

**McDowell County,
North Carolina**

Year Ended June 30, 2016

Independent Auditors' Report
Financial Statements
and
Supplementary Information

McDowell County, North Carolina

County Officials

June 30, 2016

Board of Commissioners

David Walker	Chairperson
Barry McPeters	Vice Chairperson
V. Randy Hollifield	Member
Matthew Crawford	Member
Tony Brown	Member

Principal Officers

Ashley Wooten	County Manager
Dudley Greene	Sheriff
Fred Coats	Attorney
Tonia Hampton	Register of Deeds
Melissa Adams	Clerk of Court
Alison Morgan	County Finance Officer
Linda Onufrey	Tax Collector
Lisa Sprouse	Social Services Director
Chad Phillips	Tax Assessor

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Independent Auditors' Report

Board of Commissioners
McDowell County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise McDowell County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of McDowell County Tourism Development Authority, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McDowell County Tourism Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of Country Contributions on pages 4 through 13, 81, 82 through 83, 84 through 85, and 86 through 87, 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 *Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of McDowell County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McDowell County's internal control over financial reporting and compliance.

Johnson Price Sprinkle PA

Marion, North Carolina
December 1, 2016

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, 2016. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of McDowell County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,025,770 (net position).
- The government's total net position increased by \$3,920,220 primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of \$18,822,466, a decrease of \$1,265,350 over the prior year. Of this total amount, 55.5% or \$10,444,830 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,351,066 or 21.35% of total General Fund expenditures for the fiscal year. Fund balance available for appropriation represents 24.10% 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 \$1,778,974 during the current fiscal year, due to debt retirement in excess of new debt borrowings.

Overview of the Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, human services, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the County directly charges customers to provide. For McDowell County, this includes the waste disposal services and water services offered by the County. Additionally, the County uses the Universal Fund to account for activity related to a former industrial facility, the Universal building, which includes renovations and lease of space. The final category is the component unit. McDowell County Tourism Development Authority is an authority established by a resolution of the McDowell County Board of Commissioners on April 1, 1987. The Authority consists of a nine-member board established to promote tourism in McDowell County. Funding is provided from an occupancy tax on rentals of motel rooms collected by McDowell County and remitted to the Authority. The government-wide financial statements are on pages 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 North Carolina 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 nine fiduciary funds, which are all 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 27 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 81 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, 2016 and 2015
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 22,189,635	\$ 23,678,179	\$ 545,966	\$ 430,276	\$ 22,735,601	\$ 24,108,455
Capital assets	22,380,720	19,557,889	11,349,431	11,491,139	33,730,151	31,049,028
	44,570,355	43,236,068	11,895,397	11,921,415	56,465,752	55,157,483
Total deferred outflows of resources	836,054	844,369	14,617	14,887	850,671	859,256
Long-term liabilities outstanding	15,535,747	16,244,364	2,378,941	2,590,320	17,914,688	18,834,684
Other liabilities	1,735,542	1,425,348	184,729	116,244	1,920,271	1,541,592
	17,271,289	17,669,712	2,563,670	2,706,564	19,834,959	20,376,276
Total deferred inflows of resources	452,071	2,539,377	3,623	44,555	455,694	2,583,932
Net position:						
Net investment in capital assets	17,624,611	16,825,944	9,101,422	9,019,326	26,726,033	25,845,270
Restricted	10,360,258	11,432,813	-	-	10,360,258	11,432,813
Unrestricted (deficit)	(301,820)	(4,387,409)	241,299	165,857	(60,521)	(4,221,552)
	\$ 27,683,049	\$ 23,871,348	\$ 9,342,721	\$ 9,185,183	\$ 37,025,770	\$ 33,056,531

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,025,770 as of June 30, 2016. The County's net position increased by \$3,920,220 for the fiscal year ended June 30, 2016. One of the largest portions, 72.18% or \$26,726,033 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, \$10,360,258 or 27.98%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$60,521 is unrestricted (deficit).

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

- Obligations under installment purchases decreased by \$1,778,974 consisting of debt service payments totaling \$2,268,977 net of new borrowings totaling \$490,003.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 99.19%, slightly higher than the statewide average of 98.60%.

Following is a comparative summary of changes in net position.

McDowell County's Changes in Net Position
Years Ended June 30, 2016 and 2015
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,304,144	\$ 5,088,127	\$ 1,813,767	\$ 1,685,853	\$ 7,117,911	\$ 6,773,980
Operating grants and contributions	9,023,171	8,336,240	-	-	9,023,171	8,336,240
Capital grants and contributions	1,057,077	722,277	-	-	1,057,077	722,277
General revenues:						
Property taxes	22,482,818	21,540,323	-	-	22,482,818	21,540,323
Other taxes	9,294,188	8,876,998	-	-	9,294,188	8,876,998
Grants and contributions not restricted to specific programs	280,410	259,733	-	-	280,410	259,733
Other	581,424	304,878	1,152	73	582,576	304,951
Total revenues	48,023,232	45,128,576	1,814,919	1,685,926	49,838,151	46,814,502

McDowell County's Changes in Net Position – continued
Years Ended June 30, 2016 and 2015
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Expenses:						
General government	\$ 3,292,568	\$ 3,990,783	\$ -	\$ -	\$ 3,292,568	\$ 3,990,783
Public safety	14,244,430	12,275,916	-	-	14,244,430	12,275,916
Environmental protection	572,726	591,621	-	-	572,726	591,621
Economic and physical development	868,666	891,478	-	-	868,666	891,478
Human services	11,709,096	11,696,529	-	-	11,709,096	11,696,529
Cultural and recreational	1,316,366	1,195,804	-	-	1,316,366	1,195,804
Education	10,658,059	12,471,442	-	-	10,658,059	12,471,442
Interest on long-term debt	372,005	358,319	-	-	372,005	358,319
Universal	-	-	519,573	476,857	519,573	476,857
Waste disposal	-	-	2,204,429	2,209,187	2,204,429	2,209,187
Water	-	-	160,013	147,842	160,013	147,842
Total expenses	43,033,916	43,471,892	2,884,015	2,833,886	45,917,931	46,305,778
Increase (decrease) in net position before transfers	4,989,316	1,656,684	(1,069,096)	(1,147,960)	3,920,220	508,724
Transfers	(1,226,634)	(2,251,709)	1,226,634	2,251,709	-	-
Increase (decrease) in net position	3,762,682	(595,025)	157,538	1,103,749	3,920,220	508,724
Net position, beginning	23,871,348	25,668,795	9,185,183	8,104,202	33,056,531	33,772,997
Restatement	49,019	(1,202,422)	-	(22,768)	49,019	(1,225,190)
Net position, beginning, restated	23,920,367	24,466,373	9,185,183	8,081,434	33,105,550	32,547,807
Net position, ending	\$ 27,683,049	\$ 23,871,348	\$ 9,342,721	\$ 9,185,183	\$ 37,025,770	\$ 33,056,531

Governmental activities. Governmental activities increased the County's net position by \$3,762,682. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 99.19%.
- Increase in grant revenues and sales tax revenue.

