crime Prevention Council	\$ 143,186	\$ 143,160	\$ 26
Social Services:			
Administration:			
Salaries and employee benefits	5,279,054	5,215,243	63,811
Operating expenditures	3,291,812	2,883,730	408,082
Capital expenditures	83,155	60,328	22,827
Total	8,654,021	8,159,301	494,720
Foster care	777,687	617,398	160,289
Adoption assistance	225,000	208,131	16,869
Crisis energy program	192,646	189,686	2,960
TANF - County participation	189,022	172,703	16,319
Medicaid - County participation	2,000	707	1,293
Special assistance	557,607	435,066	122,541
Aid to blind	6,313	6,313	-
General assistance	7,500	2,069	5,431
Total social services	10,611,796	9,791,374	820,422
Senior Center:			
Salaries and employee benefits	560,360	559,994	366
Operating expenditures	545,048	529,208	15,840
Capital expenditures	2,150	2,044	106
Total	1,107,558	1,091,246	16,312
Juvenile Placement:			
Operating expenditures	15,000	14,640	360
Total	15,000	14,640	360
Total human services	12,226,838	11,380,234	846,604
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	160,778	160,777	1
Operating expenditures	123,592	118,076	5,516
Capital expenditures	14,500	12,789	1,711
Total	298,870	291,642	7,228
Recreation - programs	79,250	70,680	8,570

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and employee benefits	\$ 509,816	\$ 507,424	\$ 2,392
Operating expenditures	161,889	145,237	16,652
Capital expenditures	4,741	2,330	2,411
Total	676,446	654,991	21,455
Total cultural and recreational	1,054,566	1,017,313	37,253
Miscellaneous:			
Carson House	20,000	20,000	-
City of Marion hold harmless	50,000	42,103	7,897
Family Services	25,903	25,903	-
MACA	18,500	18,500	-
American Cancer Society	1,000	1,000	-
Freedom Ministries	6,000	6,000	-
McDowell Mission	12,000	12,000	-
Champion rent	18,416	18,416	-
July 4 th Marion	500	500	-
July 4 th Old Fort	500	500	-
Health Coalition	10,000	10,000	-
Other	333,443	231,449	101,994
Total miscellaneous	496,262	386,371	109,891
Education:			
Public schools:			
Current expense	7,844,500	7,833,211	11,289
Capital outlay	50,000	50,000	-
Technology	200,000	200,000	-
McDowell Technical College:			
Current expense	889,650	889,650	-
Capital outlay	60,998	60,998	-
Building payments	158,624	158,624	-
Total education	9,203,772	9,192,483	11,289
Debt service:			
Building inspections	5,750	5,372	378
Emergency Medical Services	223,469	213,655	9,814
Garage	9,227	9,227	-
Waste Collections	55,107	55,107	-
Sheriff	134,072	134,071	1
Debt service	355,866	355,865	1
Total debt service	783,491	773,297	10,194
Total expenditures	39,630,649	37,822,581	1,808,068
Revenues over expenditures	207,780	2,095,133	1,887,353

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Installment purchase obligations issued	\$ 415,681	\$ 415,681	\$ -
Transfers to:			
Capital Project Funds:			
Universal Career Pathways Skill Center	(151,695)	(151,695)	-
Lake James EPA	(89,918)	(89,918)	-
Enterprise Funds:			
Universal Fund	(304,740)	(304,740)	-
Waste Disposal Fund	(1,091,526)	(1,091,526)	-
Revaluation Fund	(15,000)	(15,000)	-
Transfers from:			
Enterprise Fund:			
Universal Fund	30,237	-	(30,237)
Fund balance appropriated	999,181	-	(999,181)
Total other financing sources (uses)	(207,780)	(1,237,198)	(1,029,418)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	857,935	\$ 857,935
Fund balance - beginning of year		12,959,720	
Fund balance - end of year		\$ 13,817,655	

McDowell County, North Carolina

Revaluation Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 3	\$ 3
Total revenues	-	3	3
Expenditures:			
General government:			
Capital expenditures	15,000	-	15,000
Total expenditures	15,000	-	15,000
Revenues over (under) expenditures	(15,000)	3	15,003
Other financing sources (uses):			
Transfer from General Fund	15,000	15,000	-
Total other financing sources (uses)	15,000	15,000	-
Revenues and other financing sources over expenditures	\$ -	15,003	\$ 15,003
Fund balance - beginning of year		17,794	
Fund balance - end of year		\$ 32,797	

Note: Since the Revaluation Fund is legally budgeted, the fund is consolidated into the General Fund for reporting purposes on pages 21 and 24.

McDowell County, North Carolina

Combining Statements for Nonmajor Funds

Year Ended June 30, 2015

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.
- Appalachian Regional Council Universal Project – The County uses this fund to account for expenditures related to equipment for the former Universal building, funded by the Appalachian Regional Council.
- 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.
- Kate B. Reynolds Gym Floor Project – The County uses this fund to account for expenditures for capital improvements to the recreational facility for the Marion community, funded by the Kate B. Reynolds Charitable Trust.
- 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 Project – 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. There was no current year activity in this project.
- Kate B. Reynolds Recreation Master Plan Project – The County uses this fund to account for expenditures to develop a county-wide master recreation plan to promote active living and health of McDowell County residents, funded by the Kate B. Reynolds Charitable Trust.
- Kate B. Reynolds Paramedic Project – The County uses this fund to account for expenditures to implement a Rural Community Care Paramedic Program, funded by the Kate B. Reynolds Charitable Trust.

McDowell County, North Carolina

Combining Statements for Nonmajor Funds – continued

Year Ended June 30, 2015

- Single Family Rehabilitation Housing 2014 Project – The County uses this fund to account for expenditures for the HOME program funds, funded by the NC Housing Finance Agency. 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.
- 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. There was no current year activity in this project.
- 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.
- NC Housing Urgent Repair Project – The County uses this fund to account for expenditures for housing needs of low-income families, funded by the NC Housing Finance Agency. There was no current year activity in this project.
- McDowell House Restoration Project – The County uses this fund to account for expenditures for the demolition and removal of two non-historic additions to the historic Joseph McDowell House, funded by the National Park Service.

McDowell County, North Carolina

Combining Balance Sheets

Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds		Debt Service Fund	
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund	
Assets				
Cash and investments	\$ 38,695	\$ 350,230	\$	9
Taxes receivable - net	62,057	-		-
Accounts receivable - other governments	20,235	21,543		-
Total assets	\$ 120,987	\$ 371,773	\$	9
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 58,930	\$ 9,779	\$	-
Due to other funds	-	-		-
Total liabilities	58,930	9,779		-
Deferred inflows of resources:				
Taxes receivable	62,057	-		-
Total deferred inflows of resources	62,057	-		-
Fund balances:				
Restricted:				
Stabilization by State Statute	20,235	21,543		-
911 Funds	-	340,451		-
Cultural and recreational	-	-		-
Public safety	-	-		-
Assigned:				
Debt service	-	-		9
General government	-	-		-
Economic and physical development	-	-		-
Unassigned (deficit)	(20,235)	-		-
Total fund balances	-	361,994		9
Total liabilities, deferred inflows of resources, and fund balances	\$ 120,987	\$ 371,773	\$	9

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2015

	Capital Project Funds			
	Trail Project	Appalachian Regional Council Universal Project	Lake James EPA Project	Kate B. Reynolds Gym Floor Project
Assets				
Cash and investments	\$ 2,442	\$ -	\$ 9,882	\$ 1,637
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	2,531	-
Total assets	\$ 2,442	\$ -	\$ 12,413	\$ 1,637
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,102	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	2,102	-
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	2,531	-
911 Funds	-	-	-	-
Cultural and recreational	-	-	-	1,637
Public safety	-	-	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	-	7,780	-
Economic and physical development	2,442	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	2,442	-	10,311	1,637
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,442	\$ -	\$ 12,413	\$ 1,637

