

**McDowell County,  
North Carolina**

Year Ended June 30, 2014

Independent Auditors' Report  
Financial Statements  
and  
Supplementary Information

# McDowell County, North Carolina

## County Officials

June 30, 2014

### Board of Commissioners

V. Randy Hollifield	Chairperson
Joe Kaylor	Vice Chairperson
Michael Lavender	Member
Barry McPeters	Member
David Walker	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 then ended June 30, 2014, 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. 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

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

### Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditor. In our opinion, based on our audit, the procedures performed as described above, and the report of the other 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 January 5, 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

January 5, 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, 2014. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### ***Financial Highlights***

- The assets of McDowell County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,772,997 (net position).
- The government's total net position decreased by \$4,597,351 primarily due to the decreased net position in the School Capital Projects Fund.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of \$19,204,076, a decrease of \$7,671,945 over the prior year. Of this total amount, 59.19% or \$11,368,446, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,586,427 or 20.18% of total General Fund expenditures for the fiscal year. Fund balance available for appropriation represents 22.84% 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 decreased by \$1,542,315 during the current fiscal year, due to debt retirement in excess of new debt borrowings.
- McDowell County maintained its A bond rating for the 21<sup>th</sup> 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 total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

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

### **Fund Financial Statements**

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

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

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

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. McDowell County has 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 28 of this report.

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

### Government-wide Financial Analysis

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

**McDowell County’s Net Position  
June 30, 2014 and 2013  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 23,287,785	\$ 31,598,564	\$ 253,197	\$ 617,808	\$ 23,540,982	\$ 32,216,372
Capital assets	20,187,897	19,839,364	10,821,219	8,222,423	31,009,116	28,061,787
	43,475,682	51,437,928	11,074,416	8,840,231	54,550,098	60,278,159
Long-term liabilities outstanding	14,951,420	15,999,757	2,810,695	3,047,712	17,762,115	19,047,469
Other liabilities	2,837,303	2,681,332	159,519	129,155	2,996,822	2,810,487
	17,788,723	18,681,089	2,970,214	3,176,867	20,758,937	21,857,956
Total deferred inflows of resources	18,164	49,855	-	-	18,164	49,855
Net position:						
Net investment in capital assets	16,881,152	16,603,436	8,126,130	5,290,437	25,007,282	21,893,873
Restricted	11,284,550	17,840,400	-	-	11,284,550	17,840,400
Unrestricted (deficit)	(2,496,907)	(1,736,852)	(21,928)	372,927	(2,518,835)	(1,363,925)
	\$ 25,668,795	\$ 32,706,984	\$ 8,104,202	\$ 5,663,364	\$ 33,772,997	\$ 38,370,348

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of McDowell County exceeded liabilities and deferred inflows of resources by \$33,772,997 as of June 30, 2014. The County's net position decreased by \$4,597,351 for the fiscal year ended June 30, 2014. One of the largest portions, 74.05% or \$25,007,282, 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, \$11,284,550 or 33.41%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(2,518,835) (7.46%) is unrestricted (deficit).

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

- Obligations under installment purchases decreased by \$1,542,315 consisting of debt service payments of \$2,124,031 net of new borrowings totaling \$581,716.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.07% excluding motor vehicles, and 94.24% for motor vehicles, slightly below the statewide average of 98.21%, excluding motor vehicles, and above the statewide average of 86.33% for motor vehicles. In fiscal year 2013, the tax collection percentage for the County was 98.38%, excluding motor vehicles and 80.37% for motor vehicles.

Following is a comparative summary of changes in net position.

**McDowell County's Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,624,389	\$ 5,108,712	\$ 1,580,689	\$ 1,437,610	\$ 6,205,078	\$ 6,546,322
Operating grants and contributions	8,166,613	7,743,139	-	-	8,166,613	7,743,139
Capital grants and contributions	1,931,759	4,741,946	-	-	1,931,759	4,741,946
General revenues:						
Property taxes	21,573,086	20,582,140	-	-	21,573,086	20,582,140
Other taxes	8,502,232	7,893,987	-	-	8,502,232	7,893,987
Grants and contributions not restricted to specific programs	385,751	184,648	-	-	385,751	184,648
Other	369,958	277,524	91	466	370,049	277,990
<b>Total revenues</b>	<b>45,553,788</b>	<b>46,532,096</b>	<b>1,580,780</b>	<b>1,438,076</b>	<b>47,134,568</b>	<b>47,970,172</b>

**McDowell County's Changes in Net Position – continued**  
**Years Ended June 30, 2014 and 2013**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Expenses:</b>						
General government	\$ 4,696,004	\$ 4,431,567	\$ -	\$ -	\$ 4,696,004	\$ 4,431,567
Public safety	12,042,060	11,307,903	-	-	12,042,060	11,307,903
Environmental protection	623,546	589,357	-	-	623,546	589,357
Economic and physical development	1,069,694	1,227,043	-	-	1,069,694	1,227,043
Human services	11,691,349	11,308,038	-	-	11,691,349	11,308,038
Cultural and recreational	1,169,990	1,014,131	-	-	1,169,990	1,014,131
Education	17,429,549	12,291,114	-	-	17,429,549	12,291,114
Interest on long-term debt	403,201	287,683	-	-	403,201	287,683
Universal	-	-	340,445	297,465	340,445	297,465
Waste disposal	-	-	2,126,156	2,014,256	2,126,156	2,014,256
Water	-	-	139,925	172,690	139,925	172,690
<b>Total expenses</b>	<b>49,125,393</b>	<b>42,456,836</b>	<b>2,606,526</b>	<b>2,484,411</b>	<b>51,731,919</b>	<b>44,941,247</b>
Increase (decrease) in net position before transfers	(3,571,605)	4,075,260	(1,025,746)	(1,046,335)	(4,597,351)	3,028,925
Transfers	(3,466,584)	(1,711,630)	3,466,584	1,711,630	-	-
Increase (decrease) in net position	(7,038,189)	2,363,630	2,440,838	665,295	(4,597,351)	3,028,925
Net position, beginning of year	32,706,984	30,343,354	5,663,364	4,998,069	38,370,348	35,341,423
Net position, end of year	\$ 25,668,795	\$ 32,706,984	\$ 8,104,202	\$ 5,663,364	\$ 33,772,997	\$ 38,370,348

**Governmental activities.** Governmental activities decreased the County's net position by \$7,038,189. Key elements of this increase are as follows:

- Capital assets of \$2,700,578 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 \$2,440,838. Key elements of this increase are as follows:

- Capital assets of \$2,700,578 were transferred from governmental activities.
- Income was received from leasing of space in the Universal building.
- Subsidy of \$1,015,501 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 \$8,952,373, while total fund balance reached \$12,977,514. 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 22.84% of General Fund expenditures, while total fund balance represents 34.51% of that same amount.

At June 30, 2014, the governmental funds of McDowell County reported a combined fund balance of \$19,204,076, a 28.55% decrease over last year. The primary reason for the decrease is the decrease in fund balance of the School Capital Projects Fund.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$2,157,982 including increases in property tax, grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$506,869.

Actual revenues in the General Fund, when compared to the final budget, had a positive variance of \$585,403.

**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 \$165,159 with a current year decrease of \$31,704. The Water Fund had a balance of \$4,283,864, due to a current year decrease of \$70,983. The Universal Fund had a balance of \$3,655,179, due to a current year increase of \$2,543,525.

### Capital Asset and Debt Administration

**Capital assets.** McDowell County's capital assets for its governmental and business-type activities as of June 30, 2014, total \$31,009,116 (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:

- Recreation facility improvements.
- Purchase of vehicles for public safety.
- Purchase of trash truck.
- Renovation to the Universal building.
- Purchase of Lake James property.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,702,724	\$ 4,503,700	\$ 752,250	\$ 752,250	\$ 5,454,974	\$ 5,255,950
Land improvements	896,734	913,800	89,376	107,270	986,110	1,021,070
Buildings	9,962,226	10,306,989	1,977,086	2,018,491	11,939,312	12,325,480
Building improvements	1,819,472	1,725,882	524,508	511,677	2,343,980	2,237,559
Equipment	1,418,225	1,460,768	316,023	272,178	1,734,248	1,732,946
Infrastructure	-	-	4,236,958	4,330,360	4,236,958	4,330,360
Vehicles	1,080,053	822,938	20,641	26,398	1,100,694	849,336
Construction in progress	308,463	105,287	2,904,377	203,799	3,212,840	309,086
	\$ 20,187,897	\$ 19,839,364	\$ 10,821,219	\$ 8,222,423	\$ 31,009,116	\$ 28,061,787

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	
	2014	2013	2014	2013	2014	2013
Installment purchases payable	\$ 13,022,319	\$ 14,327,738	\$ 2,695,089	\$ 2,931,985	\$ 15,717,408	\$ 17,259,723

McDowell County's total debt decreased by \$1,542,315 during the past fiscal year, due to \$2,124,031 in principal payments, net of new borrowings on installment purchase obligations of \$581,716.

Installment purchases payable include contracts related to the construction of the McDowell County Schools in the amount of \$9,233,333. These installment purchase contracts will be retired with the portion of Article 40 and Article 42 sales tax that is legally restricted for capital improvements to school facilities in McDowell County. Also 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 \$324,177. 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 \$337,500 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 \$279,163,309 at June 30, 2014. 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 status of McDowell County has improved. The unemployment rate for the County has declined from a high of 16.3% in 2007 to a current rate of 6.3%. This rate is one-tenth of a point above the state average and is one of the lower rates in this region. In addition, employers are hiring significant numbers of employees. Informal discussions with industry and various employers suggest that over 300 jobs could be filled if qualified applicants were available. This bodes well for our local economy but creates several challenges.

The primary challenge for the County (as well as the nation) is workforce development and worker training. A highly skilled workforce enables industry to expand and to reach new levels of capacity. The local population must be encouraged to graduate from high school and seek and accomplish higher levels of training. The County responded to this issue by constructing the Universal Advanced Manufacturing Skill Center. This 50,000 square foot facility enabled the Community College to more than double the available space for worker training programs. The County and the College are now aggressively seeking to equip the Center with the latest technology. The County is also seeking to recruit a four year engineering program and to cause greater coordination of programming between the College and the Public School System.

McDowell County continues to extend water lines both in coordination with municipal government as well as the County operated system in the Nebo community. Grants have been secured that will extend water service to the Nebo interstate exit that will create a minimum of fifteen new jobs. McDowell County also continues to work on the water intake on Lake James which will provide water treatment 50 years into the future.

Another important matter for the community is the extension of natural gas along Highway 226 South and to Baxter Healthcare on Highway 221 North.

Finally, McDowell County is cooperating with various groups to implement a workforce development program, to expand broadband coverage in the County, and to implement a workforce development wellness initiative.

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

The budget for the 2014-2015 fiscal year was approved by the Board of Commissioners in the amount of \$38,465,894. The budget increased a total of \$1,196,974 or 3.21%. The increase to the budget was accomplished while maintaining the County tax rate of .0055 cents. Several factors enabled this to occur including increases in EMS revenue, significant additional funding for motor vehicle tax collections, and sales tax revenue. The property tax and motor vehicle revenue collections increased \$953,078 or 5.28%.

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

The budget will enable a significant number of goals to be accomplished and services maintained or enhanced. Changes to the budget included the following highlights:

- The tax rate was maintained.
- A 2.5% increase was provided to the Public School System for an increase of \$191,237.
- Progress continues to be made by the continuation of the purchase of laptops for public school students.
- The conversion to a county middle school concept and the related additions to the High School and Middle Schools were completed in July 2014.
- The completion of the Universal Advanced Manufacturing Skill Center occurred in October of 2014, increasing the square footage of the Community College by 50,000 square feet.
- The expansion also provides additional acreage for the college and frees up 22,000 square feet of space on the main campus.
- The continuation of trail construction is provided for within this budget with Phase 2 and 3 of the Catawba River Trail.
- Substantial expansion of the jail and improvements to the courthouse are underway.
- County employees received a 2.5% raise.
- Funds to continue with the extension of water lines were budgeted and will enable progress to continue in this area.
- Recreation programs were enhanced with the addition of a gym supervisor.
- As always, multiple purchases of equipment are provided for with new ambulances, sheriff cars, a waste collection truck and other items.
- The budget enhances fire department funding and workmen's compensation funding.
- Several projects including funding for the Carson House Pavilion, phasing in emergency services personnel and improved funding for the Health Department are included.

## **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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	McDowell County Tourism Development Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 15,104,365	\$ 105,107	\$ 15,209,472	\$ 272,708
Taxes receivable - net	1,177,393	-	1,177,393	-
Due from other governments	4,433,700	-	4,433,700	43,040
Other receivables - net	1,270,917	108,197	1,379,114	-
Inventories	83,896	-	83,896	-
Restricted cash	1,217,514	39,893	1,257,407	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	5,011,187	3,656,627	8,667,814	-
Other capital assets, net of depreciation	15,176,710	7,164,592	22,341,302	3,748
<b>Total capital assets</b>	<b>20,187,897</b>	<b>10,821,219</b>	<b>31,009,116</b>	<b>3,748</b>
<b>Total assets</b>	<b>43,475,682</b>	<b>11,074,416</b>	<b>54,550,098</b>	<b>319,496</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	2,778,698	159,519	2,938,217	6,020
Unearned revenue	58,605	-	58,605	-
Long-term liabilities:				
Due within one year	1,988,521	223,277	2,211,798	-
Due in more than one year	12,962,899	2,587,418	15,550,317	8,036
<b>Total long-term liabilities</b>	<b>14,951,420</b>	<b>2,810,695</b>	<b>17,762,115</b>	<b>8,036</b>
<b>Total liabilities</b>	<b>17,788,723</b>	<b>2,970,214</b>	<b>20,758,937</b>	<b>14,056</b>
<b>Deferred inflows of resources</b>	<b>18,164</b>	<b>-</b>	<b>18,164</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	16,881,152	8,126,130	25,007,282	3,748
Restricted for:				
Stabilization of State Statute	5,293,580	-	5,293,580	43,040
Register of Deeds	60,994	-	60,994	-
Education	5,068,229	-	5,068,229	-
Human services	248,498	-	248,498	-
Cultural and recreational	69,388	-	69,388	-
Economic and physical development	25,999	-	25,999	-
Public safety	477,155	-	477,155	-
General government	40,707	-	40,707	-
Unrestricted (deficit)	(2,496,907)	(21,928)	(2,518,835)	258,652
<b>Total net position</b>	<b>\$ 25,668,795</b>	<b>\$ 8,104,202</b>	<b>\$ 33,772,997</b>	<b>\$ 305,440</b>

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

**McDowell County, North Carolina**

Statement of Activities

Year Ended June 30, 2014

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	
<b>Governmental activities:</b>									
General government	\$ 4,696,004	\$ 473,317	\$ 5,000	\$ 24,628	\$ (4,193,059)	\$ -	\$ (4,193,059)		
Public safety	12,042,060	3,622,398	647,700	34,000	(7,737,962)	-	(7,737,962)		
Environmental protection	623,546	-	36,739	-	(586,807)	-	(586,807)		
Economic and physical development	1,069,694	32,721	163,290	1,712,131	838,448	-	838,448		
Human services	11,691,349	424,090	7,163,141	161,000	(3,943,118)	-	(3,943,118)		
Cultural and recreational	1,169,990	71,863	150,743	-	(947,384)	-	(947,384)		
Education	17,429,549	-	-	-	(17,429,549)	-	(17,429,549)		
Interest on long-term debt	403,201	-	-	-	(403,201)	-	(403,201)		
Total governmental activities	49,125,393	4,624,389	8,166,613	1,931,759	(34,402,632)	-	(34,402,632)		
<b>Business-type activities:</b>									
Universal	340,445	432,861	-	-	-	92,416	92,416		
Waste disposal	2,126,156	1,078,891	-	-	-	(1,047,265)	(1,047,265)		
Water	139,925	68,937	-	-	-	(70,988)	(70,988)		
Total business-type activities	2,606,526	1,580,689	-	-	-	(1,025,837)	(1,025,837)		
Total government	\$ 51,731,919	\$ 6,205,078	\$ 8,166,613	\$ 1,931,759	\$ (34,402,632)	\$ (1,025,837)	\$ (35,428,469)		
<b>Component Unit:</b>									
Tourism development	\$ 314,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (314,654)	

**McDowell County, North Carolina**

Statement of Activities – continued

Year Ended June 30, 2014

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit	
								McDowell County Tourism Development Authority	
Total government	\$ 51,731,919	\$ 6,205,078	\$ 8,166,613	\$ 1,931,759	\$ (34,402,632)	\$ (1,025,837)	\$ (35,428,469)		
<b>Component Unit:</b>									
Tourism development	\$ 314,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(314,654)
<b>General revenues:</b>									
Taxes:									
Property taxes, levied for general purpose					21,573,086	-	21,573,086		-
Local option sales taxes					7,576,083	-	7,576,083		-
Other taxes and licenses					926,149	-	926,149	354,160	-
Grants and contributions not restricted to specific programs					385,751	-	385,751		-
Investment earnings, unrestricted					15,510	91	15,601		28
Miscellaneous, unrestricted					354,448	-	354,448		-
<b>Transfer</b>					(3,466,584)	3,466,584	-		-
Total general revenues and transfers					27,364,443	3,466,675	30,831,118	354,188	
Changes in net position					(7,038,189)	2,440,838	(4,597,351)		39,534
<b>Net position, beginning of year</b>					32,706,984	5,663,364	38,370,348		265,906
<b>Net position, end of year</b>					\$ 25,668,795	\$ 8,104,202	\$ 33,772,997		\$ 305,440