Business-type activities. Business-type activities increased the County's net position by \$157,538. Key elements of this increase are as follows:

- Capital assets of \$128,572 were transferred from governmental activities.
- Income was received from leasing of space in the Universal building.
- Subsidy of \$980,585 was received by the Waste Disposal Fund from the General Fund. The subsidy from the General Fund is required due to McDowell County's policy of not imposing a residential solid waste fee.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of McDowell County. At the end of the current fiscal year, McDowell County's fund balance available in the General Fund was \$9,865,278, while total fund balance reached \$14,252,712. The governing body of McDowell County has determined that the County should maintain an available fund balance for the General Fund of at least equal to greater than 18% of the prior year expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. The County currently has an available fund balance of 24.10% of General Fund expenditures and transfers, while total fund balance represents 34.81% of that same amount.

At June 30, 2016, the governmental funds of McDowell County reported a combined fund balance of \$18,822,466, a 6.30% decrease over last year. The primary reason for the decrease is the decrease in fund balance of the Jail and Courthouse Addition/Renovations Capital Project Fund.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,913,208 including increases in grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$490,004.

Actual revenues in the General Fund, when compared to the final budget, had a positive variance of \$225,860.

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 \$146,108 with a current year decrease of \$23,422. The Water Fund had a balance of \$4,135,637, due to a current year decrease of \$76,155. The Universal Fund had a balance of \$5,060,976, due to a current year increase of \$257,115.

Capital Asset and Debt Administration

Capital assets. McDowell County's capital assets for its governmental and business-type activities as of June 30, 2016, total \$33,730,151 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchase of vehicles for public safety.
- Purchase of ambulance.
- Jail and courthouse addition/renovations.
- 911 equipment.
- Renovations to the Universal building.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,547,724	\$ 4,522,724	\$ 752,250	\$ 752,250	\$ 5,299,974	\$ 5,274,974
Land improvements	830,374	829,959	94,726	103,213	925,100	933,172
Buildings	9,324,421	9,617,463	1,894,275	1,935,680	11,218,696	11,553,143
Building improvements	1,721,030	1,775,084	4,214,812	4,177,990	5,935,842	5,953,074
Equipment	1,500,361	1,378,623	332,938	365,207	1,833,299	1,743,830
Infrastructure	-	-	4,052,558	4,147,387	4,052,558	4,147,387
Vehicles	894,816	1,035,242	4,362	5,902	899,178	1,041,144
Construction in progress	3,561,994	398,794	3,510	3,510	3,565,504	402,304
	\$ 22,380,720	\$ 19,557,889	\$ 11,349,431	\$ 11,491,139	\$ 33,730,151	\$ 31,049,028

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	
	2016	2015	2016	2015	2016	2015
Installment purchases payable	\$ 12,585,787	\$ 14,140,958	\$ 2,248,009	\$ 2,471,812	\$ 14,833,796	\$ 16,612,770

McDowell County's total debt decreased by \$1,778,974 during the past fiscal year, due to \$2,268,977 in principal payments on installment purchase obligations, net of new borrowings of \$490,003.

Installment purchases payable include contracts related to the construction of the McDowell County Schools in the amount of \$7,233,333. 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 \$224,430. Installment purchase payable includes a contract for the purchase of the historic McDowell House. This contract will be retired with occupancy tax revenue through the McDowell County Tourism Development Authority. The \$262,500 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 \$292,360,351 at June 30, 2016. 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

McDowell County continues to show gradual improvement. There were no industry closures during the year. The unemployment rate remains steady at 5.2% compared to 5.1% last year. The unemployment rate is below the state average and lower than other counties in the region with the exception of Buncombe County.

Property values and real estate sales have shown improvement over the past twelve months. Residential sales continue to show growth that may be attributable to the proximity to Asheville and its attractions. Commercial development has been steady as well with the opening of several establishments. Population growth remains steady and in the positive range.

McDowell County has continued to attract small manufacturing companies that recognize the skilled workforce and opportunities that exist in the County for growth. The diversity of employers continues to grow with each passing year. Several existing employers continue to express a need for skilled employees, which creates demands on the local workforce training systems at McDowell Technical Community College and the McDowell County Public School System.

The extension of public utilities has long been a priority of McDowell County. Two water projects began during the year that will address several needs and will create economic opportunities for numerous businesses.

The operation of the Universal Advanced Manufacturing Center (UAMC) and the Universal Complex continues to create economic opportunity. The UAMC is providing numerous training opportunities for local employers and workers. The Universal Complex provides space for four private companies that are employing local individuals, paying taxes, and rent for McDowell County.

McDowell County continues to work with the Mission Health System and the McDowell Hospital to improve the healthcare options in the county. The Board of Commissioners approved a limited release of a property reversion clause on the hospital property in order to facilitate the construction of the new hospital facility.

Budget Highlights for the Fiscal Year Ending June 30, 2017

The 2016-2017 McDowell County budget was adopted by the Board of Commissioners with no increase in the General Fund property tax rate. McDowell County retained a fund balance available for appropriation of \$9,865,278 as of June 30, 2016. The approved budget increased the General Fund by \$1,122,524 with growth in the property tax base, sales tax, and several smaller revenue increases.

Budget Highlights for the Fiscal Year Ending June 30, 2017 – continued

The approved budget met the County's debt service obligation. The overall debt ratio remains low at 31.73%. McDowell County did incur additional debt in the amount of \$490,003 in order to purchase vehicles and equipment for public safety.

The budget contained significant accomplishments including the following:

After several years of planning, the expansion of the McDowell County Law Enforcement Center and renovations at the Courthouse began. The major components included additional female and juvenile cells at the Law Enforcement Center, and holding cells, a modern elevator and additional improvements in the Courthouse. The Board authorized feasibility studies of further expansion/renovation of the Courthouse and relocation of court offices.

As stated earlier, the expansion of water lines remains a priority. The extension of the Nebo Water System remains a Board priority. The extension of the line to the Exit 90 Interchange was scheduled to begin in the fall of 2016. The County's consulting engineer continues to study the development of a water treatment plant at Lake James. The federal and state governments are reviewing several permit applications.

Trail and Greenway projects continue to be an important part of the recreational offerings for the people of McDowell County. The NC Parks and Recreation Trust Fund awarded \$250,000 for the construction of Phase III of the Catawba Greenway. Construction should begin in FY 2017. The County also partnered with the US Forest Service to construct a trail bridge along the Catawba Falls Trail. This is the second cooperative project completed with this agency.

McDowell County continued the redevelopment of the Crooked Creek Convenience Center. The site was expanded and improved with paving planned for FY 2017.

Numerous enhancements to the Emergency Services infrastructure continued this year. The Community Care Paramedic Program continued to receive accolades and positive results. The focused attention on frequent-utilizers has cut down on costs for insurers as well as the EMS agency. The County continues to invest in new vehicles each year to insure that the vehicles are safe for the employees and patients.

The City of Marion and McDowell County executed an interlocal agreement to demolish the remaining structures at the former Drexel furniture plant. Once the site is cleared, the City and the County will market the site for industrial/warehouse use.

The Board of Commissioners received a report on Senior Housing Needs and directed staff to explore options in this area.