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2015

	Capital Project Funds		
	Kate B. Reynolds Recreation Project	Project Summit/ SBFI North America	Kate B. Reynolds Recreation Master Plan Project
Assets			
Cash and investments	\$ 1,338	\$ -	\$ 22
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	-
Total assets	\$ 1,338	\$ -	\$ 22
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 589	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	589	-	-
Deferred inflows of resources:			
Taxes receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
911 Funds	-	-	-
Cultural and recreational	749	-	22
Public safety	-	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	-
Economic and physical development	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances	749	-	22
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,338	\$ -	\$ 22

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2015

	Capital Project Funds			
	McDowell House Restoration Project	Kate B. Reynolds Paramedic Project	Single Family Rehabilitation Housing 2014 Project	Scattered Site Housing Project
Assets				
Cash and investments	\$ -	\$ 40,653	\$ -	\$ -
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	55,462	-	-	-
Total assets	\$ 55,462	\$ 40,653	\$ -	\$ -
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 19,417	\$ 60	\$ -	\$ -
Due to other funds	36,045	-	-	-
Total liabilities	55,462	60	-	-
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by State Statute	55,462	-	-	-
911 Funds	-	-	-	-
Cultural and recreational	-	-	-	-
Public safety	-	40,593	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	-	-	-
Economic and physical development	-	-	-	-
Unassigned (deficit)	(55,462)	-	-	-
Total fund balances	-	40,593	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 55,462	\$ 40,653	\$ -	\$ -

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2015

	Capital Project Funds				
	Single Family Rehabilitation Project	Greenway Extension Project	NC Housing Urgent Repair Project	Totals	
				June 30, 2015	
Assets					
Cash and investments	\$ -	\$ -	\$ -	\$ -	444,908
Taxes receivable - net	-	-	-	-	62,057
Accounts receivable - other governments	-	-	-	-	99,771
Total assets	\$ -	\$ -	\$ -	\$ -	606,736
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	90,877
Due to other funds	-	-	-	-	36,045
Total liabilities	-	-	-	-	126,922
Deferred inflows of resources:					
Taxes receivable	-	-	-	-	62,057
Total deferred inflows of resources	-	-	-	-	62,057
Fund balances:					
Restricted:					
Stabilization by State Statute	-	-	-	-	99,771
911 Funds	-	-	-	-	340,451
Cultural and recreational	-	-	-	-	2,408
Public safety	-	-	-	-	40,593
Assigned:					
Debt service	-	-	-	-	9
General government	-	-	-	-	7,780
Economic and physical development	-	-	-	-	2,442
Unassigned (deficit)	-	-	-	-	(75,697)
Total fund balances	-	-	-	-	417,757
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ -	\$ -	\$ -	606,736

McDowell County, North Carolina

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2015

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
Revenues:			
Ad valorem taxes	\$ 2,471,547	\$ -	\$ -
Restricted intergovernmental revenue	-	233,690	50,068
Investment earnings	-	39	-
Miscellaneous revenue	-	-	-
Total revenues	2,471,547	233,729	50,068
Expenditures:			
Public safety	2,471,547	241,695	-
Human services	-	-	-
Cultural and recreational	-	-	-
Debt service	-	-	1,299,947
Capital outlay	-	-	-
Total expenditures	2,471,547	241,695	1,299,947
Revenues over (under) expenditures	-	(7,966)	(1,249,879)
Other financing sources (uses):			
Operating transfer in from General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	1,249,879
Total other financing sources	-	-	1,249,879
Increase (decrease) in fund balances	-	(7,966)	-
Fund balances – beginning of year	-	369,960	9
Fund balances – end of year	\$ -	\$ 361,994	\$ 9

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2015

	Capital Project Funds			
	Trail Project	Appalachian Regional Council Universal Project	Lake James EPA Project	Kate B. Reynolds Gym Floor Project
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	96,648	2,532	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	54,823	-	-
Total revenues	-	151,471	2,532	-
Expenditures:				
Public safety	-	-	-	-
Human services	-	-	-	-
Cultural and recreational	216	-	-	-
Debt service	-	-	95,423	-
Capital outlay	-	151,471	6,703	753
Total expenditures	216	151,471	102,126	753
Revenues over (under) expenditures	(216)	-	(99,594)	(753)
Other financing sources (uses):				
Operating transfer in from General Fund	-	-	89,918	-
Operating transfer in from Capital Project Fund	-	-	-	-
Total other financing sources (uses)	-	-	89,918	-
Increase (decrease) in fund balances	(216)	-	(9,676)	(753)
Fund balances – beginning of year	2,658	-	19,987	2,390
Fund balances – end of year	\$ 2,442	\$ -	\$ 10,311	\$ 1,637

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2015

	Capital Project Funds		
	Kate B. Reynolds Recreation Project	Project Summit/ SBFI North Project	Kate B. Reynolds Recreation Master Plan Project
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	-
Investment earnings	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	-	-	-
Expenditures:			
Public safety	-	-	-
Human services	-	-	-
Cultural and recreation	-	-	19,293
Debt service	-	-	-
Capital outlay	46,934	-	-
Total expenditures	46,934	-	19,293
Revenues over (under) expenditures	(46,934)	-	(19,293)
Other financing sources (uses):			
Operating transfer in from General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	-
Total other financing sources (uses)	-	-	-
Increase (decrease) in fund balances	(46,934)	-	(19,293)
Fund balances – beginning of year	47,683	-	19,315
Fund balances – end of year	\$ 749	\$ -	\$ 22

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2015

	Capital Project Funds			
	McDowell House Restoration Project	Kate B. Reynolds Paramedic Project	Single Family Rehabilitation Housing 2014 Project	Scattered Site Housing Project
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	54,307	-	-	229,212
Investment earnings	-	-	-	-
Miscellaneous revenue	-	63,925	-	-
Total revenues	54,307	63,925	-	229,212
Expenditures:				
Public safety	-	73,941	-	-
Human services	-	-	-	229,212
Cultural and recreational	-	-	-	-
Debt service	-	-	-	-
Capital outlay	54,307	-	-	-
Total expenditures	54,307	73,941	-	229,212
Revenues over (under) expenditures	-	(10,016)	-	-
Other financing sources (uses):				
Operating transfer in from General Fund	-	-	-	-
Operating transfer in from Capital Project Fund	-	-	-	-
Total other financing sources	-	-	-	-
Increase (decrease) in fund balances	-	(10,016)	-	-
Fund balances – beginning of year	-	50,609	-	-
Fund balances – end of year	\$ -	\$ 40,593	\$ -	\$ -

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2015

	Capital Project Funds				
	Single Family Rehabilitation Project	Greenway Extension Project	NC Housing Urgent Repair Project	Totals	
				June 30, 2015	
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 2,471,547	
Restricted intergovernmental revenue	-	-	(2,533)	663,924	
Investment earnings	-	-	-	39	
Miscellaneous revenue	-	-	-	118,748	
Total revenues	-	-	(2,533)	3,254,258	
Expenditures:					
Public safety	-	-	-	2,787,183	
Human services	-	-	34,967	264,179	
Cultural and recreational	-	-	-	19,509	
Debt service	-	-	-	1,395,370	
Capital outlay	-	567	-	260,735	
Total expenditures	-	567	34,967	4,726,976	
Revenues over (under) expenditures	-	(567)	(37,500)	(1,472,718)	
Other financing sources (uses):					
Operating transfer in from General Fund	-	-	-	89,918	
Operating transfer in from Capital Project Fund	-	-	-	1,249,879	
Total other financing sources	-	-	-	1,339,797	
Increase (decrease) in fund balance	-	(567)	(37,500)	(132,921)	
Fund balances – beginning of year	-	567	37,500	550,678	
Fund balances – end of year	\$ -	\$ -	\$ -	\$ 417,757	