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

# McDowell County, North Carolina

## Balance Sheets

### Governmental Funds

June 30, 2014

	Major			Nonmajor		
	General	School	Universal Career	Other	Total	
	Fund	Capital	Pathways Skill	Governmental	Governmental	
		Projects Fund	Center Project	Funds	Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 9,528,005	\$ 4,895,118	\$ -	\$ 555,248	\$ 14,978,371	
Restricted cash	87,000	1,130,514	-	-	1,217,514	
Taxes receivable - net	921,574	-	-	93,719	1,015,293	
Accounts receivable – other governments	3,081,365	566,573	695,046	90,716	4,433,700	
Accounts receivable EMS – net	993,768	-	-	-	993,768	
Accounts receivable – other	229,313	-	-	-	229,313	
Inventories	83,896	-	-	-	83,896	
Due from other funds	499,856	-	-	-	499,856	
<b>Total assets</b>	<b>\$ 15,424,777</b>	<b>\$ 6,592,205</b>	<b>\$ 695,046</b>	<b>\$ 739,683</b>	<b>\$ 23,451,711</b>	
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 644,468	\$ 957,403	\$ 194,699	\$ 54,695	\$ 1,851,265	
Due to other funds	-	-	459,265	40,591	499,856	
<b>Total liabilities</b>	<b>644,468</b>	<b>957,403</b>	<b>653,964</b>	<b>95,286</b>	<b>2,351,121</b>	
<b>Deferred inflows of resources</b>	<b>1,802,795</b>	<b>-</b>	<b>-</b>	<b>93,719</b>	<b>1,896,514</b>	
<b>Fund balances</b>						
Nonspendable:						
Inventories	83,896	-	-	-	83,896	
Restricted:						
Stabilization by State Statute	3,941,245	566,573	695,046	90,716	5,293,580	
Register of Deeds	60,994	-	-	-	60,994	
911 Funds	-	-	-	348,839	348,839	
School capital	-	5,068,229	-	-	5,068,229	
General government	40,707	-	-	-	40,707	
Public safety	77,707	-	-	50,609	128,316	
Human services	210,998	-	-	37,500	248,498	
Cultural and recreational	-	-	-	69,388	69,388	
Economic and physical development	25,999	-	-	-	25,999	
Committed:						
Tax revaluation	17,794	-	-	-	17,794	
Assigned:						
Subsequent year's expenditures	499,000	-	-	-	499,000	
Debt service	-	-	-	9	9	
General government	-	-	-	18,618	18,618	
Cultural and recreational	-	-	-	567	567	
Public safety	432,747	-	-	-	432,747	
Economic and physical development	-	-	-	2,658	2,658	
Unassigned	7,586,427	-	(653,964)	(68,226)	6,864,237	
<b>Total fund balances</b>	<b>12,977,514</b>	<b>5,634,802</b>	<b>41,082</b>	<b>550,678</b>	<b>19,204,076</b>	
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 15,424,777</b>	<b>\$ 6,592,205</b>	<b>\$ 695,046</b>	<b>\$ 739,683</b>		

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

**McDowell County, North Carolina**

Balance Sheets – continued

Governmental Funds – continued

June 30, 2014

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

Governmental fund balances	\$ 19,204,076
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,187,897
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	162,100
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.	(389,398)
Deferred inflows of resources for taxes and other receivables.	1,878,350
Unearned income under long-term lease, not recorded in fund statements.	(58,605)
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.	(15,315,625)
<b>Net position of governmental activities</b>	<b>\$ 25,668,795</b>

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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, 2014

	Major			Nonmajor	
	General	School	Universal Career	Other	Total
	Fund	Capital	Pathways Skill	Governmental	Governmental
		Projects Fund	Center Project	Funds	Funds
<b>Revenues:</b>					
Ad valorem taxes	\$ 19,623,915	\$ -	\$ -	\$ 2,110,997	\$ 21,734,912
Local option sales taxes	5,505,677	2,070,406	-	-	7,576,083
Other taxes and licenses	926,149	-	-	-	926,149
Unrestricted intergovernmental	385,751	-	-	-	385,751
Restricted intergovernmental	7,381,569	-	-	528,091	7,909,660
Permits and fees	204,561	-	-	-	204,561
Sales and services	5,062,386	-	-	-	5,062,386
Investment earnings	14,788	684	-	38	15,510
Miscellaneous	350,275	30,010	1,632,560	350,102	2,362,947
<b>Total revenues</b>	<b>39,455,071</b>	<b>2,101,100</b>	<b>1,632,560</b>	<b>2,989,228</b>	<b>46,177,959</b>
<b>Expenditures:</b>					
Current:					
General government	4,051,111	-	-	-	4,051,111
Public safety	9,599,420	-	-	2,512,921	12,112,341
Environmental protection	860,678	-	-	-	860,678
Economic and physical development	988,304	-	-	-	988,304
Human services	11,144,451	-	-	161,000	11,305,451
Cultural and recreational	1,010,344	-	-	27,422	1,037,766
Miscellaneous	430,498	-	-	-	430,498
Intergovernmental:					
Education	8,768,077	-	-	-	8,768,077
Capital outlay	-	8,824,817	2,726,189	477,299	12,028,305
Debt service	747,616	-	-	1,335,467	2,083,083
<b>Total expenditures</b>	<b>37,600,499</b>	<b>8,824,817</b>	<b>2,726,189</b>	<b>4,514,109</b>	<b>53,665,614</b>
Revenues over (under) expenditures	1,854,572	(6,723,717)	(1,093,629)	(1,524,881)	(7,487,655)
<b>Other financing sources (uses):</b>					
Transfers to other funds	(2,074,806)	(1,283,964)	-	-	(3,358,770)
Transfers from other funds	-	-	1,134,711	1,458,053	2,592,764
Installment purchase obligations issued	486,316	-	-	-	486,316
Short-term debt issued	-	-	-	95,400	95,400
<b>Total other financing sources (uses)</b>	<b>(1,588,490)</b>	<b>(1,283,964)</b>	<b>1,134,711</b>	<b>1,553,453</b>	<b>(184,290)</b>
<b>Net change in fund balances</b>	<b>266,082</b>	<b>(8,007,681)</b>	<b>41,082</b>	<b>28,572</b>	<b>(7,671,945)</b>
<b>Fund balances – beginning of year</b>	<b>12,711,432</b>	<b>13,642,483</b>	<b>-</b>	<b>522,106</b>	<b>26,876,021</b>
<b>Fund balances – end of year</b>	<b>\$ 12,977,514</b>	<b>\$ 5,634,802</b>	<b>\$ 41,082</b>	<b>\$ 550,678</b>	<b>\$ 19,204,076</b>

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, 2014

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

Net change in fund balances – total governmental funds	\$ (7,671,945)
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 capital outlays of the governmental funds exceeded depreciation reported in the statement of activities.	369,053
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.	(20,520)
Revenues in the fund financial statements that were previously recognized as revenues in the government-wide financial statements.	(528,650)
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.	1,305,419
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.	(187,715)
Net loss of internal service fund, determined to be a governmental-type activity.	(303,831)
<hr/>	
Total changes in net position of governmental activities	\$ (7,038,189)
<hr/>	

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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 18,707,500	\$ 19,033,480	\$ 19,623,915	\$ 590,435
Local option sales taxes	5,319,312	5,358,312	5,505,677	147,365
Other taxes and licenses	826,420	952,092	926,149	(25,943)
Unrestricted intergovernmental	135,000	153,880	385,751	231,871
Restricted intergovernmental	7,857,918	8,529,363	7,381,569	(1,147,794)
Permits and fees	237,417	187,045	204,561	17,516
Sales and services	3,482,316	4,355,547	5,062,386	706,839
Investment earnings	32,000	32,000	14,785	(17,215)
Miscellaneous	113,800	267,946	350,275	82,329
<b>Total revenues</b>	<b>36,711,683</b>	<b>38,869,665</b>	<b>39,455,068</b>	<b>585,403</b>
<b>Expenditures:</b>				
Current:				
General government	4,094,424	4,222,147	4,023,461	198,686
Public safety	8,298,018	9,882,287	9,599,420	282,867
Environmental protection	753,401	905,126	860,678	44,448
Economic and physical development	845,021	1,060,005	988,304	71,701
Human services	11,131,722	11,761,530	11,144,451	617,079
Cultural and recreational	1,005,471	1,081,139	1,010,344	70,795
Miscellaneous	111,903	493,146	430,498	62,648
Intergovernmental:				
Education	8,839,882	8,839,882	8,768,077	71,805
Debt service	1,103,577	756,361	747,616	8,745
<b>Total expenditures</b>	<b>36,183,419</b>	<b>39,001,623</b>	<b>37,572,849</b>	<b>1,428,774</b>
<b>Revenues over (under) expenditures</b>	<b>528,264</b>	<b>(131,958)</b>	<b>1,882,219</b>	<b>2,014,177</b>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(1,085,501)	(2,099,807)	(2,099,806)	1
Transfers from other funds	30,237	30,237	-	(30,237)
Installment purchase obligations issued	-	506,869	486,316	(20,553)
Fund balance appropriated	527,000	1,694,659	-	(1,694,659)
<b>Total other financing sources (uses)</b>	<b>(528,264)</b>	<b>131,958</b>	<b>(1,613,490)</b>	<b>(1,745,448)</b>
Net change in fund balance	\$ -	\$ -	268,729	\$ 268,729
<b>Fund balance - beginning of year</b>			12,690,991	
<b>Fund balance - end of year</b>			12,959,720	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			3	
Transfer in from General Fund			25,000	
Expenditures			(27,650)	
Fund Balance, beginning			20,441	
Fund Balance, ending (Page 19)			\$ 12,977,514	

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

**McDowell County, North Carolina**

Statements of Net Position

Proprietary Funds

June 30, 2014

	Major		Non-Major		
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
<b>Assets</b>					
<b>Current assets:</b>					
Cash	\$ 6,725	\$ 46,529	\$ 51,853	\$ 105,107	\$ 125,994
Receivables - net	-	451	107,746	108,197	47,836
Total current assets	6,725	46,980	159,599	213,304	173,830
<b>Noncurrent assets:</b>					
Restricted cash	24,117	15,776	-	39,893	-
Capital assets:					
Land and construction in progress	3,653,117	3,510	-	3,656,627	-
Other capital assets, net of depreciation	2,585,142	4,236,958	342,492	7,164,592	-
Total capital assets	6,238,259	4,240,468	342,492	10,821,219	-
Total noncurrent assets	6,262,376	4,256,244	342,492	10,861,112	-
Total assets	6,269,101	4,303,224	502,091	11,074,416	173,830
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	33,139	3,586	82,903	119,628	563,228
Customer deposits	24,117	15,774	-	39,891	-
Current installments of long-term debt	196,667	-	26,610	223,277	-
Total current liabilities	253,923	19,360	109,513	382,796	563,228
<b>Noncurrent liabilities:</b>					
Accrued landfill closure and postclosure care costs	-	-	30,000	30,000	-
Compensated absences payable	-	-	6,927	6,927	-
Other postemployment benefits	-	-	78,679	78,679	-
Long-term debt	2,359,999	-	111,813	2,471,812	-
Total noncurrent liabilities	2,359,999	-	227,419	2,587,418	-
Total liabilities	2,613,922	19,360	336,932	2,970,214	563,228
<b>Net position</b>					
Net investment in capital assets	3,681,593	4,240,468	204,069	8,126,130	-
Unrestricted (deficit)	(26,414)	43,396	(38,910)	(21,928)	(389,398)
Total net position	\$ 3,655,179	\$ 4,283,864	\$ 165,159	\$ 8,104,202	\$ (389,398)

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, 2014

	Major		Non-Major		Internal Service Fund
	Enterprise Funds				
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
<b>Operating revenues:</b>					
Charges for services	\$ 432,861	\$ 67,107	\$ 1,054,333	\$ 1,554,301	\$ 2,635,916
Other operating revenues	-	1,830	24,558	26,388	-
<b>Total operating revenues</b>	<b>432,861</b>	<b>68,937</b>	<b>1,078,891</b>	<b>1,580,689</b>	<b>2,635,916</b>
<b>Operating expense:</b>					
Salaries and benefits	-	-	229,562	229,562	2,519,362
Operating expenses	113,985	46,523	1,829,343	1,989,851	420,385
Depreciation	109,911	93,402	63,812	267,125	-
<b>Total operating expenses</b>	<b>223,896</b>	<b>139,925</b>	<b>2,122,717</b>	<b>2,486,538</b>	<b>2,939,747</b>
<b>Operating income (loss)</b>	<b>208,965</b>	<b>(70,988)</b>	<b>(1,043,826)</b>	<b>(905,849)</b>	<b>(303,831)</b>
<b>Non-operating revenues (expenses):</b>					
Investment earnings	26	5	60	91	-
Interest expense	(116,549)	-	(3,439)	(119,988)	-
<b>Total non-operating revenues (expenses)</b>	<b>(116,523)</b>	<b>5</b>	<b>(3,379)</b>	<b>(119,897)</b>	<b>-</b>
<b>Income (loss) before contributions and transfers</b>	<b>92,442</b>	<b>(70,983)</b>	<b>(1,047,205)</b>	<b>(1,025,746)</b>	<b>(303,831)</b>
<b>Capital contributions</b>	<b>2,700,578</b>	<b>-</b>	<b>-</b>	<b>2,700,578</b>	<b>-</b>
<b>Transfers from General Fund</b>	<b>335,216</b>	<b>-</b>	<b>1,015,501</b>	<b>1,350,717</b>	<b>-</b>
<b>Transfer to Universal Career Pathways Skill Center Project</b>	<b>(584,711)</b>	<b>-</b>	<b>-</b>	<b>(584,711)</b>	<b>-</b>
<b>Change in net position</b>	<b>2,543,525</b>	<b>(70,983)</b>	<b>(31,704)</b>	<b>2,440,838</b>	<b>(303,831)</b>
<b>Net position - beginning of year</b>	<b>1,111,654</b>	<b>4,354,847</b>	<b>196,863</b>	<b>5,663,364</b>	<b>(85,567)</b>
<b>Net position - end of year</b>	<b>\$ 3,655,179</b>	<b>\$ 4,283,864</b>	<b>\$ 165,159</b>	<b>\$ 8,104,202</b>	<b>\$ (389,398)</b>

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, 2014

	Major		Non-Major			Internal Service Fund
	Enterprise Funds			Total		Self Insurance Fund
	Universal Fund	Water Fund	Waste Disposal Fund			
<b>Cash flows from operating activities:</b>						
Cash received from customers and users of services	\$ 432,861	\$ 68,683	\$ 1,070,653	\$ 1,572,197	\$ 2,588,079	
Cash paid for goods and services	(103,604)	(46,523)	(1,810,305)	(1,960,432)	(420,385)	
Cash paid to employees for services and for employee benefits	-	-	(229,683)	(229,683)	(2,141,545)	
Customer deposits received	-	946	-	946	-	
Net cash provided (used) by operating activities	329,257	23,106	(969,335)	(616,972)	26,149	
<b>Cash flows from non-capital financing activities:</b>						
Transfer from General Fund	335,216	-	1,015,501	1,350,717	-	
Transfer to Universal Career Pathways Skill Center Project	(584,711)	-	-	(584,711)	-	
Net cash provided (used) by non-capital financing activities	(249,495)	-	1,015,501	766,006	-	
<b>Cash flows from capital and related financing activities:</b>						
Capital loan repayment to Universal Career Pathways Skill Center Project	(60,290)	-	-	(60,289)	-	
Purchase of property and equipment	(151,304)	-	(14,039)	(165,344)	-	
Repayment of long-term debt	(196,667)	-	(40,229)	(236,896)	-	
Interest paid	(116,549)	-	(3,439)	(119,988)	-	
Net cash used by capital and related financing activities	(524,810)	-	(57,707)	(582,517)	-	
<b>Cash flows from investing activities:</b>						
Investment earnings	26	5	60	91	-	
Net cash provided by investing activities	26	5	60	91	-	
<b>Net increase (decrease) in cash</b>	<b>(445,022)</b>	<b>23,111</b>	<b>(11,481)</b>	<b>(433,392)</b>	<b>26,149</b>	
<b>Cash - beginning of year</b>	<b>475,864</b>	<b>39,194</b>	<b>63,334</b>	<b>578,392</b>	<b>99,845</b>	
<b>Cash - end of year</b>	<b>\$ 30,842</b>	<b>\$ 62,305</b>	<b>\$ 51,853</b>	<b>\$ 145,000</b>	<b>\$ 125,994</b>	
<b>Presented on the accompanying statements of net position as:</b>						
Cash	\$ 6,725	\$ 46,529	\$ 51,853	\$ 105,107	\$ 125,994	
Restricted cash	24,117	15,776	-	39,893	-	
	\$ 30,842	\$ 62,305	\$ 51,853	\$ 145,000	\$ 125,994	

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, 2014

	Major		Non-Major		Total	Internal Service Fund Self Insurance Fund
	Enterprise Funds					
	Universal Fund	Water Fund	Waste Disposal Fund			
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 208,965	\$ (70,988)	\$ (1,043,826)	\$ (905,849)	\$ (303,831)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	109,911	93,402	63,812	267,125	-	
Provision for uncollectible accounts	-	-	(25,074)	(25,074)	-	
Changes in:						
Accounts receivable	-	(254)	16,836	16,582	(47,837)	
Accounts payable	10,381	-	19,038	29,419	377,817	
Customer deposits	-	946	-	946	-	
Compensated absences payable	-	-	(525)	(525)	-	
Other postemployment benefits payable	-	-	404	404	-	
Net cash provided (used) by operating activities	\$ 329,257	\$ 23,106	\$ (969,335)	\$ (616,972)	\$ 26,149	
<b>Noncash financing activities:</b>						
Assets acquired through contributed capital	\$ 2,700,578	\$ -	\$ -	\$ 2,700,578	\$ -	

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

**McDowell County, North Carolina**

Statements of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Pension Trust Fund	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 44,207	\$ 84,711
Accounts receivable - other governments	-	80,221
Accounts receivable - other	-	5,346
Total assets	44,207	170,278
<b>Liabilities and net position</b>		
Liabilities:		
Miscellaneous liabilities	-	67,475
Intergovernmental payable	-	102,803
Total liabilities	-	170,278
Net position:		
Assets held in trust for pension benefits	\$ 44,207	\$ -

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, 2014

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**Additions**

Investment income:

Interest

\$ 5

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**Deductions**

Benefits

16,257

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Change in net position

(16,252)

**Net position - beginning of year**

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60,459

**Net position - end of year**

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\$ 44,207

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

# McDowell County, North Carolina

## Notes to Financial Statements

June 30, 2014

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### Note A – Summary of Significant Accounting Policies:

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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:**

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

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

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

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

The County reports the following major governmental funds:

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

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

*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.