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, 2016

	Primary Government			Component Unit
	Governmental	Business-type	Total	McDowell County Tourism Development Authority
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 14,874,634	\$ 407,881	\$ 15,282,515	\$ 281,208
Taxes receivable - net	588,958	-	588,958	-
Due from other governments	4,581,186	-	4,581,186	51,802
Other receivables - net	1,244,978	118,153	1,363,131	-
Inventories	84,572	-	84,572	-
Restricted cash	727,288	19,932	747,220	-
Net pension asset	88,019	-	88,019	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	8,109,718	755,760	8,865,478	-
Other capital assets, net of depreciation	14,271,002	10,593,671	24,864,673	13,706
Total capital assets	22,380,720	11,349,431	33,730,151	13,706
Total assets	44,570,355	11,895,397	56,465,752	346,716
Deferred outflows of resources	836,054	14,617	850,671	4,883
Liabilities				
Accounts payable and accrued liabilities	1,735,542	184,729	1,920,271	10,737
Long-term liabilities:				
Net pension liability – LGERS	794,948	15,397	810,345	4,700
Net pension liability – LEOSA	512,683	-	512,683	-
Due within one year	2,059,009	224,341	2,283,350	-
Due in more than one year	12,169,107	2,139,203	14,308,310	10,816
Total long-term liabilities	15,535,747	2,378,941	17,914,688	15,516
Total liabilities	17,271,289	2,563,670	19,834,959	26,253
Deferred inflows of resources	452,071	3,623	455,694	2,443
Net Position				
Net investment in capital assets	17,624,611	9,101,422	26,726,033	13,706
Restricted for:				
Stabilization of State Statute	5,626,737	-	5,626,737	51,802
Register of Deeds	94,854	-	94,854	-
Education	3,259,348	-	3,259,348	-
Human services	274,952	-	274,952	-
Economic and physical development	38,346	-	38,346	-
Environmental protection	3,500	-	3,500	-
Public safety	830,416	-	830,416	-
General government	232,105	-	232,105	-
Unrestricted (deficit)	(301,820)	241,299	(60,521)	257,395
Total net position	\$ 27,683,049	\$ 9,342,721	\$ 37,025,770	\$ 322,903

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

McDowell County, North Carolina

Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit McDowell County Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Governmental activities:									
General government	\$ 3,292,568	\$ 427,756	\$ 17,500	\$ 32,094	\$ (2,815,218)	\$ -	\$ (2,815,218)	\$ -	
Public safety	14,244,430	4,459,988	915,748	69,539	(8,799,155)	-	(8,799,155)	-	
Environmental protection	572,726	435	27,579	1,012	(543,700)	-	(543,700)	-	
Economic and physical development	868,666	33,339	-	196,000	(639,327)	-	(639,327)	-	
Human services	11,709,096	330,474	7,786,382	20,500	(3,571,740)	-	(3,571,740)	-	
Cultural and recreational	1,316,366	52,152	275,962	-	(988,252)	-	(988,252)	-	
Education	10,658,059	-	-	737,932	(9,920,127)	-	(9,920,127)	-	
Interest on long-term debt	372,005	-	-	-	(372,005)	-	(372,005)	-	
Total governmental activities	43,033,916	5,304,144	9,023,171	1,057,077	(27,649,524)	-	(27,649,524)	-	
Business-type activities:									
Universal	519,573	530,330	-	-	-	10,757	10,757	-	
Waste disposal	2,204,429	1,199,774	-	-	-	(1,004,655)	(1,004,655)	-	
Water	160,013	83,663	-	-	-	(76,350)	(76,350)	-	
Total business-type activities	2,884,015	1,813,767	-	-	-	(1,070,248)	(1,070,248)	-	
Total government	\$ 45,917,931	\$ 7,117,911	\$ 9,023,171	\$ 1,057,077	\$ (27,649,524)	\$ (1,070,248)	\$ (28,719,772)	-	
Component Unit:									
Tourism development	\$ 431,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (431,919)	

McDowell County, North Carolina

Statement of Activities – continued

Year Ended June 30, 2016

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	
Total government	\$ 45,917,931	\$ 7,117,911	\$ 9,023,171	\$ 1,057,077	\$ (27,649,524)	\$ (1,070,248)	\$ (28,719,772)	-	
Component Unit:									
Tourism development	\$ 431,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(431,919)	
General revenues:									
Taxes:									
Property taxes, levied for general purpose					22,482,818	-	22,482,818	-	
Local option sales taxes					8,210,502	-	8,210,502	-	
Other taxes and licenses					1,083,686	-	1,083,686	434,745	
Grants and contributions not restricted to specific programs					280,410	-	280,410	-	
Investment earnings, unrestricted					22,295	1,152	23,447	524	
Miscellaneous, unrestricted					559,129	-	559,129	885	
Transfer					(1,226,634)	1,226,634	-	-	
Total general revenues and transfers					31,412,206	1,227,786	32,639,992	436,154	
Changes in net position					3,762,682	157,538	3,920,220	4,235	
Net position, beginning, previously reported					23,871,348	9,185,183	33,056,531	318,668	
Restatement					49,019	-	49,019	-	
Net position, beginning, restated					23,920,367	9,185,183	33,105,550	318,668	
Net position, ending					\$ 27,683,049	\$ 9,342,721	\$ 37,025,770	\$ 322,903	

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

McDowell County, North Carolina

Balance Sheets

Governmental Funds

June 30, 2016

	Major			Nonmajor	
	General Fund	School Capital Projects Fund	Universal Career Pathways Center Project	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 10,201,536	\$ 3,337,941	\$ -	\$ 952,226	\$ 14,491,703
Restricted cash	419,035	308,253	-	-	727,288
Taxes receivable - net	435,678	-	-	48,840	484,518
Accounts receivable – other governments	3,257,311	650,093	429,839	243,943	4,581,186
Accounts receivable EMS – net	1,043,291	-	-	-	1,043,291
Accounts receivable – other	147,404	-	-	-	147,404
Inventories	84,572	-	-	-	84,572
Due from other funds	772,918	-	-	-	772,918
Total assets	\$ 16,361,745	\$ 4,296,287	\$ 429,839	\$ 1,245,009	\$ 22,332,880
Liabilities					
Accounts payable and accrued liabilities	\$ 723,037	\$ 386,846	\$ -	\$ 192,777	\$ 1,302,660
Due to other funds	-	-	600,839	172,079	772,918
Total liabilities	723,037	386,846	600,839	364,856	2,075,578
Deferred inflows of resources	1,385,996	-	-	48,840	1,434,836
Fund balances					
Nonspendable:					
Inventories	84,572	-	-	-	84,572
Restricted:					
Stabilization by State Statute	4,302,862	650,093	429,839	243,943	5,626,737
Register of Deeds	94,854	-	-	-	94,854
911 Funds	-	-	-	121,571	121,571
School capital	-	3,259,348	-	-	3,259,348
General government	61,368	-	-	170,737	232,105
Public safety	253,871	-	-	454,974	708,845
Human services	274,952	-	-	-	274,952
Environmental protection	-	-	-	3,500	3,500
Economic and physical development	16,497	-	-	21,849	38,346
Committed:					
Tax revaluation	47,887	-	-	-	47,887
LEO special separation allowance	33,301	-	-	-	33,301
Assigned:					
Subsequent year’s expenditures	356,639	-	-	-	356,639
Debt service	-	-	-	9	9
General government	-	-	-	11,314	11,314
Public safety	374,843	-	-	-	374,843
Economic and physical development	-	-	-	126	126
Unassigned (deficit)	8,351,066	-	(600,839)	(196,710)	7,553,517
Total fund balances (deficit)	14,252,712	3,909,441	(171,000)	831,313	18,822,466
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,361,745	\$ 4,296,287	\$ 429,839	\$ 1,245,009	\$ 22,332,880