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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Fire districts:			
Marion Area	\$ 315,000	\$ 308,579	\$ (6,421)
Ashford/North Cove	115,000	110,110	(4,890)
Dysartsville	170,000	168,552	(1,448)
Glenwood	180,000	166,822	(13,178)
Nebo	325,000	323,353	(1,647)
Pleasant Gardens	170,000	161,410	(8,590)
Sugar Hill	110,000	101,986	(8,014)
Woodlawn/Sevier	100,000	73,351	(26,649)
Crooked Creek	118,000	113,600	(4,400)
Old Fort Area	125,000	112,101	(12,899)
Hankins/North Fork	60,000	48,394	(11,606)
Long Town	27,500	26,827	(673)
County	340,000	335,084	(4,916)
Parkway/Woodlawn	35,000	32,104	(2,896)
Old Fort - Inside	45,000	40,101	(4,899)
Rescue district:			
McDowell County Rescue	360,000	349,173	(10,827)
Total revenues	2,595,500	2,471,547	(123,953)
Expenditures:			
Public safety:			
Fire district allocations:			
Marion Area	315,000	308,614	6,386
Ashford/North Cove	115,000	110,111	4,889
Dysartsville	170,000	168,220	1,780
Glenwood	180,000	166,835	13,165
Nebo	325,000	323,381	1,619
Pleasant Gardens	170,000	161,419	8,581
Sugar Hill	110,000	101,986	8,014
Woodlawn/Sevier	100,000	73,352	26,648
Crooked Creek	118,000	113,609	4,391
Old Fort Area	125,000	112,111	12,889
Hankins/North Fork	60,000	48,402	11,598
Long Town	27,500	26,827	673
County	340,000	334,895	5,105
Parkway/Woodlawn	35,000	32,510	2,490
Old Fort - Inside	45,000	40,102	4,898
Rescue district allocation:			
McDowell County Rescue	360,000	349,173	10,827
Total expenditures	2,595,500	2,471,547	123,953
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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 233,690	\$ 233,690	\$ -
Investment earnings	-	39	39
Total revenues	233,690	233,729	39
Expenditures:			
Public safety:			
Furniture	8,180	1,871	6,309
Telephone equipment	130,570	96,604	33,966
Interpretive services	1,200	1,134	66
Travel/training	18,000	16,722	1,278
Telephone	41,000	36,714	4,286
911 addressing	3,500	3,150	350
Capital outlay	171	-	171
Selective routing and ALL provisioning	17,313	13,918	3,395
Database provisioning for 911	1	-	1
Voice logging recorder	200	125	75
Radio dispatch console	5,900	4,663	1,237
Software messaging switch	11,000	7,131	3,869
Hardware printers	1,200	777	423
GIS equipment	3,100	3,281	(181)
Software CAD	31,130	27,314	3,816
Software dispatch protocol	23,700	22,752	948
Hardware computer workstation	4,500	3,470	1,030
Hardware UPS	4,900	2,069	2,831
Hardware generator	225	-	225
Total expenditures	305,790	241,695	64,095
Revenues over (under) expenditures	(72,100)	(7,966)	64,134
Other financing sources:			
Appropriated fund balance	72,100	-	(72,100)
Total other financing sources	72,100	-	(72,100)
Revenues and other financing sources under expenditures	\$ -	(7,966)	\$ (7,966)
Fund balance - beginning of year		369,960	
Fund balance - end of year		\$ 361,994	

Note: Budget not adopted at this level by the Board of Commissioners. The above budget presentation has been requested by the State 911 board.

McDowell County, North Carolina

Debt Service Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenue	\$ 50,068	\$ 50,068	\$ -
Total revenues	50,068	50,068	-
Expenditures:			
Debt service	1,299,947	1,299,947	-
Total expenditures	1,299,947	1,299,947	-
Revenues under expenditures	(1,249,879)	(1,249,879)	-
Other financing sources:			
Transfer from School Capital Projects Fund	1,249,879	1,249,879	-
Total other financing sources	1,249,879	1,249,879	-
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, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Lottery funds	\$ 3,151,132	\$ 2,865,900	\$ (17,077)	\$ 2,848,823
Local option sales tax	7,502,069	7,523,900	2,247,486	9,771,386
Investment earnings	2,000	3,022	305	3,327
Miscellaneous	-	55,223	227,609	282,832
Total revenues	10,655,201	10,448,045	2,458,323	12,906,368
Expenditures:				
Capital outlay:				
East Jr High renovations	540,900	512,059	11,764	523,823
West Jr High renovations	2,325,000	2,041,249	212,990	2,254,239
Nebo roof	285,232	-	48,409	48,409
Old Fort roof	325,599	95,629	229,970	325,599
AEC roof	110,581	-	110,581	110,581
High School addition	11,961,536	8,852,259	2,823,869	11,676,128
Improvement	544,699	272	-	272
Total expenditures	16,093,547	11,501,468	3,437,583	14,939,051
Revenues over (under) expenditures	(5,438,346)	(1,053,423)	(979,260)	(2,032,683)
Other financing sources (uses):				
Installment purchase obligation	8,500,000	8,500,000	-	8,500,000
Transfer to Debt Service Fund	(3,061,654)	(1,811,775)	(1,249,879)	(3,061,654)
Total other financing sources (uses)	5,438,346	6,688,225	(1,249,879)	5,438,346
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 5,634,802	(2,229,139)	\$ 3,405,663
Fund balance - beginning of year			5,634,802	
Fund balance - end of year			\$ 3,405,663	

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, 2015

	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	39,191	216	39,407
Total expenditures	42,000	39,191	216	39,407
Revenues under expenditures	(40,000)	(37,342)	(216)	(37,558)
Other financing sources:				
Transfer from General Fund	40,000	40,000	-	40,000
Total other financing sources	40,000	40,000	-	40,000
Revenues over (under) expenditures and other financing sources	\$ -	\$ 2,658	(216)	\$ 2,442
Fund balance - beginning of year			2,658	
Fund balance - end of year			\$ 2,442	

McDowell County, North Carolina

Appalachian Regional Council Universal Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
Appalachian Regional Council	\$ 100,000	\$ -	\$ 96,648	\$ 96,648
Local revenue	54,823	-	54,823	54,823
Total revenues	154,823	-	151,471	151,471
Expenditures:				
Equipment	154,823	-	151,471	151,471
Total expenditures	154,823	-	151,471	151,471
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balance - beginning of year				-
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, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
EPA	\$ 485,000	\$ 85,389	\$ 2,532	\$ 87,921
Total revenues	485,000	85,389	2,532	87,921
Expenditures:				
Architectural	836,818	143,155	6,703	149,858
Property purchase	203,918	199,024	-	199,024
Administration	45,000	11,250	-	11,250
Debt service	-	-	95,423	95,423
Total expenditures	1,085,736	353,429	102,126	455,555
Revenues under expenditures	(600,736)	(268,040)	(99,594)	(367,634)
Other financing sources:				
Short-term debt issued	-	95,400	-	95,400
Transfer from General Fund	600,736	192,627	89,918	282,545
Total other financing sources	600,736	288,027	89,918	377,945
Revenues under expenditures and other financing sources	\$ -	\$ 19,987	(9,676)	\$ 10,311
Fund balance - beginning of year			19,987	
Fund balance - end of year			\$ 10,311	

McDowell County, North Carolina

Kate B. Reynolds Gym Floor Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Private grant	\$ 125,390	\$ 125,390	\$ -	\$ 125,390
Total revenues	125,390	125,390	-	125,390
Expenditures:				
Park improvements	125,390	123,000	753	123,753
Total expenditures	125,390	123,000	753	123,753
Revenues over (under) expenditures	\$ -	\$ 2,390	(753)	\$ 1,637
Fund balance - beginning of year			2,390	
Fund balance - end of year			\$ 1,637	