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.

**Note A – Summary of Significant Accounting Policies – continued:**

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

The County reports the following fund types:

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

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

*Nonmajor Funds.* The County maintains various legally budgeted funds. The Fire and Rescue Districts Fund and the Emergency Telephone System Fund are reported as nonmajor special revenue funds. 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 and the Universal Career Pathways Skill Center Project. The Waste Disposal Fund is reported as a nonmajor enterprise fund.

**(3) Measurement Focus, Basis of Accounting**

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

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

**Note A – Summary of Significant Accounting Policies – continued:**

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**(3) Measurement Focus, Basis of Accounting – continued**

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise 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.

*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.

**Note A – Summary of Significant Accounting Policies – continued:**

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**(3) Measurement Focus, Basis of Accounting – continued**

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.

**(4) Budgetary Data**

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

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

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note A – Summary of Significant Accounting Policies – continued:**

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County 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.

Restricted Cash

The unexpended proceeds from installment purchase obligations issued for the purchase of a public safety vehicle and school improvements 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	\$	87,000
School Capital Projects Fund	Unexpended debt proceeds		760,542
School Capital Projects Fund	Unexpended Public School Building funds		369,972
Total governmental activities			1,217,514
Business-type activities:			
Universal Fund	Customer deposits		24,117
Water Fund	Customer deposits		15,776
Total business-type activities			39,893
Total restricted cash		\$	1,257,407

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**Note A – Summary of Significant Accounting Policies – continued:**

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

Ad Valorem Taxes Receivable

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

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.

**Note A – Summary of Significant Accounting Policies – continued:**

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

Capital Assets - continued

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 does not have any items that meet this criterion.

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

Long-Term Obligations

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

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

Compensated Absences

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

**Note A – Summary of Significant Accounting Policies – continued:**

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

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.

**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.

**Note A – Summary of Significant Accounting Policies – continued:**

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

Fund Balances - continued

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.

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 Cultural and Recreational – Portion of fund balance that has been budgeted by the board for the Greenway Extension 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, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note A – Summary of Significant Accounting Policies – continued:**

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

**Fund Balances - continued**

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.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$6,464,719 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 36,762,564
Less accumulated depreciation	(16,574,667)
Net capital assets	20,187,897
Unearned income under long-term lease is not reported in the funds.	(58,605)
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.	162,100
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.	(389,398)
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide.	1,878,350
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	(13,022,319)
Compensated absences	(716,445)
Other postemployment benefits	(757,301)
Unfunded pension benefit obligation	(455,355)
Accrued interest payable	(79,219)
Other long-term liabilities	(284,986)
Total adjustment	\$ 6,464,719

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note A – Summary of Significant Accounting Policies – continued:**

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$633,756 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 1,587,820
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.	(1,218,767)
Cost of disposed capital assets not recorded in fund statements.	(20,520)
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.	(581,716)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	1,887,135
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).	17,400
Difference in unfunded pension benefit obligation, accrued in the government-wide statements but not in the fund statements.	(47,644)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	(49,797)
Difference in other postemployment benefits, accrued in the government-wide statements but not in the fund statements.	(159,641)
Difference in amounts payable under various inter-local agreements.	51,967

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

**Note A – Summary of Significant Accounting Policies – continued:**

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

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

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.	(11,305)
Decrease in deferred inflows of resources.	(595,485)
Amortization of income under long-term lease, not recorded on fund statements.	78,140
Net loss of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	(303,831)
Total adjustment	\$ 633,756

**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, 2014, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
<b>General Fund:</b>			
Legal	\$ 21,112	\$ 21,385	\$ 273
Facility maintenance – capital expenditures	24,700	31,816	7,116
Jail – capital expenditures	120,689	159,051	38,362
EMS – operating expenditures	431,406	432,298	892
Rescue squad billing	156,000	165,862	9,862
Tourism Development Authority	336,750	343,523	6,773
Miscellaneous – City of Marion hold harmless	39,000	46,033	7,033
Debt service – Debt service	429,537	429,549	12
<b>Enterprise Fund:</b>			
Waste Disposal Fund:			
Operating	2,092,851	2,116,733	23,882
<b>Internal Service Fund:</b>			
Self-Insurance Fund:			
Employee benefits – claims	2,102,660	2,501,288	398,628

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note B – Stewardship, Compliance and Accountability - continued:**

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**Excess of Expenditures Over Appropriations - continued**

Fund/Department	Budget	Actual	Unfavorable Variance
Fire and Rescue Districts Fund:			
Fire district allocations:			
Marion Area	\$ 294,310	\$ 296,323	\$ 2,013
Ashford/North Cove	107,263	107,462	199
Dysartsville	115,063	115,219	156
Glenwood	164,647	165,764	1,117
Pleasant Gardens	162,080	163,589	1,509
Sugar Hill	102,169	103,322	1,153
Crooked Creek	110,163	110,673	510
Old Fort Area	118,907	119,424	517
Parkway/Woodlawn	35,324	36,101	777
Rescue district allocation:			
McDowell County Rescue	349,802	350,479	677
School Capital Projects Fund:			
Capital outlay:			
High school roof (phase 1)	498,911	499,183	272
Lake James EPA Project:			
Property purchase	114,000	199,024	85,024
Greenway Extension Project:			
Trail construction	797,657	801,187	3,530

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**

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The following individual fund has a deficit fund balance at June 30, 2014: Self Insurance Fund (\$389,398). The deficit fund balance is expected to be recovered through revenues in the June 30, 2015 fiscal year.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds:**

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**(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, 2014, the County's deposits had a carrying amount of \$9,611,252 and a bank balance of \$11,146,891. Of the bank balance, \$1,332,963 was covered by federal depository insurance, and \$7,661,358 in interest bearing deposits and \$619,017 in non-interest bearing deposits covered by collateral held under the Pooling Method.

At June 30, 2014, the County had \$760,542 of debt proceeds held in escrow with Deutsch Bank as custodian based on a lending agreement with Bank of America.

At June 30, 2014, the County had \$5,904 cash on hand.

At June 30, 2014, the Authority's portion of cash on deposit with the County had a carrying amount of \$272,657.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(1) Assets – continued**

Investments

At June 30, 2014, the County’s investment balances were as follows:

	Reported Value	Fair Value
North Carolina Capital Management Trust:		
Cash Portfolio, cash equivalent	\$ 6,218,099	\$ 6,218,099
Total Investments	\$ 6,218,099	\$ 6,218,099

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, 2014.

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, 2014

**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
2011	\$ 223,375	\$ 58,636	\$ 282,011
2012	250,384	43,191	293,575
2013	273,546	28,039	301,585
2014	295,065	-	295,065
<b>Total</b>	<b>\$ 1,042,370</b>	<b>\$ 129,866</b>	<b>\$ 1,172,236</b>

Receivables

Receivables at the government-wide level at June 30, 2014 were as follows:

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
<b>Governmental Activities:</b>					
General	\$ 1,931,299	\$ 3,081,365	\$ 4,815,210	\$ 277,149	\$ 10,105,023
Other Governmental	135,726	1,352,335	-	-	1,488,061
Total receivables	2,067,025	4,433,700	4,815,210	277,149	11,593,084
Allowance for doubtful accounts	(889,632)	-	(3,821,442)	-	(4,711,074)
Total - governmental activities	\$ 1,177,393	\$ 4,433,700	\$ 993,768	\$ 277,149	\$ 6,882,010
<b>Business-type Activities:</b>					
Waste disposal	\$ -	\$ -	\$ -	\$ 122,904	\$ 122,904
Water	-	-	-	451	451
Total receivables	-	-	-	123,355	123,355
Allowance for doubtful accounts	-	-	-	(15,158)	(15,158)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 108,197	\$ 108,197

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

Local option sales tax	\$ 2,014,041
State and federal assistance	1,073,954
Other	1,345,705
<b>Total</b>	<b>\$ 4,433,700</b>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

**Note C – Detail Notes on All Funds – continued:**

**(1) Assets – continued**

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balances 07/01/13	Increases	Decreases	Balances 06/30/14
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,503,700	\$ 199,024	\$ -	\$ 4,702,724
Construction in progress	105,287	203,176	-	308,463
<b>Total capital assets not being depreciated</b>	<b>4,608,987</b>	<b>402,200</b>	<b>-</b>	<b>5,011,187</b>
Capital assets being depreciated:				
Building improvements	2,504,789	217,884	7,064	2,715,609
Buildings	19,222,973	-	-	19,222,973
Equipment	4,300,901	252,981	432,842	4,121,040
Land improvements	1,461,453	69,886	-	1,531,339
Vehicles	4,281,545	644,869	765,998	4,160,416
<b>Total capital assets being depreciated</b>	<b>31,771,661</b>	<b>1,185,620</b>	<b>1,205,904</b>	<b>31,751,377</b>
Less accumulated depreciation for:				
Building improvements	778,907	122,705	5,475	896,137
Buildings	8,915,984	344,763	-	9,260,747
Equipment	2,840,133	281,197	418,515	2,702,815
Land improvements	547,653	86,952	-	634,605
Vehicles	3,458,607	383,150	761,394	3,080,363
<b>Total accumulated depreciation</b>	<b>16,541,284</b>	<b>\$ 1,218,767</b>	<b>\$ 1,185,384</b>	<b>16,574,667</b>
<b>Total capital assets being depreciated, net</b>	<b>15,230,377</b>			<b>15,176,710</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 19,839,364</b>			<b>\$ 20,187,897</b>

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

General government	\$ 194,941
Public safety	598,429
Economic and physical development	51,726
Environmental protection	41,365
Human services	193,459
Cultural and recreational	138,847
<b>Total depreciation expense</b>	<b>\$ 1,218,767</b>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

**Note C – Detail Notes on All Funds – continued:**

**(1) Assets – continued**

**Capital Assets – continued**

	Balances 07/01/13	Increases	Decreases	Balances 06/30/14
<b>Business-type activities:</b>				
Universal:				
Capital assets not being depreciated:				
Land	\$ 752,250	\$ -	\$ -	\$ 752,250
Construction in progress	200,289	2,700,578	-	2,900,867
<b>Total capital assets not being depreciated</b>	<b>952,539</b>	<b>2,700,578</b>	<b>-</b>	<b>3,653,117</b>
Capital assets being depreciated:				
Buildings	2,070,246	-	-	2,070,246
Building Improvements	567,143	73,529	-	640,672
Equipment	13,856	77,775	-	91,631
<b>Total capital assets being depreciated</b>	<b>2,651,245</b>	<b>151,304</b>	<b>-</b>	<b>2,802,549</b>
Less accumulated depreciation for:				
Buildings	51,756	41,405	-	93,161
Building improvements	55,465	60,699	-	116,164
Equipment	275	7,807	-	8,082
<b>Total accumulated depreciation</b>	<b>107,496</b>	<b>109,911</b>	<b>-</b>	<b>217,407</b>
<b>Total capital assets being depreciated, net - Universal</b>	<b>2,543,749</b>			<b>2,585,142</b>
<b>Total capital assets, net - Universal</b>	<b>3,496,288</b>			<b>6,238,259</b>
Waste Disposal:				
Capital assets being depreciated:				
Buildings	203,914	-	-	203,914
Equipment	360,979	6,339	-	367,318
Land improvements	192,994	-	-	192,994
Vehicles	470,065	7,700	-	477,765
<b>Total capital assets being depreciated</b>	<b>1,227,952</b>	<b>14,039</b>	<b>-</b>	<b>1,241,991</b>
Less accumulated depreciation for:				
Buildings	203,913	-	-	203,913
Equipment	102,382	32,462	-	134,844
Land improvements	85,724	17,894	-	103,618
Vehicles	443,668	13,456	-	457,124
<b>Total accumulated depreciation</b>	<b>835,687</b>	<b>63,812</b>	<b>-</b>	<b>899,499</b>
<b>Total capital assets being depreciated, net - waste disposal</b>	<b>392,265</b>			<b>342,492</b>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

**Note C – Detail Notes on All Funds – continued:**

**(1) Assets – continued**

Capital Assets – continued

	Balances 07/01/13	Increases	Decreases	Balances 06/30/14
<b>Business-type activities - continued:</b>				
Water:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,510	\$ -	\$ -	\$ 3,510
Total capital assets not being depreciated	3,510	-	-	3,510
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	4,670,110	-	-	4,670,110
Computer software	12,733	-	-	12,733
Total capital assets being depreciated	4,683,987	-	-	4,683,987
Less accumulated depreciation for:				
Equipment	1,144	-	-	1,144
Infrastructure	339,750	93,402	-	433,152
Computer software	12,733	-	-	12,733
Total accumulated depreciation	353,627	\$ 93,402	\$ -	447,029
Total capital assets being depreciated, net - water	4,330,360			4,236,958
Total capital assets, net - water	4,333,870			4,240,468
Business-type activities capital assets, net	\$ 8,222,423			\$ 10,821,219

Construction Commitments

The government has active construction projects as of June 30, 2014. The projects include various school capital projects. At June 30, 2014, the government’s commitments with contractors are as follows:

Project	Spent-to date	Remaining Commitment
Universal Career Pathways Skill Center	\$ 2,695,106	\$ 669,430
High School Addition	7,162,437	1,998,063
Old Fort Roof	95,629	229,970
	\$ 9,953,172	\$ 2,897,463

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities**

Payables

Payables at the government-wide level at June 30, 2014 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
<b>Governmental activities:</b>					
General	\$ 653,229	\$ (8,761)	\$ 79,219	\$ 284,986	\$ 1,008,673
Other governmental	1,206,797	563,228	-	-	1,770,025
	<u>\$ 1,860,026</u>	<u>\$ 554,467</u>	<u>\$ 79,219</u>	<u>\$ 284,986</u>	<u>\$ 2,778,698</u>
<b>Business-type activities:</b>					
Universal	\$ 33,139	\$ -	\$ -	\$ -	\$ 33,139
Waste disposal	82,903	-	-	-	82,903
Water fund	3,586	-	-	-	3,586
	<u>\$ 119,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,628</u>

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description

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

2. Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of McDowell County are established and may be amended by the North Carolina General Assembly. The members' and the County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$1,341,346, \$1,232,115, and \$1,210,330, respectively. The contributions made by the County equaled the required contributions for each year.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

McDowell County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's report as a Pension Trust Fund. All full-time County law enforcement officers are covered by the Separation Allowance.

At December 31, 2013, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Contributions

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

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

3. Contributions – continued

Administration costs of the Separation Allowance are financed through investment earnings. Although the County has currently elected not to fund this retirement benefit based on actuarially determined periodic contributions, the annual required contribution for the current year was determined as part of the December 31, 2013 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, 2013 was 17 years.

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

Employer annual required contribution	\$	60,475
Interest on net pension obligation		20,386
Adjustment to annual required contribution		(33,217)
Annual pension cost		47,644
Employer contributions made for fiscal year ending 06/30/14		-
Increase in net pension obligation		47,644
Net pension obligation, beginning of fiscal year		407,711
Net pension obligation, end of fiscal year	\$	455,355

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>
2012	\$ 47,517	0.00%	\$ 351,891
2013	\$ 55,820	0.00%	\$ 407,711
2014	\$ 47,644	0.00%	\$ 455,355

**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities - continued**

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

4. Funded Status and Fund Progress

Management set aside funds for this purpose in prior years, and subsequently elected to pay current benefits on a pay as you go basis out of the General Fund, with administrative costs covered by the earnings on the funds previously set aside. During the year ended June 30, 2014, 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, 2013, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$529,479. The covered payroll (annual payroll of active employees covered by the plan) was \$1,520,435, and the ratio of the UAAL to the covered payroll was 34.82%.