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

McDowell County, North Carolina

Balance Sheets – continued

Governmental Funds – continued

June 30, 2016

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

Governmental fund balances	\$ 18,822,466
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,380,720
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	104,440
Net pension asset	88,019
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	729,225
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.	246,736
Deferred inflows of resources for taxes and other receivables.	1,402,579
Pension related deferrals	(312,986)
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.	(15,778,150)
<hr/> Net position of governmental activities	<hr/> \$ 27,683,049

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, 2016

	Major			Nonmajor	
	General Fund	School Capital Projects Fund	Universal Career Pathways Center Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 20,010,693	\$ -	\$ -	\$ 2,654,835	\$ 22,665,528
Local option sales taxes	5,818,266	2,392,236	-	-	8,210,502
Other taxes and licenses	1,083,686	-	-	-	1,083,686
Unrestricted intergovernmental	280,410	-	-	-	280,410
Restricted intergovernmental	7,909,298	737,932	-	560,530	9,207,760
Permits and fees	178,766	-	-	-	178,766
Sales and services	4,986,772	-	-	-	4,986,772
Investment earnings	15,907	6,087	-	301	22,295
Miscellaneous	791,113	60,523	179,000	259,242	1,289,878
Total revenues	41,074,911	3,196,778	179,000	3,474,908	47,925,597
Expenditures:					
Current:					
General government	4,411,049	-	-	-	4,411,049
Public safety	9,904,592	-	-	3,243,365	13,147,957
Environmental protection	693,695	-	-	-	693,695
Economic and physical development	803,760	-	-	-	803,760
Human services	11,561,363	-	-	-	11,561,363
Cultural and recreational	1,002,936	-	-	168,967	1,171,903
Miscellaneous	433,626	-	-	-	433,626
Intergovernmental:					
Education	9,334,757	-	-	-	9,334,757
Capital outlay	-	1,477,206	128,572	3,176,201	4,781,979
Debt service	978,374	-	-	1,264,425	2,242,799
Total expenditures	39,124,152	1,477,206	128,572	7,852,958	48,582,888
Revenues over (under) expenditures	1,950,759	1,719,572	50,428	(4,378,050)	(657,291)
Other financing sources (uses):					
Transfers to other funds	(2,307,758)	(1,215,794)	-	-	(3,523,552)
Transfers from other funds	220,237	-	3,572	2,201,681	2,425,490
Installment purchase obligations issued	490,003	-	-	-	490,003
Total other financing sources (uses)	(1,597,518)	(1,215,794)	3,572	2,201,681	(608,059)
Net change in fund balances	353,241	503,778	54,000	(2,176,369)	(1,265,350)
Fund balances (deficit) – beginning of year	13,850,452	3,405,663	(225,000)	3,007,682	20,038,797
Restatement	49,019	-	-	-	49,019
Fund balances (deficit) – end of year	\$ 14,252,712	\$ 3,909,441	\$ (171,000)	\$ 831,313	\$ 18,822,466

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, 2016

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

Net change in fund balances – total governmental funds	\$ (1,265,350)
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 exceeded depreciation in the current period.	2,868,551
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.	(45,720)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	729,225
Revenues in the fund financial statements that were previously recognized as revenues in the government-wide financial statements.	143,356
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.	1,555,171
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.	(455,517)
Net income of internal service fund, determined to be a governmental-type activity.	232,966
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Total changes in net position of governmental activities	\$ 3,762,682
<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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 19,841,910	\$ 19,841,910	\$ 20,010,693	\$ 168,783
Local option sales taxes	5,770,498	5,770,498	5,818,266	47,768
Other taxes and licenses	1,012,472	1,121,972	1,083,686	(38,286)
Unrestricted intergovernmental	135,000	160,000	280,410	120,410
Restricted intergovernmental	8,036,661	9,086,359	7,909,298	(1,177,061)
Permits and fees	193,920	196,025	178,766	(17,259)
Sales and services	3,834,492	4,290,510	4,986,772	696,262
Investment earnings	20,000	20,000	15,817	(4,183)
Miscellaneous	90,800	361,687	791,113	429,426
Total revenues	38,935,753	40,848,961	41,074,821	225,860
Expenditures:				
Current:				
General government	4,431,920	4,618,230	4,411,049	207,181
Public safety	9,105,906	10,578,419	9,904,592	673,827
Environmental protection	854,061	896,703	693,695	203,008
Economic and physical development	838,792	815,074	803,760	11,314
Human services	11,532,966	12,698,592	11,561,363	1,137,229
Cultural and recreational	1,032,341	1,069,636	1,002,936	66,700
Miscellaneous	108,153	544,424	433,626	110,798
Intergovernmental:				
Education	9,445,943	9,445,943	9,334,757	111,186
Debt service	995,059	994,799	978,374	16,425
Total expenditures	38,345,141	41,661,820	39,124,152	2,537,668
Revenues over (under) expenditures	590,612	(812,859)	1,950,669	2,763,528
Other financing sources (uses):				
Transfers to other funds	(1,380,849)	(2,322,758)	(2,322,758)	-
Transfers from other funds	220,237	220,237	220,237	-
Installment purchase obligations issued	-	490,004	490,003	(1)
Fund balance appropriated	570,000	2,425,376	-	(2,425,376)
Total other financing sources (uses)	(590,612)	812,859	(1,612,518)	(2,425,377)
Net change in fund balance	\$ -	\$ -	338,151	\$ 338,151
Fund balance - beginning of year			13,817,655	
Restatement			49,019	
Fund balance - end of year			14,204,825	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			90	
Transfer in from General Fund			15,000	
Fund Balance, beginning			32,797	
Fund Balance, ending (Page 20)			\$ 14,252,712	