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, 2015

	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	102,317	46,934	149,251
Total expenditures	151,115	102,317	46,934	149,251
Revenues over (under) expenditures	(1,115)	47,683	(46,934)	749
Other financing sources:				
Transfer from General Fund	1,115	-	-	-
Total other financing sources	1,115	-	-	-
Revenues over (under) expenditures and other financing sources	\$ -	\$ 47,683	(46,934)	\$ 749
Fund balance - beginning of year			47,683	
Fund balance - end of year			\$ 749	

McDowell County, North Carolina

Project Summit/SBFI North America Project

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

From Inception and for the Year Ended June 30, 2015

	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
Revenues under expenditures and other financing sources	\$ -	\$ -	-	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Kate B. Reynolds Recreation Master Plan Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Private grant	\$ 27,500	\$ 27,500	\$ -	\$ 27,500
Total revenues	27,500	27,500	-	27,500
Expenditures:				
Master plan	27,500	8,185	19,293	27,478
Total expenditures	27,500	8,185	19,293	27,478
Revenues over expenditures	\$ -	\$ 19,315	(19,293)	\$ 22
Fund balance - beginning of year			19,315	
Fund balance - end of year			\$ 22	

McDowell County, North Carolina

McDowell House Restoration Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
National Park Service	\$ 50,000	\$ -	\$ 54,307	\$ 54,307
City of Marion	5,000	-	-	-
McDowell Chamber	5,000	-	-	-
Total revenues	60,000	-	54,307	54,307
Expenditures:				
Construction	57,500	-	49,265	49,265
Contract services	7,500	-	5,042	5,042
Total expenditures	65,000	-	54,307	54,307
Revenues over (under) expenditures	(5,000)	-	-	-
Other financing sources:				
Transfer from General Fund	5,000	-	-	-
Total other financing sources	5,000	-	-	-
Revenues over expenditures and other financing sources	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year			-	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Kate B. Reynolds Paramedic Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Private grant	\$ 326,161	\$ 194,501	\$ 63,925	\$ 258,426
Total revenues	326,161	194,501	63,925	258,426
Expenditures:				
Salary & fringe	159,183	48,856	50,809	99,665
Travel	10,500	5,335	1,360	6,695
Equipment	101,700	82,051	4,498	86,549
Training	7,222	1,197	4,096	5,293
Promotions	1,000	-	-	-
Rent/utilities/phone	3,300	1,100	1,035	2,135
Office supplies	500	-	211	211
Uniforms/safety equipment	1,600	501	622	1,123
Capacity building	20,578	1,814	7,890	9,704
Discretionary spending	20,578	3,038	3,420	6,458
Total expenditures	326,161	143,892	73,941	217,833
Revenues over (under) expenditures	\$ -	\$ 50,609	(10,016)	\$ 40,593
Fund balance - beginning of year			50,609	
Fund balance - end of year			\$ 40,593	

McDowell County, North Carolina

Single Family Rehabilitation Housing 2014 Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
NC Housing	\$ 170,000	\$ -	\$ -	\$ -
Total revenues	170,000	-	-	-
Expenditures:				
Project costs	170,000	-	-	-
Total expenditures	170,000	-	-	-
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
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, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
Community Development Block Grant	\$ 400,000	\$ 168,000	\$ 229,212	\$ 397,212
Total revenues	400,000	168,000	229,212	397,212
Expenditures:				
Planning	7,000	7,000	-	7,000
Housing activities	320,000	129,655	189,066	318,721
Emergency repairs	40,000	-	38,491	38,491
Administration	33,000	31,345	1,655	33,000
Total expenditures	400,000	168,000	229,212	397,212
Revenues over expenditures	\$ -	\$ -	-	\$ -
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, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
NC Housing	\$ 160,000	\$ 145,812	\$ -	\$ 145,812
Total revenues	160,000	145,812	-	145,812
Expenditures:				
Project cost	160,000	145,812	-	145,812
Total expenditures	160,000	145,812	-	145,812
Revenues over expenditures	\$ -	\$ -	-	\$ -
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, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Golden Leaf	\$ 2,140,000	\$ 1,726,741	\$ 234,259	\$ 1,961,000
Grant/fundraiser	325,000	-	100,000	100,000
Sales tax	52,579	45,819	6,760	52,579
Total revenues	2,517,579	1,772,560	341,019	2,113,579
Expenditures:				
Design/engineering	223,620	217,807	5,813	223,620
Sprinkler system	65,693	55,839	9,854	65,693
Electrical	693,350	569,022	70,329	639,351
Renovations	2,171,404	1,479,945	691,459	2,171,404
Vacated college space	125,000	-	-	-
Parking lot improvements	20,000	-	20,000	20,000
Exterior work	168,000	123,968	44,032	168,000
HVAC system	297,415	258,751	38,664	297,415
Plumbing	137,800	124,020	13,780	137,800
Contingency	123,268	97,126	26,141	123,267
Total expenditures	4,025,550	2,926,478	920,072	3,846,550
Revenues under expenditures	(1,507,971)	(1,153,918)	(579,053)	(1,732,971)
Other financing sources:				
Transfer from General Fund	701,695	550,000	151,695	701,695
Transfer from Universal Enterprise Fund	806,276	645,000	161,276	806,276
Total other financing sources	1,507,971	1,195,000	312,971	1,507,971
Revenues over (under) expenditures and other financing sources	\$ -	\$ 41,082	(266,082)	\$ (225,000)
Fund balance - beginning of year			41,082	
Fund balance - end of year			\$ (225,000)	

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, 2015

	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	207,143	-	207,143
Sales taxes	2,712	4,630	-	4,630
Total revenues	575,140	577,058	-	577,058
Expenditures:				
Trail construction	797,657	801,187	567	801,754
Total expenditures	797,657	801,187	567	801,754
Revenues under expenditures	(222,517)	(224,129)	(567)	(224,696)
Other financing sources:				
Transfer from General Fund	222,517	224,696	-	224,696
Total other financing sources	222,517	224,696	-	224,696
Revenues over (under) expenditures and other financing sources	\$ -	\$ 567	(567)	\$ -
Fund balance - beginning of year			567	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

NC Housing Urgent Repair Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
NC Housing	\$ 75,000	\$ 37,500	\$ (2,533)	\$ 34,967
Total revenues	75,000	37,500	(2,533)	34,967
Expenditures:				
Project costs	75,000	-	34,967	34,967
Total expenditures	75,000	-	34,967	34,967
Revenues over expenditures	\$ -	\$ 37,500	(37,500)	\$ -
Fund balance - beginning of year			37,500	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Jail and Courthouse Addition/Renovations Project

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

From Inception and for the Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Expenditures:				
Construction	\$ 2,795,502	\$ -	\$ 39,303	\$ 39,303
Engineering/Architect Fees	250,000	-	60,241	60,241
Legal	10,000	-	15,333	15,333
Contingency	149,300	-	-	-
Total expenditures	3,204,802	-	114,877	114,877
Revenues over expenditures	(3,204,802)	-	(114,877)	(114,877)
Other financing sources:				
Installment purchase obligation issued	2,704,802	-	2,704,802	2,704,802
Transfer from General Fund	500,000	-	-	-
Total other financing sources	3,204,802	-	2,704,802	2,704,802
Revenues over expenditures and other financing sources	\$ -	\$ -	2,589,925	\$ 2,589,925
Fund balance - beginning of year				-
Fund balance - end of year			\$ 2,589,925	