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, 2014 were \$101,362 which consisted of \$83,959 from the County and \$17,403 from law enforcement officers.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(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, 2014, contributions of \$15,741 were made to the Section 457 plan, which consisted of \$5,534 from the County and \$10,207 from employees. For the year ended June 30, 2014, contributions of \$174,214 were made to the 401(k) plan, which consisted of \$95,536 from the County and \$78,678 from employees.

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

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

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

1. **Plan Description**

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

**Note C – Detail Notes on All Funds – continued:**

**(2) Liabilities – continued**

Pension Plan Obligations – continued

e. Registers of Deeds' Supplemental Pension Fund – continued

2. Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$3,139.

f. Other Postemployment Benefits

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

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

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

1. Funding Policy

The County has chosen to fund the healthcare benefits on a pay as you go basis. The current ARC rate is 3.33% of annual covered payroll. For the current year, the County contributed \$43,710. 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 .42% and .07% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$2,250. 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, 2014

**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	\$	214,312
Interest on net OPEB obligation		27,037
Adjustments to annual required contribution		(37,594)
<hr/>		
Annual OPEB cost (expense)		203,755
Contributions made		(43,710)
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Increase in net OPEB obligation		160,045
Net OPEB obligation, beginning of year		675,935
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Net OPEB obligation, end of year	\$	835,980

The net OPEB obligation at June 30, 2014 includes \$757,301 reported in the governmental activities and \$78,679 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
2012	\$ 171,465	90.56%	\$ 653,449
2013	\$ 171,245	86.87%	\$ 675,935
2014	\$ 203,755	21.45%	\$ 835,980

**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

f. Other Postemployment Benefits – continued

4. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL), was \$2,172,696. The covered payroll (annual payroll of active employees covered by the plan) was \$6,428,977, and the ratio of the UAAL to the covered payroll was 33.80 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

In the December 31, 2012 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate varied between 8.50% to 5.00% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 7 year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

**Note C – Detail Notes on All Funds – continued:**

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**(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, 2014, 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, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(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.

Closure and Postclosure Care Costs – Landfill

On April 8, 1994, the County stopped accepting solid waste at the municipal landfill. Since that date, solid waste has been transferred to a neighboring county. Revenue, in the form of tipping fees and operating transfers, is used to offset the cost of transporting and disposal. Because solid waste is no longer accepted after April 8, 1994, the County is not subject to the Environmental Protection Agency rule, "Solid Waste Disposal Facility Criteria". However, prior State and Federal laws and regulations require the County to place a final cover on its landfill facility and to perform certain maintenance and monitoring functions at the site. At June 30, 2014, the County maintains a \$30,000 landfill closure and postclosure liability representing the estimated remaining cost of postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Deferred Inflows of Resources

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ 18,164	\$ 18,164
Taxes receivable, net (General)	921,574	-
Taxes receivable, net (Special Revenue)	93,719	-
Other receivables (General)	167,417	-
EMS receivables (General)	695,640	-
Total	\$ 1,896,514	\$ 18,164

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, 2014, the County recognized \$78,140 in rental income, leaving a balance of \$58,605 in unearned income. Additionally, McDowell County receives a monthly rental of \$2,312 for the original shell space under a ten-year lease expiring in the year ending June 30, 2015, subject to annual Consumer Price Index adjustments.

## McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2014

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### Note C – Detail Notes on All Funds – continued:

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#### (2) Liabilities – continued

##### Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one of the self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains workers' compensation coverage up to 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.

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 \$2,226,180 for the year ended June 30, 2014. 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 2013-2014 was \$282,247. 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.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities – continued**

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

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

McDowell County Schools

- Installment purchase contract, executed in February 2002 for \$6,500,000, due in 30 semiannual principal payments of \$216,667 plus interest at 4.59%, for improvements to North Cove Elementary School. \$ 1,300,000
- 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. 7,933,333

McDowell County Technical Community College

- Installment purchase contract, executed in September 2005 for \$748,100, due in 30 semiannual principal payments of \$24,936 plus interest at 3.55%, for improvements to MTCC campus. 324,177

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\$ 9,557,510

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**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

**Note C – Detail Notes on All Funds – continued:**

**(2) Liabilities - continued**

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

For McDowell County, the future minimum payments as of June 30, 2014, including interest, are as follows:

Year Ending June 30	Schools and McDowell Tech	
	Principal	Interest
2015	\$ 1,049,874	\$ 260,944
2016	1,049,873	225,089
2017	1,049,873	189,233
2018	616,540	158,350
2019	616,540	142,385
2020-2024	2,908,143	481,737
2025-2028	2,266,667	127,756
Total principal payments	\$ 9,557,510	
Total interest payments		\$ 1,585,494

Installment Purchases - Other

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

Governmental Activities

- Installment purchase contract, executed in November 2004 for \$344,250, payable in 20 semiannual installments of \$20,669 including interest at 3.62%, secured by recreation facility purchased. \$ 20,302
- 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. 396,183
- 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. 335,000
- 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. 579,398
- 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. 337,500
- 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. 668,800

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities – continued**

**Installment Purchases – Other – continued**

**Governmental Activities – continued**

- Installment purchase contract, executed in October 2010 for \$115,500, payable in 4 annual installments of \$30,414, including interest at 2.11%, secured by equipment purchased. \$ 29,786
- Installment purchase contract, executed in March 2011 for \$111,849, payable in 8 semiannual installments of \$14,653, including interest at 2.11%, secured by vehicles purchased. 28,849
- Installment purchase contract, executed in August 2010 for \$148,982, payable in 4 annual installments of \$37,246, plus interest at 2.44% or 1.586% after rebate, secured by ambulance purchased. 37,246
- Installment purchase contract, executed in December 2010 for \$148,982, payable in 8 semiannual installments of \$19,501, including interest at 2.07%, secured by ambulance purchased. 19,301
- 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. 13,516
- 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. 17,597
- 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. 39,024
- 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. 75,737
- 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. 58,663
- 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. 91,260
- 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. 109,875

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(2) Liabilities – continued**

Installment Purchases – Other – continued

Governmental Activities – continued

• 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.	\$ 212,889
• 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.	86,999
• 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.	120,018
• Promissory note to private individuals due on July 30, 2014 with 0% interest, payable with 6% interest if not paid by July 30, 2014, secured by land purchased.	95,400
• 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.	58,408
	<hr/>
	\$ 3,431,751

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.	\$ 138,423
• 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.	1,278,333
• 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.	1,278,333
	<hr/>
	\$ 2,695,089

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(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
2015	\$ 938,647	\$ 104,125
2016	701,699	79,716
2017	606,424	58,344
2018	288,391	41,104
2019	172,278	33,042
2020-2024	724,312	66,449
Total principal payments	\$ 3,431,751	
Total interest payments		\$ 382,780

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2015	\$ 223,277	\$ 110,670
2016	223,803	101,667
2017	224,341	92,653
2018	224,888	83,629
2019	225,447	74,594
2020-2024	983,333	243,695
2025-2028	590,000	44,500
Total principal payments	\$ 2,695,089	
Total interest payments		\$ 751,408

Debt Related to Capital Activities

Of the total Governmental Activities debt listed, only \$3,431,751 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$87,000.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

**Note C – Detail Notes on All Funds – continued:**

**(2) Liabilities – continued**

**Long-Term Obligations – Summary**

At June 30, 2014, McDowell County had a legal debt margin of \$279,163,309. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/13	Increases	Decreases	Balance 06/30/14	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases, including					
amortized call premium	\$ 14,327,738	\$ 581,716	\$ 1,887,135	\$ 13,022,319	\$ 1,988,521
Unfunded pension benefit obligation	407,711	47,644	-	455,355	-
Compensated absences	666,648	613,608	563,811	716,445	-
Other postemployment benefits	597,660	159,641	-	757,301	-
<b>Total governmental activities</b>	<b>\$ 15,999,757</b>	<b>\$ 1,402,609</b>	<b>\$ 2,450,946</b>	<b>\$ 14,951,420</b>	<b>\$ 1,988,521</b>
<b>Business-type activities:</b>					
<b>Universal Fund</b>					
Installment purchases	\$ 2,753,333	\$ -	\$ 196,667	\$ 2,556,666	\$ 196,667
<b>Total Universal Fund</b>	<b>2,753,333</b>	<b>-</b>	<b>196,667</b>	<b>2,556,666</b>	<b>196,667</b>
<b>Waste Disposal Fund</b>					
Installment purchases	178,652	-	40,229	138,423	26,610
Compensated absences	7,452	9,135	9,660	6,927	-
Other postemployment benefits	78,275	404	-	78,679	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
<b>Total Waste Disposal Fund</b>	<b>294,379</b>	<b>9,539</b>	<b>49,889</b>	<b>254,029</b>	<b>26,610</b>
<b>Total business-type activities</b>	<b>\$ 3,047,712</b>	<b>\$ 9,539</b>	<b>\$ 246,556</b>	<b>\$ 2,810,695</b>	<b>\$ 223,277</b>

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

**Conduit Debt Obligations**

During the year ended June 30, 2002, the McDowell County Industrial Facility and Pollution Control Financing Authority (the Authority) issued recreational facility revenue bonds to provide financial assistance to a not-for-profit organization for the construction of a YMCA facility. The bonds are secured by the asset financed, as well as a letter of credit, and are payable solely from payments received from the not-for-profit organization involved. Ownership of the assets acquired is in the name of the organization served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2014, there was one series of revenue bonds outstanding with a principal amount payable of \$3,005,000.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(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, 2014 and reported for subsequent reimbursement.

**(3) Interfund Balances and Activity**

At June 30, 2014, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	Scattered Site Housing Project	\$ 40,591
General Fund	Universal Career Pathways Skill Center Project	459,265
		<u>\$ 499,856</u>

Payable to the General Fund from Scattered Site Housing Project is required due to cash overdraft in the payable fund. The payable to the General Fund from Universal Career Pathways Skill Center Project represents project expenditures incurred near year end. All interfund balances will be paid during the year ending June 30, 2015.

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.	\$ 1,015,501
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.	1,283,964
Transfer from the General Fund to the Lake James EPA Project to provide local match for the project.	139,000
Transfer from the General Fund to the Universal Career Pathways Skill Center Project to provide resources for the project.	550,000
Transfer from the General Fund to the Emergency Telephone System Fund to cover disallowed costs by the 911 Board.	35,089
Transfer from the General Fund to the Universal Fund for the retirement of debt obligations.	335,216
Transfer from Universal Fund to Universal Career Pathways Skill Center Project to provide resources for the project.	584,711
	<u>\$ 3,943,481</u>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note C – Detail Notes on All Funds – continued:**

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**(4) Transfers**

Transfers at the government-wide level for the year ended June 30, 2014 included \$2,700,578 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	\$	12,977,514
Less: Inventories		83,896
Stabilization by State Statute		3,941,245
Appropriated fund balance in 2015 budget		499,000
PEG channel		40,707
Register of deeds		60,994
Asset forfeiture		77,707
Social services		185,869
Senior Center		25,129
Cooperative extension		25,999
Tax revaluation		17,794
Jail		418,685
EMS		14,062
Remaining fund balance	\$	7,586,427

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, 2014

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### Note D – Joint Ventures:

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#### 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 \$847,276 and \$60,998 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2014. The County also contributed \$12,000 to the Community College for a water tank removal project during the fiscal year ended June 30, 2014. 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 \$62,710 for the year ended June 30, 2014. 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, 2014. 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 \$100,635 for the year ended June 30, 2014.

## McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2014

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### **Note D – Joint Ventures – continued:**

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#### McDowell House

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

### **Note E – Jointly Governed Organizations:**

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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, 2014, 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, 2014, the County contributed \$216,219 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, 2014, the County contributed \$79,776 to the general operations of MEDA, including personnel costs (See related Note F).

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note E – Jointly Governed Organizations – continued:**

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The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and Development Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid \$10,920 in annual allocation to the Commission during the fiscal year ended June 30, 2014.

**Note F – Related Party Transactions:**

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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, 2014, one County commissioner is employed by McDowell Technical Community College.

**Note G – Benefit Payments Issued by the State:**

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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	\$ 266,220	\$ -
Medicaid	43,851,104	24,217,058
NC Health Choice	909,814	287,270
State/County Special Assistance to Adults	-	426,526
Foster Care Adoption Assistance	342,545	89,983
CWS Adoption Subsidy	-	221,765
Total	\$ 45,369,683	\$ 25,242,602

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**Note H – Summary Disclosure of Significant Contingencies:**

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**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, 2014, \$183,000 was paid under the economic development incentive agreements described above. Future installments of four active agreements amount to \$279,315, \$113,600 and \$39,200 for the years ending June 30, 2015, 2016 and 2017, respectively.

**Interlocal Agreement to Purchase a Historic Property**

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

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

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2014

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**Note I – Cafeteria Plan:**

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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:**

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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 64% of waste disposal revenue. Sales to this customer amounted to \$625,995 for the year ended June 30, 2014, with an account receivable balance of \$67,747 at June 30, 2014.

**Note K – Use of Estimates:**

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

**Note L – Subsequent Events:**

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In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through January 5, 2015; the date of the financial statements is January 5, 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)
12-31-2006	\$ 117,895	\$ 272,044	\$ 154,149	43.34%	\$ 1,329,919	11.59%
12-31-2007	\$ 114,975	\$ 318,234	\$ 203,259	36.13%	\$ 1,423,656	14.28%
12-31-2008	\$ 123,278	\$ 343,036	\$ 219,758	35.94%	\$ 1,332,335	16.49%
12-31-2009	\$ 121,823	\$ 606,847	\$ 485,024	20.07%	\$ 1,394,364	34.78%
12-31-2010	\$ 123,569	\$ 507,596	\$ 384,027	24.34%	\$ 1,333,001	28.81%
12-31-2011	\$ 99,456	\$ 600,420	\$ 500,964	16.56%	\$ 1,464,940	34.20%
12-31-2012	\$ 73,282	\$ 570,711	\$ 497,429	12.84%	\$ 1,527,649	32.56%
12-31-2013	\$ 44,205	\$ 573,684	\$ 529,479	7.71%	\$ 1,520,435	34.82%

**McDowell County, North Carolina**

Law Enforcement Officers' Special Separation Allowance

Required Supplemental Financial Data

Schedule of Employer Contributions and Notes to the Required Schedules

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Year Ending June 30	Annual Required Contributions	Percentage Contributed
2012	\$ 50,455	0.00%
2013	\$ 60,124	0.00%
2014	\$ 60,475	0.00%

---

Notes to the Required Schedules:

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

Valuation date	12/31/13
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% 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

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2006	\$ -	\$ 2,445,267	\$ 2,445,267	0.00%	\$ 8,396,713	29.12%
12-31-2007	\$ -	\$ 2,793,681	\$ 2,793,681	0.00%	\$ 8,928,803	31.29%
12-31-2010	\$ -	\$ 1,837,433	\$ 1,837,433	0.00%	\$ 7,829,422	23.47%
12-31-2011	\$ -	\$ 1,837,362	\$ 1,837,362	0.00%	\$ 7,831,552	23.46%
12-31-2012	\$ -	\$ 2,172,692	\$ 2,172,692	0.00%	\$ 6,428,977	33.80%
12-31-2013	\$ -	\$ 2,172,696	\$ 2,172,696	0.00%	\$ 6,428,977	33.80%

**McDowell County, North Carolina**

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Employer Contributions and Notes to the Required Schedules

---

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2012	\$ 181,410	90.56%
2013	\$ 181,443	86.87%
2014	\$ 214,312	21.45%

---

Notes to the Required Schedules:

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

Valuation date	12/31/12
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount open
Remaining amortization period	30 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend	8.50% - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Current year property taxes	\$ 18,439,830	\$ 18,991,148	\$ 551,318
Discount	(88,350)	(88,315)	35
Delinquent tax	551,000	510,307	(40,693)
Tax interest	118,500	210,775	92,275
Tax penalties	12,500	-	(12,500)
<b>Total</b>	<b>19,033,480</b>	<b>19,623,915</b>	<b>590,435</b>
Local option sales taxes:			
Article 39 one percent	3,111,312	3,181,212	69,900
Article 40 one-half percent	1,875,000	1,943,244	68,244
Article 42 one-half percent	372,000	378,683	6,683
Article 44 one-half percent	-	2,538	2,538
<b>Total</b>	<b>5,358,312</b>	<b>5,505,677</b>	<b>147,365</b>
Other taxes and licenses:			
Deed stamp excise tax	155,172	122,445	(32,727)
Real estate transfer tax	166,670	167,375	705
Scrap tire disposal tax	70,000	60,758	(9,242)
Occupancy tax	345,000	357,610	12,610
Cable franchise	214,500	217,314	2,814
Dog tax	750	647	(103)
<b>Total</b>	<b>952,092</b>	<b>926,149</b>	<b>(25,943)</b>
Unrestricted intergovernmental:			
Payments in lieu of taxes	153,880	385,751	231,871
Restricted intergovernmental:			
State and federal grants:			
DSS	7,316,307	6,211,235	(1,105,072)
State aid library	99,500	99,609	109
Senior Center - aging	531,821	401,695	(130,126)
Soil and water reimbursement	22,000	22,679	679
Veterans service	2,000	1,452	(548)
Juvenile Crime Prevention	126,314	126,314	-
EMA reimbursement	22,000	35,317	13,317
Asset forfeiture	9,965	35,370	25,405
Other	293,456	349,098	55,642
Court facility fees	80,000	64,965	(15,035)
Officer fees	18,500	17,074	(1,426)
ABC profits for law enforcement	7,500	16,761	9,261
<b>Total</b>	<b>8,529,363</b>	<b>7,381,569</b>	<b>(1,147,794)</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Permits and fees:</b>			
Building inspections	\$ 115,000	\$ 129,054	\$ 14,054
Sign revenue	1,750	2,510	760
Homeowners' recovery	2,000	1,393	(607)
<b>Register of deeds:</b>			
Acknowledgement and oath	1,170	7,375	6,205
Copies	46,000	43,245	(2,755)
Flood plain fees	14,125	14,510	385
Cultural resources	7,000	6,474	(526)
<b>Total</b>	<b>187,045</b>	<b>204,561</b>	<b>17,516</b>
<b>Sales and services:</b>			
NCDMV notary	32,500	29,657	(2,843)
NCDMV reimbursement	81,000	89,822	8,822
NCDMV tax collection fee	19,680	22,235	2,555
NCDMV reimb city/town	14,751	17,719	2,968
Tax mapping	1,500	520	(980)
Library fines	17,500	14,667	(2,833)
Library donations	2,500	5,356	2,856
Library copies	6,750	4,628	(2,122)
Library fax fees	2,250	3,216	966
Rent – dialysis clinic	28,300	30,678	2,378
Rent – senior center building	66,000	71,500	5,500
Fax fees	50	-	(50)
Vending income	750	416	(334)
Rent – Mental Health building	18,000	25,277	7,277
Rent – Baldwin Avenue - Isothermal	6,205	6,361	156
Tower rental	37,000	32,593	(4,407)
Rent – Baldwin Avenue - ESC	22,771	23,350	579
City of Marion reimbursement	91,526	93,755	2,229
Adoption fees	7,500	6,995	(505)
Canteen fees	120,000	119,063	(937)
SRO funds	500	-	(500)
Sheriff – process fees	50,500	56,930	6,430
Sheriff – permits	4,500	5,555	1,055
Jail phone reimbursement	42,034	50,414	8,380
Sheriff – concealed weapons permit	56,000	56,473	473
Sheriff – employee fund	5,500	4,474	(1,026)
Soil and water rent	1,200	1,200	-
Jail lease revenue	922,978	1,011,626	88,648
Jail fees	30,500	32,300	1,800
EMS collections	2,225,814	2,220,545	(5,269)
EMS Medicaid	74,913	118,277	43,364

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Sales and services - continued:</b>			
Rescue Squad billing	\$ 62,400	\$ 66,315	\$ 3,915
Sheriff – in school cop match	47,722	70,470	22,748
Recreation program fees	81,816	49,353	(32,463)
Other	172,637	720,646	548,009
<b>Total</b>	<b>4,355,547</b>	<b>5,062,386</b>	<b>706,839</b>
Investment earnings	32,000	14,785	(17,215)
<b>Miscellaneous:</b>			
Auction proceeds	4,500	6,500	2,000
Paper execution fees	40,000	23,475	(16,525)
Civil license revocation	3,800	2,761	(1,039)
Miscellaneous	8,800	43,650	34,850
4-H donations	14,000	18,501	4,501
Cooperative extension donations	1,000	1,063	63
Animal control other	-	1,372	1,372
Other	195,846	252,953	57,107
<b>Total</b>	<b>267,946</b>	<b>350,275</b>	<b>82,329</b>
<b>Total revenues</b>	<b>38,869,665</b>	<b>39,455,068</b>	<b>585,403</b>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Board of commissioners:</b>			
Salaries and employee benefits	125,837	119,753	6,084
Operating expenditures	35,241	33,119	2,122
<b>Total</b>	<b>161,078</b>	<b>152,872</b>	<b>8,206</b>
<b>Human resources:</b>			
Operating expenditures	385,966	360,799	25,167
<b>Total</b>	<b>385,966</b>	<b>360,799</b>	<b>25,167</b>
<b>County administration:</b>			
Salaries and employee benefits	313,770	313,510	260
Operating expenditures	16,705	15,603	1,102
Capital expenditures	1,000	376	624
<b>Total</b>	<b>331,475</b>	<b>329,489</b>	<b>1,986</b>
<b>Finance:</b>			
Salaries and employee benefits	340,455	340,022	433
Operating expenditures	177,591	177,573	18
Capital expenditures	4,364	4,364	-
<b>Total</b>	<b>522,410</b>	<b>521,959</b>	<b>451</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	\$ 334,408	\$ 331,057	\$ 3,351
Operating expenditures	133,523	126,743	6,780
Capital expenditures	9,000	7,239	1,761
Total	476,931	465,039	11,892
Tax - collections:			
Salaries and employee benefits	181,831	170,917	10,914
Operating expenditures	73,740	60,808	12,932
Capital expenditures	23,900	11,615	12,285
Total	279,471	243,340	36,131
Legal	21,112	21,385	(273)
Board of elections:			
Salaries and employee benefits	121,680	115,774	5,906
Operating expenditures	122,396	101,468	20,928
Capital expenditures	3,000	2,512	488
Total	247,076	219,754	27,322
Register of deeds:			
Salaries and employee benefits	173,535	156,501	17,034
Operating expenditures	155,970	149,904	6,066
Capital expenditures	1,500	305	1,195
Total	331,005	306,710	24,295
Clerk of court:			
Operating expenditures	5,978	5,523	455
Capital expenditures	1,162	1,161	1
Total	7,140	6,684	456
Garage:			
Salaries and employee benefits	116,825	116,595	230
Operating expenditures	22,503	22,036	467
Capital expenditures	2,726	2,645	81
Total	142,054	141,276	778
Facility maintenance:			
Salaries and employee benefits	390,010	377,330	12,680
Operating expenditures	660,646	651,300	9,346
Capital expenditures	24,700	31,816	(7,116)
Total	1,075,356	1,060,446	14,910

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>DMV Operations:</b>			
Salaries and employee benefits	\$ 131,273	\$ 112,043	\$ 19,230
Operating expenditures	109,800	81,665	28,135
Total	241,073	193,708	47,365
Total general government	4,222,147	4,023,461	198,686
<b>Public safety:</b>			
<b>Sheriff:</b>			
Salaries and employee benefits	2,386,220	2,323,607	62,613
Operating expenditures	537,419	515,582	21,837
Capital expenditures	342,398	323,311	19,087
Total	3,266,037	3,162,500	103,537
<b>Jail:</b>			
Salaries and employee benefits	866,164	856,513	9,651
Operating expenditures	1,071,249	1,031,436	39,813
Capital expenditures	120,689	159,051	(38,362)
Total	2,058,102	2,047,000	11,102
<b>EMS:</b>			
Salaries and employee benefits	1,732,278	1,721,039	11,239
Operating expenditures	431,406	432,298	(892)
Capital expenditures	304,712	217,287	87,425
Total	2,468,396	2,370,624	97,772
<b>Emergency management:</b>			
Salaries and employee benefits	135,423	131,998	3,425
Operating expenditures	19,612	18,387	1,225
Capital expenditures	1,500	1,425	75
Total	156,535	151,810	4,725
Fire protection	528,030	528,030	-
Forest service	72,044	54,530	17,514
<b>Emergency communication:</b>			
Salaries and employee benefits	597,474	589,587	7,887
Operating expenditures	54,110	48,374	5,736
Capital expenditures	4,326	3,659	667
Total	655,910	641,620	14,290

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Animal control:			
Salaries and employee benefits	\$ 58,928	\$ 58,504	\$ 424
Operating expenditures	68,131	60,416	7,715
Capital expenditures	1,067	1,032	35
Total	128,126	119,952	8,174
Building inspections:			
Salaries and employee benefits	279,356	274,175	5,181
Operating expenditures	38,002	31,781	6,221
Capital expenditures	23,550	2,197	21,353
Total	340,908	308,153	32,755
Medical examiner	24,000	21,140	2,860
Rescue squad billing	156,000	165,862	(9,862)
Rescue squad	28,199	28,199	-
Total public safety	9,882,287	9,599,420	282,867
Environmental protection:			
Waste collections:			
Salaries and employee benefits	323,082	313,341	9,741
Operating expenditures	185,058	177,149	7,909
Capital expenditures	216,889	216,569	320
Total	725,029	707,059	17,970
Soil and water district technician:			
Salaries and employee benefits	37,850	35,992	1,858
Operating expenditures	21,697	6,663	15,034
Capital expenditures	500	160	340
Total	60,047	42,815	17,232
Soil and water conservation:			
Salaries and employee benefits	39,104	38,926	178
Operating expenditures	11,700	9,599	2,101
Capital expenditures	500	151	349
Total	51,304	48,676	2,628
Watershed commission	10,161	10,160	1
Water and sewer	58,585	51,968	6,617
Total environmental protection	905,126	860,678	44,448

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Keep McDowell Beautiful:			
Salaries and employee benefits	\$ 20,694	\$ 15,510	\$ 5,184
Operating expenditures	11,100	11,100	-
Total	31,794	26,610	5,184
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
Total	12,563	12,563	-
Cooperative extension:			
Operating expenditures	179,170	160,565	18,605
Capital expenditures	1,500	1,484	16
Total	180,670	162,049	18,621
Isothermal planning commission:			
Isothermal operating expenditures	11,720	11,710	10
Planning board	304	159	145
Total	12,024	11,869	155
McDowell Economic Development Association:			
Salaries and employee benefits	68,639	67,321	1,318
Operating expenditures	13,065	12,455	610
Total	81,704	79,776	1,928
Economic and industrial development	404,500	351,914	52,586
Tourism Development Authority	336,750	343,523	(6,773)
Total economic and physical development	1,060,005	988,304	71,701
Human services:			
Health department	216,219	216,219	-
Mental health	67,856	67,856	-
Alcohol and substance abuse	4,000	-	4,000
Volunteer center:			
Salaries and employee benefits	21,967	21,967	-
Operating expenditures	9,400	7,441	1,959
Total	31,367	29,408	1,959
Juvenile Crime Prevention Council	139,700	131,043	8,657

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Social Services:</b>			
<b>Administration:</b>			
Salaries and employee benefits	\$ 5,154,685	\$ 5,065,622	\$ 89,063
Operating expenditures	3,128,884	2,939,796	189,088
Capital expenditures	68,294	45,813	22,481
<b>Total</b>	<b>8,351,863</b>	<b>8,051,231</b>	<b>300,632</b>
Foster care	725,200	652,128	73,072
Adoption assistance	196,748	165,967	30,781
Crisis energy program	194,474	193,741	733
TANF - County participation	216,300	202,793	13,507
Medicaid - County participation	6,000	5,060	940
Special assistance	562,500	439,841	122,659
Aid to blind	2,000	-	2,000
General assistance	7,500	2,575	4,925
<b>Total social services</b>	<b>10,262,585</b>	<b>9,713,336</b>	<b>549,249</b>
<b>Senior Center:</b>			
Salaries and employee benefits	519,750	501,927	17,823
Operating expenditures	502,553	472,387	30,166
Capital expenditures	2,500	1,051	1,449
<b>Total</b>	<b>1,024,803</b>	<b>975,365</b>	<b>49,438</b>
<b>Juvenile Placement:</b>			
Operating expenditures	15,000	11,224	3,776
<b>Total</b>	<b>15,000</b>	<b>11,224</b>	<b>3,776</b>
<b>Total human services</b>	<b>11,761,530</b>	<b>11,144,451</b>	<b>617,079</b>
<b>Cultural and recreational:</b>			
<b>Recreation - operations:</b>			
Salaries and employee benefits	148,487	142,986	5,501
Operating expenditures	140,441	129,705	10,736
Capital expenditures	25,000	23,407	1,593
<b>Total</b>	<b>313,928</b>	<b>296,098</b>	<b>17,830</b>
Recreation - programs	76,564	62,289	14,275

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Library:</b>			
Salaries and employee benefits	\$ 483,205	\$ 471,482	\$ 11,723
Operating expenditures	179,520	155,768	23,752
Capital expenditures	27,922	24,707	3,215
<b>Total</b>	<b>690,647</b>	<b>651,957</b>	<b>38,690</b>
<b>Total cultural and recreational</b>	<b>1,081,139</b>	<b>1,010,344</b>	<b>70,795</b>
<b>Miscellaneous:</b>			
Carson House	20,000	20,000	-
City of Marion hold harmless	39,000	46,033	(7,033)
Family Services	25,903	25,903	-
MACA	18,500	18,500	-
Freedom Ministries	6,000	6,000	-
McDowell Mission	12,000	12,000	-
Champion rent	18,145	18,145	-
July 4 <sup>th</sup>	500	500	-
Health coalition	10,000	10,000	-
Other	343,098	273,417	69,681
<b>Total miscellaneous</b>	<b>493,146</b>	<b>430,498</b>	<b>62,648</b>
<b>Education:</b>			
<b>Public schools:</b>			
Current expense	7,703,263	7,634,458	68,805
Capital outlay	50,000	50,000	-
<b>McDowell Technical College:</b>			
Current expense	847,276	847,276	-
Capital outlay	60,998	60,998	-
Water tank removal	15,000	12,000	3,000
Building payments	163,345	163,345	-
<b>Total education</b>	<b>8,839,882</b>	<b>8,768,077</b>	<b>71,805</b>
<b>Debt service:</b>			
Building inspections	1,750	-	1,750
Emergency medical services	201,146	194,204	6,942
Garage	9,227	9,227	-
Sheriff	114,701	114,636	65
Debt service	429,537	429,549	(12)
<b>Total debt service</b>	<b>756,361</b>	<b>747,616</b>	<b>8,745</b>
<b>Total expenditures</b>	<b>39,001,623</b>	<b>37,572,849</b>	<b>1,428,774</b>
<b>Revenues over (under) expenditures</b>	<b>(131,958)</b>	<b>1,882,219</b>	<b>2,014,177</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Other financing sources (uses):</b>			
Installment purchase obligations issued	\$ 506,869	\$ 486,316	\$ (20,553)
Transfers to:			
Special Revenue Funds:			
Emergency Telephone System Fund	(35,090)	(35,089)	1
Capital Project Funds:			
Universal Career Pathways Skill Center	(550,000)	(550,000)	-
Lake James EPA	(139,000)	(139,000)	-
Enterprise Funds:			
Universal Fund	(335,216)	(335,216)	-
Waste Disposal Fund	(1,015,501)	(1,015,501)	-
Revaluation Fund	(25,000)	(25,000)	-
Transfers from:			
Enterprise Fund:			
Universal Fund	30,237	-	(30,237)
Fund balance appropriated	1,694,659	-	(1,694,659)
<b>Total other financing sources (uses)</b>	<b>131,958</b>	<b>(1,613,490)</b>	<b>(1,745,448)</b>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	\$ -	\$ 268,729	\$ 268,729
<b>Fund balance - beginning of year</b>		12,690,991	
<b>Fund balance - end of year</b>		\$ 12,959,720	

**McDowell County, North Carolina**

Revaluation Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 3	\$ 3
Total revenues	-	3	3
<b>Expenditures:</b>			
General government:			
Capital expenditures	29,550	27,650	1,900
Total expenditures	29,550	27,650	1,900
Revenues over (under) expenditures	(29,550)	(27,647)	1,903
<b>Other financing sources (uses):</b>			
Transfer from General Fund	25,000	25,000	-
Appropriated fund balance	4,550	-	(4,550)
Total other financing sources (uses)	29,550	25,000	(4,550)
<b>Revenues and other financing sources over expenditures</b>	\$ -	(2,647)	\$ (2,647)
<b>Fund balance - beginning of year</b>		20,441	
<b>Fund balance - end of year</b>		\$ 17,794	

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

## McDowell County, North Carolina

### Combining Statements for Nonmajor Funds

Year Ended June 30, 2014

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#### *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. There was no current year activity in this project.
- 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 – 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, 2014

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- 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.
- 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 County, North Carolina**

Combining Balance Sheets

Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds		Debt Service Fund	
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund	
<b>Assets</b>				
Cash and investments	\$ 16,866	\$ 355,725	\$	9
Taxes receivable - net	93,719	-		-
Accounts receivable - other governments	16,501	21,121		-
<b>Total assets</b>	<b>\$ 127,086</b>	<b>\$ 376,846</b>	<b>\$</b>	<b>9</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 33,367	\$ 6,886	\$	-
Due to other funds	-	-		-
<b>Total liabilities</b>	<b>33,367</b>	<b>6,886</b>		<b>-</b>
Deferred inflows of resources:				
Taxes receivable	93,719	-		-
<b>Total deferred inflows of resources</b>	<b>93,719</b>	<b>-</b>		<b>-</b>
Fund balances:				
Restricted:				
Stabilization by State Statute	16,501	21,121		-
911 Funds	-	348,839		-
Cultural and recreational	-	-		-
Public safety	-	-		-
Human services	-	-		-
Assigned:				
Debt service	-	-		9
General government	-	-		-
Cultural and recreational	-	-		-
Economic and physical development	-	-		-
Unassigned	(16,501)	-		-
<b>Total fund balances</b>	<b>-</b>	<b>369,960</b>		<b>9</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 127,086</b>	<b>\$ 376,846</b>	<b>\$</b>	<b>9</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2014