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

McDowell County, North Carolina

Statements of Net Position

Proprietary Funds

June 30, 2016

	Major					
	Enterprise Funds					Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total		Self Insurance Fund
Assets						
Current assets:						
Cash	\$ 181,026	\$ 85,354	\$ 141,501	\$ 407,881		\$ 382,931
Receivables - net	105	1,138	116,910	118,153		54,283
Total current assets	181,131	86,492	258,411	526,034		437,214
Noncurrent assets:						
Restricted cash	-	19,932	-	19,932		-
Capital assets:						
Land and construction in progress	752,250	3,510	-	755,760		-
Other capital assets, net of depreciation	6,294,588	4,052,558	246,525	10,593,671		-
Total capital assets	7,046,838	4,056,068	246,525	11,349,431		-
Total noncurrent assets	7,046,838	4,076,000	246,525	11,369,363		-
Total assets	7,227,969	4,162,492	504,936	11,895,397		437,214
Deferred outflows of resources						
	-	-	14,617	14,617		-
Liabilities						
Current liabilities:						
Accounts payable	3,660	6,923	154,214	164,797		190,478
Customer deposits	-	19,932	-	19,932		-
Current installments of long-term debt	196,667	-	27,674	224,341		-
Total current liabilities	200,327	26,855	181,888	409,070		190,478
Noncurrent liabilities:						
Accrued landfill closure and postclosure care costs	-	-	30,000	30,000		-
Compensated absences payable	-	-	5,054	5,054		-
Net pension liability	-	-	15,397	15,397		-
Other postemployment benefits	-	-	80,481	80,481		-
Long-term debt	1,966,666	-	57,002	2,023,668		-
Total noncurrent liabilities	1,966,666	-	187,934	2,154,600		-
Total liabilities	2,166,993	26,855	369,822	2,563,670		190,478
Deferred inflows of resources						
	-	-	3,623	3,623		-
Net position						
Net investment in capital assets	4,883,505	4,056,069	161,848	9,101,422		-
Unrestricted (deficit)	177,471	79,568	(15,740)	241,299		246,736
Total net position	\$ 5,060,976	\$ 4,135,637	\$ 146,108	\$ 9,342,721		\$ 246,736

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, 2016

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self-Insurance Fund
Operating revenues:					
Charges for services	\$ 530,330	\$ 82,427	\$ 1,178,558	\$ 1,791,315	\$ 3,575,197
Other operating revenues	-	1,236	21,216	22,452	-
Total operating revenues	530,330	83,663	1,199,774	1,813,767	3,575,197
Operating expense:					
Salaries and benefits	-	-	266,804	266,804	2,800,041
Operating expenses	109,799	65,184	1,893,290	2,068,273	542,190
Depreciation	310,176	94,829	42,266	447,271	-
Total operating expenses	419,975	160,013	2,202,360	2,782,348	3,342,231
Operating income (loss)	110,355	(76,350)	(1,002,586)	(968,581)	232,966
Non-operating revenues (expenses):					
Investment earnings	309	195	648	1,152	-
Interest expense	(99,598)	-	(2,069)	(101,667)	-
Total non-operating revenues (expenses)	(99,289)	195	(1,421)	(100,515)	-
Income (loss) before contributions and transfers	11,066	(76,155)	(1,004,007)	(1,069,096)	232,966
Capital contributions	128,572	-	-	128,572	-
Transfers from General Fund	337,714	-	980,585	1,318,299	-
Transfer to General Fund	(220,237)	-	-	(220,237)	-
Change in net position	257,115	(76,155)	(23,422)	157,538	232,966
Net position - beginning of year	4,803,861	4,211,792	169,530	9,185,183	13,770
Net position - end of year	\$ 5,060,976	\$ 4,135,637	\$ 146,108	\$ 9,342,721	\$ 246,736

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, 2016

	Major					
	Enterprise Funds					Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total		Self Insurance-Fund
Cash flows from operating activities:						
Cash received from customers and users of services	\$ 556,596	\$ 83,290	\$ 1,209,730	\$ 1,849,616		\$ 3,609,502
Cash paid for goods and services	(114,560)	(62,615)	(1,824,708)	(2,001,883)		(542,190)
Cash paid to employees for services and for employee benefits	-	-	(276,762)	(276,762)		(2,901,330)
Customer deposits received	-	2,096	-	2,096		-
Net cash provided (used) by operating activities	442,036	22,771	(891,740)	(426,933)		165,982
Cash flows from non-capital financing activities:						
Transfer from General Fund	337,714	-	980,585	1,318,299		-
Transfer to Universal Career Pathways Skill Center Project	(220,237)	-	-	(220,237)		-
Net cash provided (used) by non-capital financing activities	117,477	-	980,585	1,098,062		-
Cash flows from capital and related financing activities:						
Purchase of property and equipment	(176,991)	-	-	(176,991)		-
Repayment of long-term debt	(196,666)	-	(27,137)	(223,803)		-
Interest paid	(99,598)	-	(2,069)	(101,667)		-
Net cash used by capital and related financing activities	(473,255)	-	(29,206)	(502,461)		-
Cash flows from investing activities:						
Investment earnings	309	195	648	1,152		-
Net cash provided by investing activities	309	195	648	1,152		-
Net increase in cash	86,567	22,966	60,287	169,820		165,982
Cash - beginning of year	94,459	82,320	81,214	257,993		216,949
Cash - end of year	\$ 181,026	\$ 105,286	\$ 141,501	\$ 427,813		\$ 382,931
Presented on the accompanying statements of net position as:						
Cash	\$ 181,026	\$ 85,354	\$ 141,501	\$ 407,881		\$ 382,931
Restricted cash	-	19,932	-	19,932		-
	\$ 181,026	\$ 105,286	\$ 141,501	\$ 427,813		\$ 382,931

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, 2016

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self-Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 110,355	\$ (76,350)	\$ (1,002,586)	\$ (968,581)	\$ 232,966
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	310,176	94,829	42,266	447,271	-
Provision for uncollectible accounts	-	-	6,994	6,994	-
Changes in:					
Accounts receivable	26,266	(373)	2,962	28,855	34,305
Net pension asset	-	-	18,281	18,281	-
Deferred outflows of resources – pensions	-	-	270	270	-
Accounts payable	(4,761)	2,569	68,581	66,389	(101,289)
Customer deposits	-	2,096	-	2,096	-
Net pension liability	-	-	15,397	15,397	-
Compensated absences payable	-	-	(4,128)	(4,128)	-
Other postemployment benefits payable	-	-	1,155	1,155	-
Deferred inflows of resources for pensions	-	-	(40,932)	(40,932)	-
Net cash provided (used) by operating activities	\$ 442,036	\$ 22,771	\$ (891,740)	\$ (426,933)	\$ 165,982
Noncash financing activities:					
Assets acquired through contributed capital	\$ 128,572	\$ -	\$ -	\$ 128,572	\$ -

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

McDowell County, North Carolina

Statements of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Agency Funds
<hr/>	
<u>Assets</u>	
Cash and investments	\$ 43,562
Accounts receivable - other governments	48,574
Accounts receivable - other	5,373
Total assets	97,509
<hr/>	
<u>Liabilities and net position</u>	
Liabilities:	
Miscellaneous liabilities	46,114
Intergovernmental payable	51,395
Total liabilities	97,509
<hr/>	
Net position:	
Assets held in trust for pension benefits	\$ -
<hr/>	

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

McDowell County, North Carolina

Notes to Financial Statements

June 30, 2016

Note A – Summary of Significant Accounting Policies:

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

(1) Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. McDowell County Industrial Facility and Pollution Control Financing Authority (the Financing Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Financing Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The McDowell County Tourism Development Authority (Authority), which has a June 30 year-end, is presented as if it is a separate governmental fund of the County (discrete presentation).

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

(2) Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

Note A – Summary of Significant Accounting Policies – continued:

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

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

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

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

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

Universal Career Pathways Skill Center Project. The County uses this fund to account for expenditures related to the renovation of space at McDowell Technical Community College and the former Universal building, partially funded by the Golden Leaf Foundation.

Note A – Summary of Significant Accounting Policies – continued:

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

The County reports the following major enterprise funds:

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

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

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

The County reports the following fund types:

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 is 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.