McDowell County, North Carolina

Enterprise Fund – Universal Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenue:			
Lease revenue	\$ 432,890	\$ 465,341	\$ 32,451
Total operating revenue	432,890	465,341	32,451
Nonoperating revenue:			
Investment earnings	50	15	(35)
Total nonoperating revenue	50	15	(35)
Total revenues	432,940	465,356	32,416
Expenditures:			
Operating:			
Utilities		28,494	
Contract services		70,973	
Capital outlay		14,839	
Maintenance and equipment		50,951	
Total operating expenditures	241,427	165,257	76,170
Debt service:			
Interest		108,073	
Debt principal		196,667	
Total debt service expenditures	304,740	304,740	-
Total expenditures	546,167	469,997	76,170
Revenues under expenditures	(113,227)	(4,641)	108,586
Other financing sources (uses):			
Transfer from General Fund	304,740	304,740	-
Transfer to General Fund	(30,237)	-	30,237
Transfer to Universal Career Pathways Skill Center Project	(161,276)	(161,276)	-
Total other financing sources (uses)	113,227	143,464	30,237
Revenues and other financing sources (uses) over expenditures	\$ -	\$ 138,823	\$ 138,823
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other financing sources (uses) over expenditures		\$	138,823
Capital expenditures			14,839
Depreciation			(218,366)
Debt service principal			196,667
Capital contributions			1,016,719
Change in net position - GAAP		\$	1,148,682

McDowell County, North Carolina

Enterprise Fund – Waste Disposal Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees	\$ 1,031,000	\$ 1,042,540	\$ 11,540
Recycling revenue	65,000	45,213	(19,787)
Solid waste disposal	-	28,604	28,604
Other operating revenue	27,000	28,392	1,392
Total operating revenues	1,123,000	1,144,749	21,749
Nonoperating revenue:			
Investment earnings	300	51	(249)
Total nonoperating revenue	300	51	(249)
Total revenues	1,123,300	1,144,800	21,500
Expenditures:			
Facility operations:			
Salaries and employee benefits		249,458	
Operating expenses		1,929,675	
Capital outlay		11,441	
Total expenditures	2,214,826	2,190,574	24,252
Revenues under expenditures	(1,091,526)	(1,045,774)	45,752
Other financing sources:			
Transfer from General Fund	1,091,526	1,091,526	-
Total other financing sources	1,091,526	1,091,526	-
Revenues and other financing sources over expenditures	\$ -	\$ 45,752	\$ 45,752
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other financing sources over expenditures		\$	45,752
Capital expenditures			9,886
Depreciation			(63,587)
Debt service principal			26,610
Decrease in accrued vacation pay			(2,255)
Increase in other postemployment benefits			(647)
Contributions to the pension plan in the current fiscal year			12,999
Pension expense			(1,619)
Change in net position - GAAP		\$	27,139

McDowell County, North Carolina

Enterprise Fund – Water Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$ 59,000	\$ 71,648	\$ 12,648
New customers	1,100	1,110	10
Tap fees	1,900	2,150	250
Miscellaneous	1,500	855	(645)
Total operating revenues	63,500	75,763	12,263
Nonoperating revenue:			
Investment earnings	-	7	7
Total nonoperating revenue	-	7	7
Total revenues	63,500	75,770	12,270
Expenditures:			
Operating:			
Water purchase		32,680	
Maintenance and equipment		25,591	
Total expenditures	63,500	58,271	5,229
Revenues over expenditures	\$ -	\$ 17,499	\$ 17,499
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$	17,499
Capital expenditures			5,002
Depreciation			(94,573)
Change in net position - GAAP		\$	(72,072)

McDowell County, North Carolina

Internal Service Fund – Self-Insurance Fund

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

Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Employee contributions	\$ 278,000	\$ 285,491	\$ 7,491
Employer contributions	2,396,223	2,394,771	(1,452)
Stop Loss	531,682	611,136	79,454
Cobra payments	45,000	37,486	(7,514)
Total revenues	3,250,905	3,328,884	77,979
Expenditures:			
Employee benefits:			
Claims	2,772,932	2,447,743	325,189
Life Insurance	18,229	18,229	-
Fees	459,744	459,744	-
Total expenditures	3,250,905	2,925,716	325,189
Revenues over expenditures	\$ -	403,168	\$ 403,168
Net position, beginning of year		(389,398)	
Net position, end of year		\$ 13,770	

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2015

	Balance June 30, 2014		Additions		Deductions		Balance June 30, 2015
<u>Social Services Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 44,213	\$	183,500	\$	197,064	\$	30,649
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 44,213	\$	183,500	\$	197,064	\$	30,649
<u>Fines and Forfeitures Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 12,618	\$	130,746	\$	143,364	\$	-
Accounts receivable - other governments	56,433		11,810		56,433		11,810
Total	\$ 69,051	\$	142,556	\$	199,797	\$	11,810
<u>Liabilities</u>							
Due to other governments	\$ 69,051	\$	142,556	\$	199,797	\$	11,810
<u>Motor Vehicle Tax Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 5,574	\$	231,056	\$	235,519	\$	1,111
Accounts receivable - other governments	23,788		17,936		23,788		17,936
Total	\$ 29,362	\$	248,992	\$	259,307	\$	19,047
<u>Liabilities</u>							
Due to other governments	\$ 29,362	\$	248,992	\$	259,307	\$	19,047
<u>Inmates Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 17,916	\$	300,800	\$	295,455	\$	23,261
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 17,916	\$	300,800	\$	295,455	\$	23,261
<u>Employee Sec 125 Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -	\$	29,767	\$	29,767	\$	-
Accounts receivable - other	5,346		532		5,346		532
Total	\$ 5,346	\$	30,299	\$	35,113	\$	532
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 5,346	\$	30,299	\$	35,113	\$	532

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – continued

Year Ended June 30, 2015

	Balance June 30, 2014		Additions		Deductions		Balance June 30, 2015
<u>Tax Penalty Schools Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 11,289		\$ 11,289		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 11,289		\$ 11,289		\$ -
<u>DMV Operations Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 3,785,795		\$ 3,785,795		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 3,785,795		\$ 3,785,795		\$ -
<u>Rescue Squad Billing Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 3,955		\$ 160,019		\$ 163,887		\$ 87
<u>Liabilities</u>							
Due to other governments	\$ 3,955		\$ 160,019		\$ 163,887		\$ 87
<u>Deed of Trust Fee Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 435		\$ 5,241		\$ 5,165		\$ 511
<u>Liabilities</u>							
Due to other governments	\$ 435		\$ 5,241		\$ 5,165		\$ 511
<u>Totals - All Agency Funds:</u>							
<u>Assets</u>							
Cash and investments	\$ 84,711		\$ 4,838,213		\$ 4,867,305		\$ 55,619
Accounts receivable - other governments	80,221		29,746		80,221		29,746
Accounts receivable - other	5,346		532		5,346		532
Total	\$ 170,278		\$ 4,868,491		\$ 4,952,872		\$ 85,897
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 67,475		\$ 514,599		\$ 527,632		\$ 54,442
Due to other governments	102,803		4,353,892		4,425,240		31,455
Total	\$ 170,278		\$ 4,868,491		\$ 4,952,872		\$ 85,897

McDowell County, North Carolina

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2015

Year of Levy	Uncollected Balance June 30, 2014	Additions	Collections and Adjustments	Uncollected Balance June 30, 2015
2014	\$ -	\$ 19,190,829	\$ 18,962,903	\$ 227,926
2013	451,753	-	264,070	187,683
2012	196,250	-	61,973	134,277
2011	140,163	-	34,600	105,563
2010	128,797	-	22,177	106,620
2009	110,703	-	15,506	95,197
2008	99,145	-	13,308	85,837
2007	86,734	-	13,343	73,391
2006	83,850	-	11,632	72,218
2005	84,229	-	9,904	74,325
2004	75,259	-	75,259	-
	\$ 1,456,883	\$ 19,190,829	\$ 19,484,675	1,163,037
Less allowance for uncollectible ad valorem taxes				(583,781)
Ad Valorem taxes receivable - net				\$ 579,256
Reconciliation with revenues:				
Taxes - Ad Valorem:				
General Fund				\$ 19,474,502
Releases				27,556
Discounts				88,236
Amounts written off for the 2004 levy per the statute of limitations				71,463
Other adjustments				(14,196)
				19,647,561
Less interest collected				(162,886)
Total collections and adjustments				\$ 19,484,675