	Capital Project Funds			
	Trail Project	Appalachian Regional Council Universal Project	Lake James EPA Project	Kate B. Reynolds Gym Floor Project
<b>Assets</b>				
Cash and investments	\$ 2,658	\$ -	\$ 21,110	\$ 2,390
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	1,369	-
<b>Total assets</b>	<b>\$ 2,658</b>	<b>\$ -</b>	<b>\$ 22,479</b>	<b>\$ 2,390</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,492	\$ -
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,492</b>	<b>-</b>
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	1,369	-
911 Funds	-	-	-	-
Cultural and recreational	-	-	-	2,390
Public safety	-	-	-	-
Human services	-	-	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	-	18,618	-
Cultural and recreational	-	-	-	-
Economic and physical development	2,658	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>2,658</b>	<b>-</b>	<b>19,987</b>	<b>2,390</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,658</b>	<b>\$ -</b>	<b>\$ 22,479</b>	<b>\$ 2,390</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2014

	Capital Project Funds		
	Kate B. Reynolds Recreation Project	Project Summit/ SBFI North America	Kate B. Reynolds Recreation Master Plan Project
<b>Assets</b>			
Cash and investments	\$ 47,683	\$ -	\$ 19,315
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	-
<b>Total assets</b>	<b>\$ 47,683</b>	<b>\$ -</b>	<b>\$ 19,315</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred inflows of resources:			
Taxes receivable	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
911 Funds	-	-	-
Cultural and recreational	47,683	-	19,315
Public safety	-	-	-
Human services	-	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	-
Cultural and recreational	-	-	-
Economic and physical development	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<b>47,683</b>	<b>-</b>	<b>19,315</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 47,683</b>	<b>\$ -</b>	<b>\$ 19,315</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2014

	Capital Project Funds		
	Kate B. Reynolds Paramedic Project	Single Family Rehabilitation Housing 2014 Project	Scattered Site Housing Project
<b>Assets</b>			
Cash and investments	\$ 50,727	\$ -	\$ -
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	51,725
<b>Total assets</b>	<b>\$ 50,727</b>	<b>\$ -</b>	<b>\$ 51,725</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 118	\$ -	\$ 11,134
Due to other funds	-	-	40,591
<b>Total liabilities</b>	<b>118</b>	<b>-</b>	<b>51,725</b>
Deferred inflows of resources:			
Taxes receivable	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	51,725
911 Funds	-	-	-
Cultural and recreational	-	-	-
Public safety	50,609	-	-
Human services	-	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	-
Cultural and recreational	-	-	-
Economic and physical development	-	-	-
Unassigned	-	-	(51,725)
<b>Total fund balances</b>	<b>50,609</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 50,727</b>	<b>\$ -</b>	<b>\$ 51,725</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2014

	Capital Project Funds				
	Single Family Rehabilitation Project	Greenway Extension Project	NC Housing Urgent Repair Project		Totals June 30, 204
<b>Assets</b>					
Cash and investments	\$ -	\$ 1,265	\$ 37,500	\$	555,248
Taxes receivable - net	-	-	-		93,719
Accounts receivable - other governments	-	-	-		90,716
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,265</b>	<b>\$ 37,500</b>	<b>\$</b>	<b>739,683</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ 698	\$ -	\$	54,695
Due to other funds	-	-	-		40,591
<b>Total liabilities</b>	<b>-</b>	<b>698</b>	<b>-</b>		<b>95,286</b>
Deferred inflows of resources:					
Taxes receivable	-	-	-		93,719
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>93,719</b>
Fund balances:					
Restricted:					
Stabilization by State Statute	-	-	-		90,716
911 Funds	-	-	-		348,839
Cultural and recreational	-	-	-		69,388
Public safety	-	-	-		50,609
Human services	-	-	37,500		37,500
Assigned:					
Debt service	-	-	-		9
General government	-	-	-		18,618
Cultural and recreational	-	567	-		567
Economic and physical development	-	-	-		2,658
Unassigned	-	-	-		(68,226)
<b>Total fund balances</b>	<b>-</b>	<b>567</b>	<b>37,500</b>		<b>550,678</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ 1,265</b>	<b>\$ 37,500</b>	<b>\$</b>	<b>739,683</b>

**McDowell County, North Carolina**

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,110,997	\$ -	\$ -
Restricted intergovernmental revenue	-	253,460	51,503
Investment earnings	-	38	-
Miscellaneous revenue	-	-	-
<b>Total revenues</b>	<b>2,110,997</b>	<b>253,498</b>	<b>51,503</b>
<b>Expenditures:</b>			
Public safety	2,110,997	258,032	-
Human services	-	-	-
Cultural and recreational	-	-	-
Debt service	-	-	1,335,467
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>2,110,997</b>	<b>258,032</b>	<b>1,335,467</b>
Revenues over (under) expenditures	-	(4,534)	(1,283,964)
<b>Other financing sources (uses):</b>			
Operating transfer in from General Fund	-	35,089	-
Operating transfer in from Capital Project Fund	-	-	1,283,964
Short-term debt issued	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>35,089</b>	<b>1,283,964</b>
Increase (decrease) in fund balances	-	30,555	-
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>339,405</b>	<b>9</b>
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ 369,960</b>	<b>\$ 9</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Capital Project Funds			
	Trail Project	Appalachian Regional Council Universal Project	Lake James EPA Project	Kate B. Reynolds Gym Floor Project
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	24,628	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	-	125,390
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>24,628</b>	<b>125,390</b>
<b>Expenditures:</b>				
Public safety	-	-	-	-
Human services	-	-	-	-
Cultural and recreational	19,237	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	245,052	123,000
<b>Total expenditures</b>	<b>19,237</b>	<b>-</b>	<b>245,052</b>	<b>123,000</b>
Revenues over (under) expenditures	(19,237)	-	(220,424)	2,390
<b>Other financing sources (uses):</b>				
Operating transfer in from General Fund	-	-	139,000	-
Operating transfer in from Capital Project Fund	-	-	-	-
Short-term debt issued	-	-	95,400	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>234,400</b>	<b>-</b>
Increase (decrease) in fund balances	(19,237)	-	13,976	2,390
<b>Fund balances – beginning of year</b>	<b>21,895</b>	<b>-</b>	<b>6,011</b>	<b>-</b>
<b>Fund balances – end of year</b>	<b>\$ 2,658</b>	<b>\$ -</b>	<b>\$ 19,987</b>	<b>\$ 2,390</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Capital Project Funds		
	Kate B. Reynolds Recreation Project	Project Summit/ SBFI North Project	Kate B. Reynolds Recreation Master Plan Project
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	-
Investment earnings	-	-	-
Miscellaneous revenue	-	-	27,500
<b>Total revenues</b>	-	-	27,500
<b>Expenditures:</b>			
Public safety	-	-	-
Human services	-	-	-
Cultural and recreation	-	-	8,185
Debt service	-	-	-
Capital outlay	102,317	-	-
<b>Total expenditures</b>	102,317	-	8,185
Revenues over (under) expenditures	(102,317)	-	19,315
<b>Other financing sources (uses):</b>			
Operating transfer in from General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	-
Short-term debt issued	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-
Increase (decrease) in fund balances	(102,317)	-	19,315
<b>Fund balances – beginning of year</b>	150,000	-	-
<b>Fund balances – end of year</b>	\$ 47,683	\$ -	\$ 19,315

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Capital Project Funds		
	Kate B. Reynolds Paramedic Project	Single Family Rehabilitation Housing 2014 Project	Scattered Site Housing Project
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	161,000
Investment earnings	-	-	-
Miscellaneous revenue	194,501	-	-
<b>Total revenues</b>	<b>194,501</b>	<b>-</b>	<b>161,000</b>
<b>Expenditures:</b>			
Public safety	143,892	-	-
Human services	-	-	161,000
Cultural and recreational	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>143,892</b>	<b>-</b>	<b>161,000</b>
Revenues over (under) expenditures	50,609	-	-
<b>Other financing sources (uses):</b>			
Operating transfer in from General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	-
Short-term debt issued	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase (decrease) in fund balances	50,609	-	-
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances – end of year</b>	<b>\$ 50,609</b>	<b>\$ -</b>	<b>\$ -</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Capital Project Funds				
	Single Family Rehabilitation Project	Greenway Extension Project	NC Housing Urgent Repair Project		Totals June 30, 2014
<b>Revenues:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	2,110,997
Restricted intergovernmental revenue	-	-	37,500	-	528,091
Investment earnings	-	-	-	-	38
Miscellaneous revenue	-	2,711	-	-	350,102
<b>Total revenues</b>	-	2,711	37,500	-	2,989,228
<b>Expenditures:</b>					
Public safety	-	-	-	-	2,512,921
Human services	-	-	-	-	161,000
Cultural and recreational	-	-	-	-	27,422
Debt service	-	-	-	-	1,335,467
Capital outlay	-	6,930	-	-	477,299
<b>Total expenditures</b>	-	6,930	-	-	4,514,109
Revenues over (under) expenditures	-	(4,219)	37,500	-	(1,524,881)
<b>Other financing sources (uses):</b>					
Operating transfer in from General Fund	-	-	-	-	174,089
Operating transfer in from Capital Project Fund	-	-	-	-	1,283,964
Short-term debt issued	-	-	-	-	95,400
<b>Total other financing sources</b>	-	-	-	-	1,553,453
Increase (decrease) in fund balance	-	(4,219)	37,500	-	28,572
<b>Fund balances – beginning of year</b>	-	4,786	-	-	522,106
<b>Fund balances – end of year</b>	\$ -	\$ 567	\$ 37,500	\$ -	550,678

**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, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Fire districts:			
Marion Area	\$ 294,518	\$ 296,349	\$ 1,831
Ashford/North Cove	106,994	107,099	105
Dysartsville	115,063	115,208	145
Glenwood	163,740	165,629	1,889
Nebo	294,978	291,778	(3,200)
Pleasant Gardens	160,938	163,602	2,664
Sugar Hill	101,595	103,387	1,792
Woodlawn/Sevier	74,070	73,544	(526)
Crooked Creek	110,163	110,642	479
Old Fort Area	118,907	119,433	526
Hankins/North Fork	45,769	45,486	(283)
Long Town	25,800	25,799	(1)
County	67,219	67,182	(37)
Parkway/Woodlawn	34,708	36,083	1,375
Old Fort - Inside	39,569	39,297	(272)
Rescue district:			
McDowell County Rescue	349,802	350,479	677
<b>Total revenues</b>	<b>2,103,833</b>	<b>2,110,997</b>	<b>7,164</b>
<b>Expenditures:</b>			
Public safety:			
Fire district allocations:			
Marion Area	294,310	296,323	(2,013)
Ashford/North Cove	107,263	107,462	(199)
Dysartsville	115,063	115,219	(156)
Glenwood	164,647	165,764	(1,117)
Nebo	291,978	291,674	304
Pleasant Gardens	162,080	163,589	(1,509)
Sugar Hill	102,169	103,322	(1,153)
Woodlawn/Sevier	73,770	73,535	235
Crooked Creek	110,163	110,673	(510)
Old Fort Area	118,907	119,424	(517)
Hankins/North Fork	45,769	45,486	283
Long Town	25,800	25,797	3
County	67,219	66,863	356
Parkway/Woodlawn	35,324	36,101	(777)
Old Fort - Inside	39,569	39,286	283
Rescue district allocation:			
McDowell County Rescue	349,802	350,479	(677)
<b>Total expenditures</b>	<b>2,103,833</b>	<b>2,110,997</b>	<b>(7,164)</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balance - beginning of year</b>			<b>-</b>
<b>Fund balance - end of year</b>		<b>\$ -</b>	

**McDowell County, North Carolina**

Emergency Telephone System Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental	\$ 253,460	\$ 253,460	\$ -
Investment earnings	1,500	38	(1,462)
<b>Total revenues</b>	<b>254,960</b>	<b>253,498</b>	<b>(1,462)</b>
<b>Expenditures:</b>			
Public safety:			
Furniture	6,310	6,310	-
Telephone equipment	29,000	27,547	1,453
Interpretive services	500	380	120
Travel/training	15,000	11,647	3,353
Telephone	61,600	38,317	23,283
Software maintenance	6,247	117	6,130
Hardware maintenance	42,000	445	41,555
Capital outlay	17,460	-	17,460
Selective routing and ali	7,313	7,312	1
Database prov for 911	8,571	8,570	1
Voice logging recorder	195	195	-
Radio dispatch console	3,228	876	2,352
Software messaging switch	19,411	16,911	2,500
Hardware printers	1,200	901	299
GIS equipment	16,300	16,275	25
Software CAD	12,500	12,474	26
Software dispatch protocol	101,632	101,632	-
Hardware UPS	7,900	7,898	2
Hardware generator	225	225	-
<b>Total expenditures</b>	<b>356,592</b>	<b>258,032</b>	<b>98,560</b>
Revenues over (under) expenditures	(101,632)	(4,534)	97,098
<b>Other financing sources:</b>			
Transfer from General Fund	-	35,089	35,089
Appropriated fund balance	101,632	-	(101,632)
<b>Total other financing sources</b>	<b>101,632</b>	<b>35,089</b>	<b>(66,543)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>30,555</b>	<b>\$ 30,555</b>
<b>Fund balance - beginning of year</b>		<b>339,405</b>	
<b>Fund balance - end of year</b>		<b>\$ 369,960</b>	

**McDowell County, North Carolina**

Debt Service Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 51,503	\$ 51,503	\$ -
Total revenues	51,503	51,503	-
<b>Expenditures:</b>			
Debt service	1,335,467	1,335,467	-
Total expenditures	1,335,467	1,335,467	-
Revenues under expenditures	(1,283,964)	(1,283,964)	-
<b>Other financing sources:</b>			
Transfer from School Capital Projects Fund	1,283,964	1,283,964	-
Total other financing sources	1,283,964	1,283,964	-
<b>Revenues and other financing sources over expenditures</b>	\$ -	- \$	-
<b>Fund balance - beginning of year</b>		9	
<b>Fund balance - end of year</b>	\$	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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Lottery funds	\$ 3,364,811	\$ 3,364,811	\$ -	\$ 3,364,811
Local option sales tax	6,351,216	5,910,562	2,070,406	7,980,968
Investment earnings	2,000	2,338	684	3,022
Miscellaneous	-	25,213	30,010	55,223
<b>Total revenues</b>	<b>9,718,027</b>	<b>9,302,924</b>	<b>2,101,100</b>	<b>11,404,024</b>
<b>Expenditures:</b>				
Capital outlay:				
East Jr High Renovations	540,900	509,664	2,395	512,059
West Jr High Renovations	2,325,000	942,388	1,098,861	2,041,249
High School Roof (phase 2)	137,300	-	137,300	137,300
Old Fort Roof	325,599	-	95,629	95,629
AEC Roof	110,581	-	-	-
High School Addition	11,961,536	1,693,558	7,158,701	8,852,259
High School Roof (phase 1)	498,911	236,073	263,110	499,183
Eastfield Roof	319,768	250,947	68,821	319,768
Improvement	186,657	-	-	-
<b>Total expenditures</b>	<b>16,406,252</b>	<b>3,632,630</b>	<b>8,824,817</b>	<b>12,457,447</b>
Revenues over (under) expenditures	(6,688,225)	5,670,294	(6,723,717)	(1,053,423)
<b>Other financing sources (uses):</b>				
Installment purchase obligation	8,500,000	8,500,000	-	8,500,000
Transfer to Debt Service Fund	(1,811,775)	(527,811)	(1,283,964)	(1,811,775)
<b>Total other financing sources (uses)</b>	<b>6,688,225</b>	<b>7,972,189</b>	<b>(1,283,964)</b>	<b>6,688,225</b>
<b>Revenues over (under) expenditures and other financing sources (uses)</b>	\$ -	\$ 13,642,483	(8,007,681)	\$ 5,634,802
<b>Fund balance - beginning of year</b>			13,642,483	
<b>Fund balance - end of year</b>			\$ 5,634,802	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue	\$ 2,000	\$ 1,849	\$ -	\$ 1,849
Total revenues	2,000	1,849	-	1,849
<b>Expenditures:</b>				
Improvements	42,000	19,954	19,237	39,191
Total expenditures	42,000	19,954	19,237	39,191
Revenues under expenditures	(40,000)	(18,105)	(19,237)	(37,342)
<b>Other financing sources:</b>				
Transfer from General Fund	40,000	40,000	-	40,000
Total other financing sources	40,000	40,000	-	40,000
<b>Revenues under expenditures and other financing sources</b>	\$ -	\$ 21,895	(19,237)	\$ 2,658
<b>Fund balance - beginning of year</b>			21,895	
<b>Fund balance - end of year</b>			\$ 2,658	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Appalachian Regional Council	\$ 100,000	\$ -	\$ -	\$ -
Local revenue	54,823	-	-	-
Total revenues	154,823	-	-	-
<b>Expenditures:</b>				
Equipment	154,823	-	-	-
Total expenditures	154,823	-	-	-
<b>Revenues over (under) expenditures</b>	\$ -	\$ -	-	\$ -
<b>Fund balance - beginning of year</b>				-
<b>Fund balance - end of year</b>			\$ -	-