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

Note A – Summary of Significant Accounting Policies – continued:

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

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

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

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

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

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

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.

Note A – Summary of Significant Accounting Policies – continued:

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

(3) Budgetary Data

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

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.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note A – Summary of Significant Accounting Policies – continued:

(3) Budgetary Data – continued

Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$3,000 except for amendments to travel line items, which cannot be altered by more than \$1,000 without approval. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The investments of the County and the Authority are reported at fair value. The NCCMT Cash Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Authority considers demand deposits to be cash and cash equivalents.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note A – Summary of Significant Accounting Policies – continued:

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

Restricted Cash

The unexpended proceeds from installment purchase obligations issued for the purchase of public safety vehicles, including an ambulance, 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 Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. 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	Tax revaluation	\$	47,887
General Fund	Unexpended debt proceeds		371,148
School Capital Projects Fund	Unexpended Public School Building funds		308,253
Total governmental activities			727,288

Business-type activities:

Water Fund	Customer deposits		19,932
Total business-type activities			19,932

Total restricted cash		\$	747,220
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Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and allocated to expense as consumed.

Note A – Summary of Significant Accounting Policies – continued:

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The County has established a minimum capitalization policy of \$5,000 for all categories of capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Note A – Summary of Significant Accounting Policies – continued:

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

Long-Term Obligations

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

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

Compensated Absences

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

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Note A – Summary of Significant Accounting Policies – continued:

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

Fund Balances – continued

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

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

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

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

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

Restricted for General Government – Portion of fund balance that is restricted by revenue source for the Public, Educational and Governmental (PEG) access cable channel.

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

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

Restricted for Environmental Protection – Portion of fund balance that is restricted by revenue source for environmental protection needs of McDowell County.

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

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

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

Committed for LEO Pension Obligation – Portion of fund balance that will be used for the Law Enforcement Officers’ Special Separation Allowance obligations.

Note A – Summary of Significant Accounting Policies – continued:

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

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

Subsequent year's expenditures – Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$3,000.

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

Assigned for General Government – Portion of fund balance that has been budgeted by the board for the Lake James EPA Project, Harmony Grove Road/I-40 Interchange Water Line Project, and the Universal Water Line Project.

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

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

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

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

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

Note A – Summary of Significant Accounting Policies – continued:

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

Defined Benefit Pension Plans

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$8,860,583 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)	\$ 41,091,802
Less accumulated depreciation	(18,711,082)
Net capital assets	22,380,720
Net pension asset	88,019
Contributions to the pension plan in the current fiscal year	729,225
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.	104,440

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note A – Summary of Significant Accounting Policies – continued:

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

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

Description	Amount
Assets, net of liabilities, of the internal service fund, included in proprietary funds for fund financial statements and deemed to be governmental activity in the government-wide.	\$ 246,736
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide.	1,402,579
Pension related deferrals	(312,986)
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	(12,585,787)
Compensated absences	(716,071)
Other postemployment benefits	(926,258)
Net pension liability	(1,307,631)
Accrued interest payable	(61,353)
Other long-term liabilities	(181,050)
Total adjustment	\$ 8,860,583

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 \$5,028,032 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 4,140,943
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.	(1,272,392)
Cost of disposed capital assets not recorded in fund statements.	(45,720)
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.	(490,003)

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note A – Summary of Significant Accounting Policies – continued:

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

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

Description	Amount
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	\$ 2,045,174
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	729,225
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).	10,099
Difference in net pension obligation (LEOSSA), accrued in the government-wide statements but not in the fund statements.	(23,942)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	22,546
Difference in other postemployment benefits, accrued in the government-wide statements but not in the fund statements.	(47,210)
Difference in amounts payable under various inter-local agreements.	51,968
County's portion of collective pension expense	(468,978)
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.	(25,914)
Decrease in deferred inflows of resources.	169,270
Net income of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	232,966
Total adjustment	\$ 5,028,032

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

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, 2016, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
General Fund:			
Facility maintenance – salaries and employee benefits	\$ 477,607	\$ 477,624	\$ 17
Jail – salaries and employee benefits	1,009,634	1,009,798	164
Medical examiner	52,610	60,410	7,800
Senior Center – salaries and employee benefits	527,480	527,556	76
Library – salaries and employee benefits	513,696	513,712	16
Fire and Rescue Districts Fund:			
McDowell County Rescue	360,000	361,713	1,713
Harmony Grove Road/I-40 Interchange Water Line Project:			
Grant administration	10,000	15,762	5,762

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

Deficit Fund Balances of Individual Funds

The following individual fund has a deficit fund balance at June 30, 2016: Universal Career Pathways Skill Center Project (\$171,000). The deficit fund balance is expected to be recovered through revenues in the June 30, 2017 fiscal year.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds:

(1) Assets

Deposits

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

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

At June 30, 2016, the County's deposits had a carrying amount of \$8,082,418 and a bank balance of \$8,966,524. Of the bank balance, \$1,399,425 was covered by federal depository insurance, and \$7,183,307 in interest bearing deposits and \$383,792 in non-interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2016, the County had \$6,759 cash on hand.

At June 30, 2016, the Authority's portion of cash on deposit with the County had a carrying amount of \$281,158.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Investments

At June 30, 2016, the County’s investment balances were as follows:

Investment Type	Valuation Measurement Method	Fair Value
North Carolina Capital Management Trust: Cash Portfolio, cash equivalent	Amortized cost	\$ 7,984,122
Total Investments		\$ 7,984,122

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, 2016.

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, 2016

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
2013	\$ 253,171	\$ 66,000	\$ 319,171
2014	285,383	48,618	334,001
2015	276,511	22,126	298,637
2016	302,414	-	302,414
Total	\$ 1,117,479	\$ 136,744	\$ 1,254,223

Receivables

Receivables at the government-wide level at June 30, 2016 were as follows:

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
Governmental Activities:					
General	\$ 1,260,101	\$ 3,257,311	\$ 5,885,285	\$ 201,687	\$ 10,604,384
Other Governmental	94,416	1,323,875	-	-	1,418,291
Total receivables	1,354,517	4,581,186	5,885,285	201,687	12,022,675
Allowance for doubtful accounts	(765,559)	-	(4,841,994)	-	(5,607,553)
Total - governmental activities	\$ 588,958	\$ 4,581,186	\$ 1,043,291	\$ 201,687	\$ 6,415,122
Business-type Activities:					
Universal	\$ -	\$ -	\$ -	\$ 105	\$ 105
Waste disposal	-	-	-	139,557	139,557
Water	-	-	-	1,138	1,138
Total receivables	-	-	-	140,800	140,800
Allowance for doubtful accounts	-	-	-	(22,647)	(22,647)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 118,153	\$ 118,153

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

Local option sales tax	\$ 2,250,160
State and federal assistance	1,103,756
Other	1,227,270
Total	\$ 4,581,186