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2015

	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	\$ 3,291,239,059	\$.55	\$ 18,101,814	\$ 16,317,295	\$ 1,784,519
Penalties	-		9,969	9,969	-
Total	3,291,239,059		18,111,783	16,327,264	1,784,519
Discoveries:					
Current year taxes	207,518,792	.55	1,141,353	1,141,353	-
Prior year taxes	9,395,108	.55	51,673	51,673	-
Penalties	-		112	112	-
Total	216,913,900		1,193,138	1,193,138	-
Abatements	(20,718,044)		(114,092)	(113,537)	(555)
Total property valuation	\$ 3,487,434,915				
Net levy			19,190,829	17,406,865	1,783,964
Uncollected taxes at June 30, 2015			(227,926)	(226,751)	(1,175)
Current year's taxes collected			\$ 18,962,903	\$ 17,180,114	\$ 1,782,789
Current levy collection percentage			98.81%	98.70%	99.93%

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2015

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio	¹		100%
Real Property		\$	2,607,988,423
Personal Property			680,578,339
Public Service Companies	²		198,868,153
<hr/>			
Total Assessed Valuation		\$	3,487,434,915
<hr/>			
Tax Rate per \$100		\$	0.55
Levy (includes discoveries and abatements)	³	\$	19,190,829

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:

Fire Protection and Rescue Districts	\$	2,267,940
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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, 2015

Taxpayer	Type of Business	2015 Assessed Valuation	Percentage of Total Assessed Valuation
Duke Energy	Utility	\$ 212,475,554	6.09%
Baxter Healthcare	IV Solution	155,229,374	4.45%
CSX Transportation	Railroad	75,546,688	2.17%
Baldor Electric Company	Manufacturing	30,346,400	0.87%
Rutherford EMC	Utility	30,037,265	0.86%
IAC/Collins & Aikman Group	Manufacturing	25,698,776	0.74%
Rock-Tenn Packaging	Manufacturing	25,062,142	0.72%
Norfolk Southern	Railroad	24,666,952	0.71%
Walmart	Retail	18,159,539	0.52%
Columbia Carolina	Manufacturing	17,894,104	0.51%
Total		\$ 615,116,794	17.64%

McDowell County, North Carolina

Compliance Section

Year Ended June 30, 2015



**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, 2015, 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 17, 2015. 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.

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 opinions 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency identified as 2015-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 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 2015-002.

McDowell County's Response to Findings

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

Purpose of this Report

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

Johnson Price Sprinkle PA

Marion, North Carolina
December 17, 2015



**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, 2015. McDowell County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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.

Basis for Qualified Opinion on Medical Assistance Program (Title XIX – Medicaid) and NC Health Choice

As described in the accompanying schedule of findings and questioned costs, McDowell County did not comply with the requirements regarding CFDA 93.778 Title XIX – Medicaid and CFDA 93.767 NC Health Choice as described in finding numbers 2015-003 and 2015-004 for Eligibility. Compliance with such requirements is necessary, in our opinion, for McDowell County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (Title XIX – Medicaid) and NC Health Choice

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Title XIX – Medicaid and NC Health Choice for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs for the year ended June 30, 2015.

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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2015-003 and 2015-004 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs at item 2015-005 to be a significant deficiency.

McDowell County's response to the internal control over compliance findings 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 17, 2015



**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, 2015. McDowell County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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.

Basis for Qualified Opinion on Medical Assistance Program (Title XIX – Medicaid, State Appropriations), NC Health Choice (State Appropriations) and State/County Special Assistance

As described in the accompanying schedule of findings and questioned costs, McDowell County did not comply with the requirements regarding Title XIX – Medicaid (State Appropriations), NC Health Choice (State Appropriations) and State/County Special Assistance as described in finding numbers 2015-003, 2015-004 and 2015-006 for Eligibility. Compliance with such requirements is necessary, in our opinion, for McDowell County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (Title XIX – Medicaid, State Appropriations), NC Health Choice (State Appropriations) and State/County Special Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Title XIX – Medicaid (State Appropriations), NC Health Choice (State Appropriations), and State/County Special Assistance for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major State Programs

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 other major State programs identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs for the year ended June 30, 2015.

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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs at item 2015-006 to be a significant deficiency.

McDowell County's response to the internal control over compliance findings 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 17, 2015

McDowell County, North Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section I. Summary of Auditors' 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 auditors' report issued on compliance for major federal programs: Qualified for Medical Assistance Program (Title XIX – Medicaid) and NC Health Choice

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	Medical Assistance Program (Title XIX – Medicaid)
93.767	NC Health Choice
93.575, 93.596, 93.558 93.668	Subsidized Child Care Cluster

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2015

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) or because the State award level met the threshold for a major State program (Subsidized Child Care Cluster).

Dollar threshold to distinguish
between Type A and Type B Programs \$ 1,692,744

Auditee qualified as low-risk auditee? _____ yes ___X___ no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___X___ yes _____ no

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

Type of auditors' report issued on compliance for major State programs: Qualified for Medical Assistance Program (Title XIX – Medicaid), NC Health Choice and State/County Special Assistance.

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

Identification of major State programs:

Program Name

- Medical Assistance Program (Title XIX – Medicaid) – State Appropriations
- NC Health Choice – State Appropriations
- Subsidized Child Care Cluster – State Appropriations
- State/County Special Assistance

Section II. Financial Statement Findings

Material Weakness

Finding: 2015-001: Communication 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. Additionally, the availability and timely communication of both internal and external data is necessary for the financial reporting system to function properly.

Condition: The finance office and other departments with financial transactions are unable to consistently apply the monitoring and/or approval function. Also, certain transactions initiated from external sources are not timely communicated to fiscal personnel.

Effect: Errors in transaction processing and financial reporting occurred. For the year ended June 30, 2015, journal entry testing resulted in 7 (out of 40) instances in which the required approval signature was missing. In capital assets, material construction in progress was not properly transferred to building improvements upon completion of the building renovations, and two property transfers and one equipment transfer were not captured and recorded timely.

Cause: The level of full-time equivalent employees in the finance and other departments is not adequate, especially during periods of absenteeism and turnover. As a result, daily activity is focused on the processing of routine transactions, leaving inadequate time for monitoring and follow up.

Recommendation: Management should consider the addition of personnel to facilitate the appropriate segregation of duties, including the implementation of journal entry review and fixed asset monitoring functions as part of the monthly closing process. Regular review of action taken by the Board of Commissioners should be documented. To facilitate this process, we recommend the addition of an action summary documenting the status of approved actions, with follow up documented in the minutes of subsequent meetings.

Management's Response: The County agrees with the finding. The finance officer intends to increase training for all department heads responsible for oversight functions and address the specific areas of journal entry approval and capital asset activity. The recommended action summary for meetings of the Board of Commissioners will be implemented.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2015

Material Noncompliance

Finding: 2015-002: 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 \$95,423 more for debt service in the Lake James EPA Project than appropriated in the related budget ordinance.

Effect: Expenditures material to the relevant fund were spent in excess of budget appropriation.

Cause: An additional expenditure was incurred for property purchased in the Lake James EPA Project due to recording required for the debt payment portion of the project.

Recommendation: Budget amendments should be adopted prior to expending amounts that will exceed estimated expenditures in the budget ordinance.

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

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2015

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: Medical Assistance Program (Title XIX – Medicaid)

CFDA # 93.778

Program Name: NC Health Choice

CFDA # 93.767

Finding: 2015-003: Budget Calculation for Eligibility Determination

Material weakness

Material noncompliance

Eligibility

Criteria: Case files should contain income verification/budget that has been computed correctly based on the Eligibility Review Document.

Condition: Three Medicaid case files contained errors related to the calculation of income verification/budget. Two NC Health Choice case files contained errors related to the calculation of income verification/budget.

Questioned Cost: Unknown. The case files contained errors in the computation of income budget and documentation of budget, but with no impact on eligibility determination or benefits paid to the recipient.