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
EPA	\$ 485,000	\$ 60,761	\$ 24,628	\$ 85,389
Total revenues	485,000	60,761	24,628	85,389
<b>Expenditures:</b>				
Architectural	836,818	98,624	44,531	143,155
Property purchase	114,000	-	199,024	199,024
Administration	45,000	9,753	1,497	11,250
Total expenditures	995,818	108,377	245,052	353,429
Revenues under expenditures	(510,818)	(47,616)	(220,424)	(268,040)
<b>Other financing sources:</b>				
Short-term debt issued	-	-	95,400	95,400
Transfer from General Fund	510,818	53,627	139,000	192,627
Total other financing sources	510,818	53,627	234,400	288,027
<b>Revenues under expenditures and other financing sources</b>	\$ -	\$ 6,011	\$ 13,976	\$ 19,987
<b>Fund balance - beginning of year</b>			6,011	
<b>Fund balance - end of year</b>			\$ 19,987	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Private grant	\$ 125,390	\$ -	\$ 125,390	\$ 125,390
Total revenues	125,390	-	125,390	125,390
<b>Expenditures:</b>				
Park improvements	125,390	-	123,000	123,000
Total expenditures	125,390	-	123,000	123,000
<b>Revenues over expenditures</b>	\$ -	\$ -	2,390	\$ 2,390
<b>Fund balance - beginning of year</b>				-
<b>Fund balance - end of year</b>			\$ 2,390	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Private grant	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
Total revenues	150,000	150,000	-	150,000
<b>Expenditures:</b>				
Park improvements	151,115	-	102,317	102,317
Total expenditures	151,115	-	102,317	102,317
Revenues over (under) expenditures	(1,115)	150,000	(102,317)	47,683
<b>Other financing sources:</b>				
Transfer from General Fund	1,115	-	-	-
Total other financing sources	1,115	-	-	-
<b>Revenues over (under) expenditures and other financing sources</b>	\$ -	\$ 150,000	(102,317)	\$ 47,683
<b>Fund balance - beginning of year</b>			150,000	
<b>Fund balance - end of year</b>			\$ 47,683	

**McDowell County, North Carolina**

Project Summit/SBFI North America

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

From Inception and for the Year Ended June 30, 2014

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

**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, 2014

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

**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, 2014

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Private grant	\$ 326,161	\$ -	\$ 194,501	\$ 194,501
Total revenues	326,161	-	194,501	194,501
<b>Expenditures:</b>				
Salary & fringe	159,183	-	48,856	48,856
Travel	10,500	-	5,335	5,335
Equipment	101,700	-	82,051	82,051
Training	7,222	-	1,197	1,197
Promotions	1,000	-	-	-
Rent/utilities/phone	3,300	-	1,100	1,100
Office supplies	500	-	-	-
Uniforms/safety equipment	1,600	-	501	501
Capacity building	20,578	-	1,814	1,814
Discretionary spending	20,578	-	3,038	3,038
Total expenditures	326,161	-	143,892	143,892
<b>Revenues over expenditures</b>	\$ -	\$ -	50,609	\$ 50,609
<b>Fund balance - beginning of year</b>				-
<b>Fund balance - end of year</b>			\$ 50,609	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
NC Housing	\$ 170,000	\$ -	\$ -	\$ -
Total revenues	170,000	-	-	-
<b>Expenditures:</b>				
Project costs	170,000	-	-	-
Total expenditures	170,000	-	-	-
<b>Revenues over (under) expenditures</b>	\$ -	\$ -	\$ -	\$ -
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance - end of year</b>			\$ -	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
Community Development				
Block Grant	\$ 400,000	\$ 7,000	\$ 161,000	\$ 168,000
<b>Total revenues</b>	<b>400,000</b>	<b>7,000</b>	<b>161,000</b>	<b>168,000</b>
<b>Expenditures:</b>				
Planning	7,000	7,000	-	7,000
Housing activities	320,000	-	129,655	129,655
Emergency repairs	40,000	-	-	-
Administration	33,000	-	31,345	31,345
<b>Total expenditures</b>	<b>400,000</b>	<b>7,000</b>	<b>161,000</b>	<b>168,000</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balance - beginning of year</b>				<b>-</b>
<b>Fund balance - end of year</b>			<b>\$ -</b>	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
NC Housing	\$ 160,000	\$ 145,812	\$ -	\$ 145,812
Total revenues	160,000	145,812	-	145,812
<b>Expenditures:</b>				
Project cost	160,000	145,812	-	145,812
Total expenditures	160,000	145,812	-	145,812
<b>Revenues over expenditures</b>	\$ -	\$ -	-	\$ -
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance - end of year</b>			\$ -	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Golden Leaf	\$ 2,140,000	\$ 140,000	\$ 1,586,741	\$ 1,726,741
Grant/Fundraiser	325,000	-	-	-
Sales Tax	-	-	45,819	45,819
<b>Total revenues</b>	<b>2,465,000</b>	<b>140,000</b>	<b>1,632,560</b>	<b>1,772,560</b>
<b>Expenditures:</b>				
Design/engineering	222,159	200,289	17,518	217,807
Sprinkler system	65,693	-	55,839	55,839
Electrical	693,350	-	569,022	569,022
Renovations	1,902,278	-	1,479,945	1,479,945
Vacated college space	325,000	-	-	-
Exterior work	168,000	-	123,968	123,968
HVAC system	297,415	-	258,751	258,751
Plumbing	137,800	-	124,020	124,020
Contingency	100,000	-	97,126	97,126
<b>Total expenditures</b>	<b>3,911,695</b>	<b>200,289</b>	<b>2,726,189</b>	<b>2,926,478</b>
Revenues under expenditures	(1,446,695)	(60,289)	(1,093,629)	(1,153,918)
<b>Other financing sources:</b>				
Transfer from General Fund	701,695	-	550,000	550,000
Transfer from Universal Enterprise Fund	745,000	60,289	584,711	645,000
<b>Total other financing sources</b>	<b>1,446,695</b>	<b>60,289</b>	<b>1,134,711</b>	<b>1,195,000</b>
<b>Revenues under expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,082</b>	<b>\$ 41,082</b>
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance - end of year</b>			<b>\$ 41,082</b>	

**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, 2014

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
PARTF Grant	\$ 365,285	\$ 365,285	\$ -	\$ 365,285
Local revenue	207,143	207,143	-	207,143
Sales taxes	2,712	1,919	2,711	4,630
<b>Total revenues</b>	<b>575,140</b>	<b>574,347</b>	<b>2,711</b>	<b>577,058</b>
<b>Expenditures:</b>				
Trail construction	797,657	794,257	6,930	801,187
<b>Total expenditures</b>	<b>797,657</b>	<b>794,257</b>	<b>6,930</b>	<b>801,187</b>
Revenues under expenditures	(222,517)	(219,910)	(4,219)	(224,129)
<b>Other financing sources:</b>				
Transfer from General Fund	222,517	224,696	-	224,696
<b>Total other financing sources</b>	<b>222,517</b>	<b>224,696</b>	<b>-</b>	<b>224,696</b>
<b>Revenues under expenditures and other financing sources</b>	\$ -	\$ 4,786	(4,219)	\$ 567
<b>Fund balance - beginning of year</b>			4,786	
<b>Fund balance - end of year</b>			\$ 567	

**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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
NC Housing	\$ 75,000	\$ -	\$ 37,500	\$ 37,500
Total revenues	75,000	-	37,500	37,500
<b>Expenditures:</b>				
Project costs	75,000	-	-	-
Total expenditures	75,000	-	-	-
<b>Revenues over expenditures</b>	\$ -	\$ -	37,500	\$ 37,500
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance - end of year</b>			\$ 37,500	

**McDowell County, North Carolina**

Enterprise Fund – Universal Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenue:			
Lease revenue	\$ 433,836	\$ 432,861	\$ (975)
Total operating revenue	433,836	432,861	(975)
Nonoperating revenue:			
Investment earnings	750	26	(724)
Total nonoperating revenue	750	26	(724)
Total revenues	434,586	432,887	(1,699)
<b>Expenditures:</b>			
Operating:			
Utilities		22,575	
Contract services		51,653	
Capital outlay		165,726	
Maintenance and equipment		25,335	
Total operating expenditures	269,663	265,289	4,374
Debt service:			
Interest		116,549	
Debt principal		196,667	
Total debt service expenditures	313,216	313,216	-
Total expenditures	582,879	578,505	4,374
<b>Revenues under expenditures</b>	<b>(148,293)</b>	<b>(145,618)</b>	<b>2,675</b>
<b>Other financing sources (uses):</b>			
Transfer from General Fund	335,216	335,216	-
Transfer to General Fund	(30,237)	-	30,237
Transfer to Universal Career Pathways Skill Center Project	(678,600)	(584,711)	93,889
Fund balance appropriated	521,914	-	(521,914)
Total other financing sources (uses)	148,293	(249,495)	(397,788)
<b>Revenues and other financing sources (uses) under expenditures</b>	<b>\$ -</b>	<b>\$ (395,113)</b>	<b>\$ (359,113)</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other financing sources (uses) under expenditures			\$ (395,113)
Capital expenditures			151,304
Depreciation			(109,911)
Debt service principal			196,667
Capital contributions			2,700,578
Change in net position - GAAP			\$ 2,543,525

**McDowell County, North Carolina**

Enterprise Fund – Waste Disposal Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Tipping fees	\$ 983,000	\$ 974,295	\$ (8,705)
Recycling revenue	65,000	53,291	(11,709)
Solid waste disposal	8,050	26,747	18,697
Other operating revenue	21,000	24,558	3,558
Total operating revenues	1,077,050	1,078,891	1,841
Nonoperating revenue:			
Investment earnings	300	60	(240)
Total nonoperating revenue	300	60	(240)
Total revenues	1,077,350	1,078,951	1,601
<b>Expenditures:</b>			
Facility operations:			
Salaries and employee benefits		230,087	
Operating expenses		1,870,327	
Capital outlay		16,319	
Total expenditures	2,092,851	2,116,733	(23,882)
<b>Revenues under expenditures</b>	<b>(1,015,501)</b>	<b>(1,037,782)</b>	<b>(22,281)</b>
<b>Other financing sources:</b>			
Transfer from General Fund	1,015,501	1,015,501	-
Total other financing sources	1,015,501	1,015,501	-
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>\$ (22,281)</b>	<b>\$ (22,281)</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other financing sources under expenditures		\$	(22,281)
Capital expenditures			14,039
Depreciation			(63,812)
Debt service principal			40,229
Decrease in accrued vacation pay			525
Increase in other postemployment benefits			(404)
Change in net position - GAAP		\$	(31,704)

**McDowell County, North Carolina**

Enterprise Fund – Water Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Water sales	\$ 52,000	\$ 65,562	\$ 13,562
New customers	1,100	1,045	(55)
Tap fees	1,900	500	(1,400)
Miscellaneous	1,500	1,830	330
<b>Total operating revenues</b>	<b>56,500</b>	<b>68,937</b>	<b>12,437</b>
Nonoperating revenue:			
Investment earnings	-	5	5
<b>Total nonoperating revenue</b>	<b>-</b>	<b>5</b>	<b>5</b>
<b>Total revenues</b>	<b>56,500</b>	<b>68,942</b>	<b>12,442</b>
<b>Expenditures:</b>			
Operating:			
Water purchase		24,674	
Maintenance and equipment		21,849	
<b>Total expenditures</b>	<b>56,500</b>	<b>46,523</b>	<b>9,977</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 22,419</b>	<b>\$ 22,419</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues over expenditures			\$ 22,419
Depreciation			(93,402)
<b>Change in net position - GAAP</b>			<b>\$ (70,983)</b>

**McDowell County, North Carolina**

Internal Service Fund – Self-Insurance Fund

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

Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Employee contributions	\$ 289,000	\$ 282,898	\$ (6,102)
Employer contributions	2,080,494	2,078,222	(2,272)
Stop Loss	184,406	240,018	55,612
Cobra payments	33,500	34,778	1,278
<b>Total revenues</b>	<b>2,587,400</b>	<b>2,635,916</b>	<b>48,516</b>
<b>Expenditures:</b>			
Employee benefits:			
Claims	2,102,660	2,501,288	(398,628)
Life Insurance	18,075	18,074	1
Fees	466,665	420,385	46,280
<b>Total expenditures</b>	<b>2,587,400</b>	<b>2,939,747</b>	<b>(352,347)</b>
<b>Revenues under expenditures</b>	<b>\$ -</b>	<b>(303,831)</b>	<b>\$ (303,831)</b>
<b>Net position, beginning of year</b>		<b>(85,567)</b>	
<b>Net position, end of year</b>		<b>\$ (389,398)</b>	

**McDowell County, North Carolina**

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Social Services Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 40,921	\$ 202,302	\$ 199,010	\$ 44,213
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 40,921	\$ 202,302	\$ 199,010	\$ 44,213
<b><u>Fines and Forfeitures Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 12,891	\$ 164,872	\$ 165,145	\$ 12,618
Accounts receivable - other governments	14,498	56,433	14,498	56,433
Total	\$ 27,389	\$ 221,305	\$ 179,643	\$ 69,051
<u>Liabilities</u>				
Due to other governments	\$ 27,389	\$ 221,305	\$ 179,643	\$ 69,051
<b><u>Motor Vehicle Tax Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 14,947	\$ 670,440	\$ 679,813	\$ 5,574
Accounts receivable - other governments	-	23,788	-	23,788
Total	\$ 14,947	\$ 694,228	\$ 679,813	\$ 29,362
<u>Liabilities</u>				
Due to other governments	\$ 14,947	\$ 694,228	\$ 679,813	\$ 29,362
<b><u>Inmates Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ 7,466	\$ 259,486	\$ 249,036	\$ 17,916
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 7,466	\$ 259,486	\$ 249,036	\$ 17,916
<b><u>Employee Sec 125 Fund:</u></b>				
<u>Assets</u>				
Cash and investments	\$ -	\$ 18,316	\$ 18,316	\$ -
Accounts receivable - other	2,370	5,346	2,370	5,346
Total	\$ 2,370	\$ 23,662	\$ 20,686	\$ 5,346
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 2,370	\$ 23,662	\$ 20,686	\$ 5,346

**McDowell County, North Carolina**

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – continued

Year Ended June 30, 2014

	Balance July 1, 2013		Additions		Deductions		Balance June 30, 2014
<b><u>Tax Penalty Schools Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 18,805		\$ 18,805		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 18,805		\$ 18,805		\$ -
<b><u>DMV Operations Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 3,781,210		\$ 3,781,210		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 3,781,210		\$ 3,781,210		\$ -
<b><u>Rescue Squad Billing Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 41		\$ 153,833		\$ 149,919		\$ 3,955
<u>Liabilities</u>							
Due to other governments	\$ 41		\$ 153,833		\$ 149,919		\$ 3,955
<b><u>Deed of Trust Fee Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 461		\$ 5,276		\$ 5,302		\$ 435
<u>Liabilities</u>							
Due to other governments	\$ 461		\$ 5,276		\$ 5,302		\$ 435
<b><u>Totals - All Agency Funds:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 76,727		\$ 5,274,540		\$ 5,266,556		\$ 84,711
Accounts receivable - other governments	14,498		80,221		14,498		80,221
Accounts receivable - other	2,370		5,346		2,370		5,346
Total	\$ 93,595		\$ 5,360,107		\$ 5,283,424		\$ 170,278
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 50,757		\$ 485,450		\$ 468,732		\$ 67,475
Due to other governments	42,838		4,874,657		4,814,692		102,803
Total	\$ 93,595		\$ 5,360,107		\$ 5,283,424		\$ 170,278

**McDowell County, North Carolina**

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2014

Year of Levy	Uncollected Balance June 30, 2013	Additions	Collections and Adjustments	Uncollected Balance June 30, 2014
2013	\$ -	\$ 19,448,258	\$ 18,989,261	\$ 458,997
2012	593,024	-	396,774	196,250
2011	204,079	-	63,916	140,163
2010	155,017	-	26,220	128,797
2009	130,669	-	19,966	110,703
2008	110,391	-	11,246	99,145
2007	94,870	-	8,136	86,734
2006	91,671	-	7,821	83,850
2005	89,432	-	5,203	84,229
2004	80,090	-	4,831	75,259
2003	82,193	-	82,193	-
	\$ 1,631,436	\$ 19,448,258	\$ 19,615,567	1,464,127
Less allowance for uncollectible ad valorem taxes				(542,553)
Ad Valorem taxes receivable - net				\$ 921,574
<b>Reconciliation with revenues:</b>				
Taxes - Ad Valorem:				
General Fund			\$ 19,623,915	
Releases			34,133	
Discounts			88,315	
Amounts written off for the 2003 levy per the statute of limitations			80,590	
Other adjustments			(611)	
				19,826,342
Less interest collected				(210,775)
Total collections and adjustments				\$ 19,615,567