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balances 07/01/15	Increases	Decreases	Balances 06/30/16
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,522,724	\$ 25,000	\$ -	\$ 4,547,724
Construction in progress	398,794	3,163,200	-	3,561,994
Total capital assets not being depreciated	4,921,518	3,188,200	-	8,109,718
Capital assets being depreciated:				
Building improvements	2,777,026	83,123	-	2,860,149
Buildings	19,222,973	52,231	-	19,275,204
Equipment	4,261,426	488,746	72,189	4,677,983
Land improvements	1,551,288	81,165	-	1,632,453
Vehicles	4,288,817	247,478	-	4,536,295
Total capital assets being depreciated	32,101,530	952,743	72,189	32,982,084
Less accumulated depreciation for:				
Building improvements	1,001,942	137,177	-	1,139,119
Buildings	9,605,510	345,273	-	9,950,783
Equipment	2,882,803	321,288	26,469	3,177,622
Land improvements	721,329	80,750	-	802,079
Vehicles	3,253,575	387,904	-	3,641,479
Total accumulated depreciation	17,465,159	\$ 1,272,392	\$ 26,469	18,711,082
Total capital assets being depreciated, net	14,636,371			14,271,002
Governmental activity capital assets, net	\$ 19,557,889			\$ 22,380,720

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

General government	\$ 178,980
Public safety	671,062
Economic and physical development	44,507
Environmental protection	53,099
Human services	174,895
Cultural and recreational	149,849
Total depreciation expense	\$ 1,272,392

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/15	Increases	Decreases	Balances 06/30/16
Business-type activities:				
Universal:				
Capital assets not being depreciated:				
Land	\$ 752,250	\$ -	\$ -	\$ 752,250
Total capital assets not being depreciated	752,250	-	-	752,250
Capital assets being depreciated:				
Buildings	2,070,246	-	-	2,070,246
Building Improvements	4,449,749	273,298	-	4,723,047
Equipment	188,279	18,465	-	206,744
Land Improvements	26,700	13,800	-	40,500
Total capital assets being depreciated	6,734,974	305,563	-	7,040,537
Less accumulated depreciation for:				
Buildings	134,566	41,405	-	175,971
Building improvements	271,759	236,476	-	508,235
Equipment	27,891	28,590	-	56,481
Land Improvements	1,557	3,705	-	5,262
Total accumulated depreciation	435,773	310,176	-	745,949
Total capital assets being depreciated, net - Universal	6,299,201			6,294,588
Total capital assets, net - Universal	7,051,451			7,046,838
Waste Disposal:				
Capital assets being depreciated:				
Buildings	203,914	-	-	203,914
Equipment	370,329	-	-	370,329
Land improvements	199,869	-	-	199,869
Vehicles	477,765	-	-	477,765
Total capital assets being depreciated	1,251,877	-	-	1,251,877
Less accumulated depreciation for:				
Buildings	203,914	-	-	203,914
Equipment	165,510	22,144	-	187,654
Land improvements	121,799	18,582	-	140,381
Vehicles	471,863	1,540	-	473,403
Total accumulated depreciation	963,086	42,266	-	1,005,352
Total capital assets being depreciated, net - waste disposal	288,791			246,525

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/15	Increases	Decreases	Balances 06/30/16
Business-type activities - continued:				
Water:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,510	\$ -	\$ -	\$ 3,510
Total capital assets not being depreciated	3,510	-	-	3,510
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	4,675,112	-	-	4,675,112
Computer software	12,733	-	-	12,733
Total capital assets being depreciated	4,688,989	-	-	4,688,989
Less accumulated depreciation for:				
Equipment	1,144	-	-	1,144
Infrastructure	527,725	94,829	-	622,554
Computer software	12,733	-	-	12,733
Total accumulated depreciation	541,602	\$ 94,829	\$ -	636,431
Total capital assets being depreciated, net - water	4,147,387			4,052,558
Total capital assets, net - water	4,150,897			4,056,068
Business-type activities capital assets, net	\$ 11,491,139			\$ 11,349,431

Construction Commitments

The government has active construction projects as of June 30, 2016. The projects include various school capital projects and the Jail and Courthouse Addition/Renovations Project. At June 30, 2016, the government's commitments with contractors are as follows:

Project	Spent-to date	Remaining Commitment
Jail and Courthouse Addition/Renovations	\$ 2,859,341	\$ 432,987
PG Roof #1	39,236	15,297
Central Office Roof	50,595	6,142
West Middle School Roof	275,103	219,568
High School Stadium	185,896	167,204
High School Addition	9,316,174	157,483
	\$ 12,726,345	\$ 998,681

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities

Payables

Payables at the government-wide level at June 30, 2016 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental activities:					
General	\$ 722,839	\$ 198	\$ 61,353	\$ 181,051	\$ 965,441
Other governmental	579,623	190,478	-	-	770,101
	<u>\$ 1,302,462</u>	<u>\$ 190,676</u>	<u>\$ 61,353</u>	<u>\$ 181,051</u>	<u>\$ 1,735,542</u>
Business-type activities:					
Universal	\$ 3,660	\$ -	\$ -	\$ -	\$ 3,660
Waste disposal	154,214	-	-	-	154,214
Water fund	6,923	-	-	19,932	26,855
	<u>\$ 164,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,932</u>	<u>\$ 184,729</u>

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description

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

2. Benefits Provided

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

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

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

2. **Benefits Provided – continued**

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

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

3. **Contributions**

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County’s contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.78% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$740,011 for the year ended June 30, 2016.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

4. Refunds of Contributions

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

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

At June 30, 2016, the County reported a liability of \$810,345 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County’s proportion was .181%, which was an increase of .002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$475,292. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 190,477
Net difference between projected and actual earnings on pension plan investments	-	230,702
Changes in proportion and differences between County contributions and proportionate share of contributions	101,864	-
County contributions subsequent to the measurement date	740,011	-
Total Investments	\$ 841,875	\$ 421,179

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

\$740,011 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (236,202)
2018	(236,202)
2019	(236,184)
2020	389,273
2021	-
Thereafter	-

1. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

1. Actuarial Assumptions – continued

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies’ return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

2. Discount rate

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County’s proportionate share of the net pension liability (asset)	\$ 5,650,628	\$ 810,345	\$ (3,267,492)

4. Pension plan fiduciary net position

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

McDowell County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68. All full-time County law enforcement officers are covered by the Separation Allowance.

At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
<u>Active plan members</u>	<u>42</u>
<u>Total</u>	<u>46</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions for the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50% to 7.35% 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, 2015 was 15 years.

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

Employer annual required contribution	\$	72,840
Interest on net pension obligation		24,287
Adjustment to annual required contribution		(27,092)
Annual pension cost		70,035
Benefit payments made		(43,093)
Increase in net pension obligation		26,942
Net pension obligation, beginning of fiscal year		485,741
Net pension obligation, end of fiscal year	\$	512,683

Assets reserved to pay benefits are reported as committed fund balance in the General Fund. Benefit payments reduce the net pension obligation.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities - continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

4. Funded Status and Funding Progress

For Year Ended June 30	3 Year Trend Information			Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed		
2014	\$ 47,644	0.00%	\$ 455,355	
2015	\$ 57,886	47.51%	\$ 485,741	
2016	\$ 70,035	61.53%	\$ 512,683	

As of December 31, 2015, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$822,362. The covered payroll (annual payroll of active employees covered by the plan) was \$1,747,623, and the ratio of the UAAL to the covered payroll was 47.06%.