Context: Of the 11,500 Medicaid case files based on non-MAGI (Modified Adjusted Gross Income) determination criteria, 60 files were selected for testing. Three case files were determined to have errors related to income verification/budget. Of the 601 NC Health Choice case files, 60 files were selected for testing. Two case files were determined to have errors related to income verification/budget.

Effect: Case files did not contain correct computation of income verification/budget.

Cause: Review procedures and adequate training opportunities were not in place to respond to the changes that have occurred in the Medicaid program, including the implementation of an electronic file management system and the NC FAST (Families Accessing Services through Technology) system.

Recommendation: Procedures should be in place whereby all income verification/budget calculations are reviewed. We recommend increased training for processes related to the implementation of NC FAST and the transition to electronic maintenance of client files.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2015

Section III. Federal Award Findings and Questioned Costs – continued

Views of responsible officials and planned corrective action: The County agrees with the finding and plans to implement additional training on the budgeting process. The County has put in place a training position during the year ended June 30, 2015. Effective January 1, 2016, this position will not only be responsible for training new staff, but will routinely work with established employees to make sure they are up to date on policy.

U.S. Department of Health and Human Services

Passed through the North Carolina Department of Health and Human Services

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

CFDA # 93.778

Program Name: NC Health Choice

CFDA # 93.767

Finding: 2015-004: File Documentation

Material weakness

Material noncompliance

Eligibility

Criteria: Case files should contain adequate documentation of verified information based on the Eligibility Review Document.

Condition: Three Medicaid case files contained errors related to inadequate documentation in the file. Two NC Health Choice case files contained errors related to inadequate documentation in the file.

Questioned Cost: Unknown. The case files contained inadequate documentation whereby verification of certain information was not properly supported.

Context: Of the 11,500 Medicaid case files based on non-MAGI (Modified Adjusted Gross Income) determination criteria, 60 files were selected for testing. Three case files were determined to have errors related to file documentation. Of the 601 NC Health Choice case files, 60 files were selected for testing. Two case files were determined to have errors related to file documentation.

Effect: Case files did not contain proper verification of certain required information.

Cause: Review procedures were not in place and adequate training opportunities were not pursued to respond to the changes that have occurred in the Medicaid program, including the implementation of an electronic file management system and the NC FAST system.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2015

Section III. Federal Award Findings and Questioned Costs – continued

Recommendation: Procedures should be in place whereby all income verification/budget calculations are reviewed. We recommend increased training for processes related to the implementation of NC FAST and the transition to electronic maintenance of client files.

Views of responsible officials and planned corrective action: The County agrees with the finding. We will increase the training on gathering and documenting all information concerning cases. This training will include the storing of information in NC FAST, as well as training in our cash management system. This training will begin on January 1, 2016.

U.S. Department of Health and Human Services

Passed through the North Carolina Department of Health and Human Services

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

CFDA # 93.778

Program Name: NC Health Choice

CFDA # 93.767

Program Name: Subsidized Child Care Cluster

CFDA # 93.575, 93.596, 93.558, 93.668

Finding: 2015-005: File Documentation

Significant Deficiency

Crosscutting Special Tests and Provisions

Criteria: Adequate case documentation should be maintained to substantiate claim entries into EPICS (Enterprise Program Integrity Control System).

Condition: Four case files were closed out as unsubstantiated when documentation in the case record indicated substantiated.

Questioned Cost: \$8,199.

Context: Of the 138 EPICS claim entries, 14 entries were selected for testing.

Effect: Documentation in the case record indicated that the case had been substantiated and clients were receiving unqualified benefits.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2015

Section III. Federal Award Findings and Questioned Costs – continued

Cause: All four cases were closed after the 180 day limit by the previous program integrity investigator at DSS.

Recommendation: Procedures should be in place whereby all entries into EPICS are adequately investigated and appropriately resolved in a timely manner.

Views of responsible officials and planned corrective action: The County agrees with the finding. We have hired a new Program Integrity Investigator who has vast experience in economic service programs. We have made these changes in the Program Integrity office to ensure that a more thorough knowledge of the policies and procedures will be provided to staff through training. The investigator will follow policy in substantiating cases and making sure the cases are resolved in the appropriate timeframe.

Section IV. State Award Findings and Questioned Costs

Program Name: Medical Assistance Program (Title XIX – Medicaid) – State Appropriations

Program Name: NC Health Choice – State Appropriations

Subsidized Child Care Cluster

State/County Special Assistance

See Findings 2015-003, 2015-004 and 2015-005.

North Carolina Department of Health and Human Services

Program Name: State/County Special Assistance

Finding: 2015-006: File Documentation

Significant Deficiency

Material noncompliance

Eligibility

Criteria: Case files should contain adequate documentation that benefits paid to individuals were calculated correctly and in compliance with program requirements.

Condition: Sixteen case files did not contain 8108 notice (letter of benefit eligibility and amounts) that is required to be sent to the applicant/recipient in a timely manner. One case file did not contain adequate documentation that corresponded to data in the NC FAST system.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2015

Section IV. State Award Findings and Questioned Costs - continued

Questioned Cost: Unknown. The case files contained inadequate documentation whereby verification of eligibility and/or benefit amounts was not properly supported and one case file contained underpayment of benefits. Underpayment of benefits amounted to \$64 for the one file. The error was corrected prospectively but the recipient was not reimbursed for the underpaid amount.

Context: Of the 255 case, 25 files were selected for testing. Seventeen case files were determined to have errors related to file documentation.

Effect: Case files did not contain proper documentation of eligibility and/or benefit amounts.

Cause: Review procedures and adequate training opportunities were not in place to respond to the changes that have occurred in the State/County Special Assistance program, including the implementation of an electronic file management system and the NC FAST system.

Recommendation: Procedures should be in place whereby all case files are reviewed for proper benefit and eligibility amounts. We recommend increased training for processes related to the implementation of NC FAST and the transition to electronic maintenance of client files.

Views of responsible officials and planned corrective action: The County agrees with the finding. With the implementation of the Special Assistance program into the new NC FAST system, there were considerable issues. The workers were under the assumption that the 8108 notice of eligibility was being mailed automatically to the client and facility by Central print. When the County discovered that this was not happening, we completed training to update workers on the correct process to ensure that the client and/or facility were receiving the notices. The underpayment of benefits was determined to have happened with the rollover from the EIS system into the NC FAST system. These underpayments have since been corrected.

McDowell County, North Carolina

Corrective Action Plan

Year Ended June 30, 2015

Section II: Financial Statement Findings

Finding 2015-001: Communication 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 2015-002: 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 2015-003: Medical Assistance Program (Title XIX – Medicaid) and NC Health Choice – Budget Calculation for Eligibility Determination

Name of contact person: Lisa Sprouse, Social Services Director

Corrective Action: We plan to implement additional training on the budgeting process. The County has put in place a training position during the year ended June 30, 2015. Effective January 1, 2016, this position will not only be responsible for training new staff, but will routinely work with established employees to make sure they are up to date on policy.

Proposed Completion Date: January 1, 2016.

Section III. Federal Award Findings and Questioned Costs – continued

Finding 2015-004: Medical Assistance Program (Title XIX – Medicaid) and NC Health Choice – File Documentation

Name of contact person: Lisa Sprouse, Social Services Director

Corrective Action: We will increase the training on gathering and documenting all information concerning cases. This training will include the storing of information in NC FAST, as well as training in our cash management system. This training will begin on January 1, 2016.

Proposed Completion Date: January 1, 2016.

Finding 2015-005: Medical Assistance Program (Title XIX – Medicaid), NC Health Choice, Subsidized Child Care Cluster, and State/County Special Assistance – Crosscutting Special Tests and Provisions

Name of contact person: Lisa Sprouse, Social Services Director

Corrective Action: We have hired a new Program Integrity Investigator who has vast experience in economic service programs. We have made these changes in the Program Integrity office to ensure that a more thorough knowledge of the policies and procedures will be provided to staff through training. The investigator will follow policy in substantiating cases and making sure the cases are resolved in the appropriate timeframe.