**McDowell County, North Carolina**

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2014

	County-wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 3,330,346,974	\$ 0.55	\$ 18,316,908	\$ 16,098,160	\$ 2,218,748
Penalties	-		6,887	6,887	-
<b>Total</b>	<b>3,330,346,974</b>		<b>18,323,795</b>	<b>16,105,047</b>	<b>2,218,748</b>
<b>Discoveries:</b>					
Current year taxes	203,039,986	0.55	1,116,720	1,116,720	-
Prior year taxes	13,785,252	0.55	75,819	75,819	-
Penalties	-		11,604	11,604	-
<b>Total</b>	<b>216,825,238</b>		<b>1,204,143</b>	<b>1,204,143</b>	<b>-</b>
<b>Abatements</b>	<b>(14,487,276)</b>		<b>(79,680)</b>	<b>(61,836)</b>	<b>(17,844)</b>
Total property valuation	\$ 3,532,684,936				
<b>Net levy</b>			<b>19,448,258</b>	<b>17,247,354</b>	<b>2,200,904</b>
<b>Uncollected taxes at June 30, 2014</b>			<b>(458,997)</b>	<b>(332,311)</b>	<b>(126,686)</b>
<b>Current year's taxes collected</b>			<b>\$ 18,989,261</b>	<b>\$ 16,915,043</b>	<b>\$ 2,074,218</b>
<b>Current levy collection percentage</b>			<b>97.64%</b>	<b>98.07%</b>	<b>94.24%</b>

**McDowell County, North Carolina**

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2014

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Secondary Market Disclosures

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Assessed Valuation:

Assessment Ratio	<sup>1</sup>		100%
Real Property		\$	2,584,167,124
Personal Property			753,124,227
Public Service Companies	<sup>2</sup>		195,393,585
<hr/>			
Total Assessed Valuation		\$	3,532,684,936
<hr/>			
Tax Rate per \$100		\$	0.55
Levy (includes discoveries and abatements)	<sup>3</sup>	\$	19,448,258

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

Fire Protection and Rescue Districts	\$	1,979,144
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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, 2014

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Taxpayer	Type of Business	2014 Assessed Valuation	Percentage of Total Assessed Valuation
Duke Energy	Utility	\$ 164,719,210	4.66%
Baxter Healthcare	IV Solution	151,356,160	4.28%
CSX Transportation	Railroad	58,982,673	1.67%
Baldor Electric Company	Manufacturing	31,302,547	.89%
Rutherford EMC	Utility	29,971,592	.85%
Rock-Tenn Packaging	Manufacturing	27,857,584	.79%
Norfolk Southern	Railroad	26,270,067	.74%
IAC/Collins & Aikman Group	Manufacturing	23,445,889	.66%
Frontier Communications	Utility	21,485,752	.61%
Walmart	Retail	18,557,696	.53%
Total		\$ 553,949,170	15.68%

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**McDowell County, North Carolina**

Compliance Section

Year Ended June 30, 2014



**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, 2014, and the related notes to the financial statements, which collectively comprise McDowell County's basic financial statements, and have issued our report thereon dated January 5, 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 2014-001 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 2014-002.

#### 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  
January 5, 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, 2014. 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)

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 as described in finding numbers 2014-003 and 2014-004 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)

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 for the year ended June 30, 2014.

### 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 2014-003 and 2014-004 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.

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

January 5, 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, 2014. 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)

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) as described in finding numbers 2014-003 and 2014-004 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, State Appropriations)

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) for the year ended June 30, 2014.

### 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 2014-003 and 2014-004 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.

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

January 5, 2015

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major federal programs:

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

Type of auditors' report issued on compliance for major federal programs: Qualified for Medical Assistance Program (Title XIX – Medicaid)

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)

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2014

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Dollar threshold to distinguish  
between Type A and Type B Programs \$ 1,543,059

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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? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance for major State programs: Qualified for Medical Assistance Program (Title XIX – Medicaid)

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

**Section II. Financial Statement Findings**

**Material Weakness**

**Finding: 2014-001: Control Environment and Monitoring**

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

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2014

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**Section II. Financial Statement Findings – continued**

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

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

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

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

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

**Material Noncompliance**

**Finding: 2014-002: 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 \$23,882 more for operating expenses in the Waste Disposal Fund, expended \$398,628 more for employee benefits in the Self-Insurance Fund, and expended \$85,024 more for a property purchase expenditure 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: Operating expenses in the Waste Disposal Fund increased due to disposal expenses that increased 30% for payments made in June. Insurance claims increased significantly during the last month of the fiscal year. This increase exceeded the budgeted expectations of management. An additional expenditure was incurred for property purchased in the Lake James EPA Project due to recording required for the debt financed portion of the project.

Recommendation: Budget amendments should be adopted when expenditures exceed estimated expenditures in the budget ordinance prior to expending the funds.

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

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2014

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**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

**Finding: 2014-003: 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: Five case files contained errors related to the calculation of income verification/budget and one case file could not be located.

Questioned Cost: Unknown. Benefits paid to the client whose case file is missing amounted to \$947 for the fiscal year ended June 30, 2014. The other case files contained errors in the computation of income budget and documentation of wages, but with no impact on eligibility determination or benefits paid to the recipient, except in one case. One case file had errors in the computation of income budget that resulted in an incorrect denial of benefits, but the case was subsequently re-keyed shortly thereafter with benefits correctly calculated.

Context: Of the 2,325 Medicaid case files based on non-MAGI (Modified Adjusted Gross Income) determination criteria, 61 files were selected for testing. One file could not be located and five case files were determined to have errors related to income verification/budget.

Effect: Case files did not contain correct computation of income verification/budget and eligibility for the missing case file could not be tested.

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 the addition of a quality control position in the Medicaid eligibility determination process, and 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, 2014

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**Section III. Federal Award Findings and Questioned Costs – continued**

Views of responsible officials and planned corrective action: The County agrees with the finding. For the year ended June 30, 2014, our agency worked with two systems, EIS and NC FAST. We provided weekly training for several months related to NC FAST implementation, and designated an internal NC FAST problem solver to be our liaison with the State. In spite of these efforts, our department experienced unusual difficulty with the “Hard Launching” of Medicaid and NC FAST, including difficulty with the changing environment for budget documentation and calculation. We will provide additional training opportunities for caseworkers and re-implement the quality control position over Medicaid.

**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

**Finding: 2014-004: File Documentation**

Material weakness

Material noncompliance

Eligibility

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

Condition: Seven case files contained errors related to inadequate documentation in the file and one case file could not be located.

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

Context: Of the 2,325 Medicaid case files based on non-MAGI (Modified Adjusted Gross Income) determination criteria, 61 files were selected for testing. Seven case files were determined to have errors related to file documentation in addition to one case file that could not be located.

Effect: Case files did not contain proper verification of certain information and eligibility for the missing case file could not be tested.

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 system.

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2014

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**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 the addition of a quality control position in the Medicaid eligibility determination process, and 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. For the year ended June 30, 2014, our agency worked with two systems, EIS and NC FAST. We provided weekly training for several months related to NC FAST implementation, and designated an internal NC FAST problem solver to be our liaison with the State. In spite of these efforts, our department experienced unusual difficulty with the “Hard Launching” of Medicaid and NC FAST. One of the most troublesome areas we encountered was related to scanning documents for the electronic file system, and the failure to identify the types of errors that could occur in the process. We believe the missing documentation results from scanning errors, as opposed to omission from the client encounter. We will implement quality control procedures and additional training.

**Section IV. State Award Findings and Questioned Costs**

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

See Findings 2014-003 and 2014-004.

**McDowell County, North Carolina**

Corrective Action Plan

Year Ended June 30, 2014

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**Section II: Financial Statement Findings**

Finding 2014-001: Control Environment and Monitoring

*Name of contact person:* Alison Morgan, Finance Officer

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

*Proposed Completion Date:* Immediately.

Finding 2014-002: 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 2014-003: Medical Assistance Program (Title XIX – Medicaid) – Budget Calculation for Eligibility Determination

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

*Corrective Action:* We will implement the quality control position to monitor the accuracy and completeness of client files. We will increase training opportunities for all caseworkers with an emphasis on budget calculation procedures and best practices for management of electronic case files.

*Proposed Completion Date:* Immediately.

**McDowell County, North Carolina**

Corrective Action Plan – continued

Year Ended June 30, 2014

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**Section III. Federal Award Findings and Questioned Costs – continued**

Finding 2014-004: Medical Assistance Program (Title XIX – Medicaid) – File Documentation

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

*Corrective Action:* We will implement the quality control position to monitor the accuracy and completeness of client files. We will increase training opportunities for all caseworkers with an emphasis on budget calculation procedures and best practices for management of electronic case files.

*Proposed Completion Date:* Immediately.

**Section IV. State Award Findings and Questioned Costs**

See Findings 2014-003 and 2014-004.

## McDowell County, North Carolina

### Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2014

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**Finding:** 2011-1, 2012-1 and 2013-1: Control Environment and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2014 as 2014-001.

**Finding:** 2011-2: Information and Communication.

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

**Finding:** 2011-3 and 2013-2: Excess of Expenditures over Appropriations.

Status: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Finding is repeated in 2014 as 2014-002.

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

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

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

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

**Finding:** 2013-3: Title XIX – Medicaid – Income Verification/Budget.

Status: Finding is repeated in 2014 as 2014-003.

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2014

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>Federal Awards:</b>			
<b>U.S. Department of Agriculture:</b>			
Passed through North Carolina Department of Health and Human Services, Division of Social Services:			
Food and Nutrition Services Program	10.561	\$ 517,809	\$ -
Total U.S. Department of Agriculture		517,809	-
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through North Carolina Department of Commerce:			
Community Development Block Grants:			
Scattered Housing 11-C-2364	14.228	161,000	-
Total U.S. Department of Housing and Urban Development		161,000	-
<b>U.S. Department of Justice:</b>			
Direct federal:			
Office of Justice Programs:			
State Criminal Alien Assistance Program	16.606	2,185	-
Equitable Sharing	16.922	35,370	-
		37,555	-
Passed through North Carolina Department of Crime Control and Public Safety, Governor's Crime Commission:			
2013 AFIS Grant	16.738	24,056	-
2013 VIPER Grant	16.738	9,944	-
		34,000	-
Total U.S. Department of Justice		71,555	-
<b>U.S. Department of Interior:</b>			
Direct federal:			
National Parks Service:			
Overmountain Victory National Historic Trail, Rivers, and Trails	15.880	8,790	-
Total U.S. Department of Interior		8,790	-
<b>U.S. Department of Homeland Security:</b>			
Passed through North Carolina Department of Crime Control and Public Safety:			
Homeland Security – Training Grant 2011	97.067	1,856	-
Total U.S. Department of Homeland Security		1,856	-
<b>U.S. Environmental Protection Agency:</b>			
Direct federal:			
Congressional Mandated Projects	66.202	24,628	-
Total U.S. Environmental Protection Agency		24,628	-

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2014

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number		Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>U.S. Office of Library Services:</b>				
Passed through North Carolina Department of Cultural Resources, Library Service and Technology Act:				
NC Cardinal Grant	45.310	\$	1,817	\$ -
EZ Technology Planning Grant	45.310		2,276	-
EZ Literacy and Lifelong Learning Grant	45.310		16,830	-
<b>Total U.S. Office of Library Services</b>			<b>20,923</b>	<b>-</b>
<b>U.S. Department of Health and Human Services:</b>				
<i>Health Care Financing Administration:</i>				
Passed through North Carolina Department of Health and Human Services:				
Division of Medical Assistance (Medicaid):				
Direct Benefit Payments:				
Medical Assistance Program	93.778	*	43,851,104	24,217,058
Division of Social Services:				
Medicaid Administration	93.778	*	728,761	96,811
Adult Care Home Case Management	93.778	*	22,308	10,303
			<b>44,602,173</b>	<b>24,324,172</b>
Division of Medical Assistance (NC Health Choice):				
Direct Benefit Payments:				
NC Health Choice	93.767		909,814	287,271
Division of Social Services:				
NC Health Choice - Administration	93.767		9,048	2,045
			<b>918,862</b>	<b>289,316</b>
			<b>45,521,035</b>	<b>24,613,488</b>
<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		-	11,656
Part C – Nutrition Services	93.045		236,557	-
Part D – In-Home Services	93.044		101,423	-
			<b>337,980</b>	<b>11,656</b>
NSIP Supplement	93.053		52,059	-
			<b>390,039</b>	<b>11,656</b>

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2014

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>U.S. Department of Health and Human Services – continued:</b>			
<u>Subsidized Child Care Cluster:</u>			
Passed through North Carolina Department of Health and Human Services:			
<i>Administration for Children and Families:</i>			
<i>Child Care Development Fund Cluster:</i>			
Division of Social Services:			
Child Care Development Fund – Administration	93.596	\$ 80,000	\$ -
Division of Child Development:			
Child Care and Development Fund – Discretionary	93.575	544,388	-
Child Care and Development Fund – TANF	93.575	11,641	-
Child Care and Development Fund – Mandatory	93.596	297,819	-
Child Care and Development Fund – Matching	93.596	198,428	63,600
Child Care Development Fund Cluster		1,132,276	63,600
IV-E Foster Care	93.658	14,037	7,348
Temporary Assistance for Needy Families	93.558	252,929	-
Smart Start	N/A	-	45,193
Smart Start Quality TANF MOE	N/A	-	110,767
State Funding	N/A	-	102,875
Smart Start TANF Maintenance of Effort	N/A	-	45,925
Subsidized Child Care Cluster		1,399,242	375,708
Division of Social Services:			
<i>Foster Care and Adoption Cluster:</i>			
Title IV-E – Foster Care:			
Administrative	93.658	352,258	64,870
Benefit Payments	93.658	167,805	45,195
Adoption Training	93.659	4,408	-
Adoption	93.659	573	-
Adoption Assistance – Direct Benefit Payments	93.659	342,545	89,983
		867,589	200,048
Passed through North Carolina Department of Health and Human Services:			
Work First/Temporary Assistance for Needy Families (TANF):			
Direct Benefit Payments	93.558	266,220	-
Special Children Adoption	93.558	-	12,000
Work First Benefits	93.558	440,224	-
Administration	93.558	163,317	352
Administration – Adoption Foster Care (TANF Share)	93.558	19,464	-
		889,225	12,352
LINKS	93.674	60,252	4,787
Social Services Block Grant	93.667	631,838	16,806
Family Preservation	93.556	15,157	-
Child Welfare Services:			
Permanency Planning	93.645	37,903	-
Child Support Enforcement	93.563	297,633	-

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2014

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>U.S. Department of Health and Human Services – continued:</b>			
Passed through North Carolina Department of Health and Human Services – continued:			
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:			
Administration	93.568	\$ 518,837	\$ -
Total U.S. Department of Health and Human Services		50,628,750	25,234,845
Total Federal awards		51,435,311	25,234,845
<b>State Awards:</b>			
<b>North Carolina Department of Health and Human Services:</b>			
Division of Social Services:			
Soil Conservation		-	22,679
Child Protective Services:			
Foster Care		-	160,564
Child Welfare Services:			
Direct Benefit Payments:			
Adoption Subsidy		-	221,765
Division of Aging:			
Direct Benefit Payments:			
State/County Special Assistance to Adults		-	426,526
Office of Rural Health and Community Care:			
Medication Assistance Program Grant		-	16,275
Total North Carolina Department of Health and Human Services		-	847,809
<b>North Carolina Department of Transportation:</b>			
Elderly and Handicapped Transportation Assistance Program (EDTAP)			
Work First Transportation		-	13,252
Total North Carolina Department of Transportation		-	77,117
<b>North Carolina Department of Crime Control and Public Safety:</b>			
Division of Emergency Management:			
Emergency Management Preparedness Grant		-	35,317
Division of Youth Services:			
Juvenile Crime Prevention Council		-	126,314
Total North Carolina Department of Crime Control and Public Safety		-	161,631
<b>North Carolina Department of Cultural Resources:</b>			
State Aid to Libraries:			
Administration and Library Development		-	99,609
<b>North Carolina Department of Administration:</b>			
Division of Veterans Affairs:			
N.C. General Statute 165-6 (9)		-	1,452

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2014

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>State Awards:</b>			
<b>North Carolina Department of Commerce:</b>			
Rural Economic Development Center:			
One NC Fund – Baldor		\$ -	\$ 30,750
One NC Fund – Rock Tenn		-	93,750
One NC Fund – Janesville Products		-	30,000
Total North Carolina Department of Commerce		-	
154,500			
<b>North Carolina Office of Rural Health and Community Care:</b>			
Access II Care of Western North Carolina		-	9,647
<b>North Carolina Department of Agriculture:</b>			
WNC Communities:			
Soil and Water Environmental Impact Grant		-	14,060
<b>North Carolina Department of Insurance:</b>			
SHIIP Grant		-	9,746
Total State awards		-	1,375,571
Total Federal and State awards		\$ 51,435,311	\$ 26,610,416

\* 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
Rock Tenn/North Carolina Department of Commerce	N/A	\$ -	\$ 93,750
Janesville Products/North Carolina Department of Commerce	N/A	-	30,000
Baldor/North Carolina Department of Commerce	N/A	-	30,750
		\$ -	\$ 154,500