Proposed Completion Date: Immediately.

McDowell County, North Carolina

Corrective Action Plan – continued

Year Ended June 30, 2015

Section IV. State Award Findings and Questioned Costs

See Findings 2015-003, 2015-004 and 2015-005.

Finding 2015-006: State/County Special Assistance – Eligibility

Name of contact person: Lisa Sprouse, Social Services Director

Corrective Action: The County completed training to update workers on the correct process to ensure that the client and/or facility were receiving the 8108 notices. All underpayment of benefits due to rollover from the EIS system into the NC FAST system have been corrected.

Proposed Completion Date: Immediately.

McDowell County, North Carolina

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2015

Finding: 2013-1 and 2014-001: Control Environment and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2015 as 2015-001.

Finding: 2013-2 and 2014-002: Excess of Expenditures over Appropriations.

Status: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Finding is repeated in 2015 as 2015-002.

Finding: 2013-3 and 2014-003: Title XIX – Medicaid – Budget Calculation for Eligibility Determination.

Status: Finding is repeated in 2015 as 2015-003.

Finding: 2013-3 and 2014-004: Title XIX – Medicaid – File Documentation.

Status: Finding is repeated in 2015 as 2015-004.

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2015

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	\$ 388,928	\$ -
Total U.S. Department of Agriculture		388,928	-
U.S. Department of Housing and Urban Development:			
Passed through North Carolina Department of Commerce:			
Community Development Block Grants:			
Scattered Housing 11-C-2364	14.228	229,212	-
Total U.S. Department of Housing and Urban Development		229,212	-
U.S. Department of Justice:			
Direct federal:			
Office of Justice Programs:			
State Criminal Alien Assistance Program	16.606	1,331	-
Equitable Sharing	16.922	8,414	-
Total U.S. Department of Justice		9,745	-
Appalachian Regional Commission:			
Direct federal:			
Universal Skills Center Equipment Purchase and Relocation			
	23.001	96,648	-
Total Appalachian Regional Commission		96,648	-
U.S. Department of Interior:			
Direct federal:			
National Parks Service:			
Conservation – Joseph McDowell House	15.954	54,307	-
Total U.S. Department of Interior		54,307	-
U.S. Department of Homeland Security:			
Direct federal:			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	97.024	966	-
Total U.S. Department of Homeland Security		966	-
U.S. Environmental Protection Agency:			
Direct federal:			
Congressional Mandated Projects	66.202	2,532	-
Total U.S. Environmental Protection Agency		2,532	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2015

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number		Federal (Direct & Pass-through) Expenditures	State Expenditures
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	\$	* 48,201,599	\$ 26,276,009
Division of Social Services:				
Medicaid Administration	93.778		* 1,219,749	101,716
Adult Care Home Case Management	93.778		* 24,205	9,636
			49,445,553	26,387,361
Division of Medical Assistance (NC Health Choice):				
Direct Benefit Payments:				
NC Health Choice	93.767		* 870,341	274,749
Division of Social Services:				
NC Health Choice - Administration	93.767		* 12,953	2,131
			883,294	276,880
			50,328,847	26,664,241
<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		-	11,678
Part C – Nutrition Services	93.045		234,085	-
Part D – In-Home Services	93.044		98,122	-
			332,207	11,678
NSIP Supplement	93.053		53,154	-
			385,361	11,678
<u>Subsidized Child Care Cluster:</u>				
Passed through North Carolina Department of Health and Human Services:				
Administration for Children and Families:				
Child Care Development Fund Cluster:				
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		538,356	-
Child Care and Development Fund – TANF	93.575		143,308	-
Child Care and Development Fund – Mandatory	93.596		225,338	-
Child Care and Development Fund – Matching	93.596		154,050	45,332
Child Care Development Fund Cluster			1,141,052	45,332

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2015

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 - continued:</u>			
Passed through North Carolina Department of Health and Human Services - continued:			
<i>Administration for Children and Families - continued:</i>			
<i>Child Care Development Fund Cluster - continued:</i>			
Division of Child Development - continued:			
IV-E Foster Care	93.658	\$ 12,226	\$ 6,332
Temporary Assistance for Needy Families	93.558	176,444	-
Smart Start	N/A	-	35,000
Smart Start Quality TANF MOE	N/A	-	170,895
State Funding	N/A	-	135,050
Smart Start TANF Maintenance of Effort	N/A	-	7,579
Subsidized Child Care Cluster		* 1,329,722	400,188
Division of Social Services:			
<i>Foster Care and Adoption Cluster:</i>			
Title IV-E – Foster Care:			
Administrative	93.658	354,545	51,368
Benefit Payments	93.658	201,644	57,882
Adoption Training	93.659	6,277	-
Adoption	93.659	565	-
Adoption Assistance – Direct Benefit Payments	93.659	402,628	107,603
		965,659	216,853
Passed through North Carolina Department of Health and Human Services:			
Work First/Temporary Assistance for Needy Families (TANF):			
Direct Benefit Payments	93.558	266,983	-
AFDC Payments and Penalties	93.558	(150)	(41)
Work First Benefits	93.558	540,828	-
Administration	93.558	198,556	159
Administration – Adoption Foster Care (TANF Share)	93.558	64,399	-
		1,070,616	118
LINKS	93.674	62,407	4,605
Social Services Block Grant	93.667	647,917	16,806
Refugee Assistance Program	93.566	96	-
Family Preservation	93.556	19,478	-
Child Welfare Services:			
Permanency Planning	93.645	6,286	-
Child Support Enforcement	93.563	285,840	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2015

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	\$ 535,828	\$ -
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:			
Passed through Smoky Mountain Local Management Entity			
Community Paramedicine Behavioral Health Crisis	93.959	2,203	-
Community Paramedicine Behavioral Health Crisis	93.958	2,202	-
		4,405	-
Total U.S. Department of Health and Human Services		55,642,462	27,314,489
Total Federal awards		56,424,800	27,314,489
State Awards:			
North Carolina Department of Health and Human Services:			
Division of Social Services:			
Soil Conservation		-	23,485
Child Protective Services:			
Foster Care		-	97,740
Child Welfare Services:			
Direct Benefit Payments:			
Adoption Subsidy		-	214,186
Child Protective Services		-	155,664
Division of Aging:			
Direct Benefit Payments:			
State/County Special Assistance to Adults		*	436,901
Office of Rural Health and Community Care:			
Medication Assistance Program Grant		-	14,813
Total North Carolina Department of Health and Human Services		-	942,789
North Carolina Department of Transportation:			
Elderly and Handicapped Transportation Assistance Program (EDTAP)			
		-	61,873
Work First Transportation		-	14,573
Total North Carolina Department of Transportation		-	76,446
North Carolina Department of Crime Control and Public Safety:			
Division of Emergency Management:			
Emergency Management Preparedness Grant		-	38,220
Hazardous Materials Emergency Response		-	1,104
Division of Youth Services:			
Juvenile Crime Prevention Council		-	126,168
Total North Carolina Department of Crime Control and Public Safety		-	165,492
North Carolina Department of Cultural Resources:			
State Aid to Libraries:			
Administration and Library Development		-	102,023

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2015

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:			
One NC Fund – Baldor		\$ -	\$ 30,750
North Carolina Housing Finance Agency:			
Urgent Repair Grant		-	34,967
North Carolina Department of Agriculture:			
WNC Communities:			
Soil and Water Environmental Impact Grant		-	5,320
North Carolina Department of Insurance:			
SHIIP Grant		-	4,933
Total State awards		-	1,362,720
Total Federal and State awards		\$ 56,424,800	\$ 28,677,209

* 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.

Note 2:

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*.

Note 3:

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
Baldor/North Carolina Department of Commerce	N/A	\$ -	\$ 30,750
Child Care Development Fund Cluster	Various	1,329,722	400,188
		\$ 1,329,722	\$ 430,938