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, 2016 were \$80,428 which consisted of \$68,300 from the County and \$12,128 from law enforcement officers.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

d. Deferred Compensation Plan

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

For all employees eligible to participate in either the 457 or 401(k) plan, the County has approved a contribution of a fixed amount, \$16.67 per pay period. For the year ended June 30, 2016, contributions of \$14,521 were made to the Section 457 plan, which consisted of \$5,384 from the County and \$9,137 from employees. For the year ended June 30, 2016, contributions of \$185,611 were made to the 401(k) plan, which consisted of \$101,687 from the County and \$83,924 from employees.

e. Registers of Deeds' Supplemental Pension Fund

1. Plan Description

McDowell County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds' Supplemental Pension Fund – continued

1. Plan Description – continued

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

2. Benefits Provided

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

3. Contributions

Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,274 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$88,019 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was .380% which was a decrease of .005% from its proportion measured as of June 30, 2014.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds’ Supplemental Pension Fund – continued

For the year ended June 30, 2016, the County recognized pension expense of \$(2,240). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 431	\$ 1,457
Net difference between projected and actual earnings on pension plan investments	4,365	-
Changes in proportion and differences between County contributions and proportionate share of contributions	726	801
County contributions subsequent to the measurement date	3,274	-
Total Investments	\$ 8,796	\$ 2,258

\$3,274 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 422
2018	668
2019	996
2020	1,178
2021	-
Thereafter	-

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds’ Supplemental Pension Fund – continued

1. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real estate rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds’ Supplemental Pension Fund – continued

1. Actuarial Assumptions – continued

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

2. Discount Rate

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

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

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

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.25%)
County’s proportionate share of the net pension liability (asset)	\$ (79,413)	\$ (88,019)	\$ (95,426)

4. Pension plan fiduciary net position

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

f. Other Postemployment Benefits

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

Membership of the plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	17	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	135	29
Total	152	33

1. Funding Policy

The County has chosen to fund the healthcare benefits on a pay as you go basis. The current ARC rate is 4.63% of annual covered payroll. For the current year, the County contributed \$223,143. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.50% and .81% of covered payroll, respectively. There were no contributions made by employees. The County's obligation to contribute to the plan is established and may be amended by the Board of Commissioners.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

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	\$	286,464
Interest on net OPEB obligation		38,334
Adjustments to annual required contribution		(53,289)
Annual OPEB cost (expense)		271,509
Contributions made		(223,144)
Increase in net OPEB obligation		48,365
Net OPEB obligation, beginning of year		958,374
Net OPEB obligation, end of year	\$	1,006,739

The net OPEB obligation at June 30, 2016 includes \$926,258 reported in the governmental activities and \$80,481 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
2014	\$ 203,755	21.45%	\$ 835,980
2015	\$ 201,266	39.19%	\$ 958,374
2016	\$ 271,509	82.19%	\$ 1,006,739

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

f. Other Postemployment Benefits – continued

4. Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL), was \$3,049,113. The covered payroll (annual payroll of active employees covered by the plan) was \$6,189,724, and the ratio of the UAAL to the covered payroll was 49.26 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

In the December 31, 2014 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate varied between 7.50% to 5.00% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 7 year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

g. Other Employment Benefits

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

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants.

For the fiscal year ended June 30, 2016, the County made contributions to the State for death benefits of \$12,333. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% and 0.14% of covered payroll, respectively.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

g. Other Employment Benefits – continued

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

Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions – difference between expected and actual experience		
LGERS	\$ -	\$ 190,477
Register of Deeds	431	1,457
Pensions – difference between projected and actual investment earnings	4,365	230,702
Pensions – change in proportion and difference between employer contributions and proportionate share of contributions	102,590	801
Contributions to pension plan in 2015-2016 fiscal year	743,285	-
Prepaid taxes not yet earned	-	32,257
Total	\$ 850,671	\$ 455,694
Prepaid taxes not yet earned (General)	-	32,257
Taxes receivable, net (General)	-	435,678
Taxes receivable, net (Special Revenue)	-	48,840
Other receivables (General)	-	88,750
EMS receivables (General)	-	829,311
Total	\$ -	\$ 1,434,836

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one of the self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains workers' compensation coverage up to the statutory limits. The pool is reinsured through commercial companies for losses in excess of \$750,000 (annual aggregate) for workers' compensation.

The County carries flood insurance on two County properties located in designated flood plain areas, the Old Fort library and the McDowell House. Coverage is purchased from a commercial carrier in the amount of \$500,000 for the Old Fort library building and \$500,000 for the McDowell House building.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond, in the following amounts: Finance Officer, \$50,000; DSS Director, \$50,000; Tax Collectors (5), \$15,000 each; DMV Clerks (3), \$15,000 each; Tax Assessor, \$15,000; Sheriff, \$25,000 and Register of Deeds, \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000. The Finance Officer of the County also serves as the Finance Officer of the Authority. In accordance with G.S. 159-29, the Finance Officer of the Authority should be covered under a separate performance bond, in addition to bonding under the County's performance bond and blanket bond. The Authority has an individual bond for the Finance Officer of \$50,000.

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Risk Management – continued

The McDowell County Health Care Benefit Plan is a self-funded program. It provides coverage to employees, retirees, covered dependents and eligible former employees. The total cost of health care coverage including premiums for stop-loss coverage, administrative fees and claims paid, less amounts withheld from employees and reimbursed under stop-loss coverage, totaled \$3,116,992 for the year ended June 30, 2016. 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 2015-2016 was \$385,159. The County accounts for the self-funded Health Care Benefit Plan in the Internal Service Fund.

Contingent Liabilities

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

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

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

McDowell County Board of Education

- Installment purchase contract, executed in February 2002 for \$6,500,000, due in 30 semiannual principal payments of \$216,667 plus interest at 4.59%, for improvements to North Cove Elementary School. \$ 433,333
- Installment purchase contract, executed in April 2013 for \$8,500,000, payable in 30 semiannual installments of \$283,333 plus interest at 2.505%, for addition to the McDowell High School. 6,800,000

McDowell Technical Community College

- Installment purchase contract, executed in September 2005 for \$748,100, due in 30 semiannual principal payments of \$24,936 plus interest at 3.55%, for improvements to MTCC campus. 224,430
-
- \$ 7,457,763**
-

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities - continued

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

For McDowell County, the future minimum payments as of June 30, 2016, including interest, are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 1,049,873	\$ 189,233
2017	616,540	158,350
2018	616,540	142,385
2019	616,540	126,419
2020	591,603	110,454
2021-2025	2,833,333	337,131
2026-2028	1,133,333	35,488
Total principal payments	\$ 7,457,762	
Total interest payments		\$ 1,099,460

Installment Purchases - Other

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

Governmental Activities

- Installment purchase contract, executed in April 2002 for \$1,980,916, payable in 30 semiannual installments of \$66,030 plus interest at 4.60%, secured by Senior Center. \$ 132,061
- 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. 111,667
- Installment purchase contract, executed in April 2008 for \$965,663, payable in 30 semiannual installments of \$32,189 plus interest at 3.51%, to construct a Nutrition Center in the Old Fort area. 450,643
- 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. 262,500
- 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. 528,000

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

- Installment purchase contract, executed in April 2016 for \$371,140, payable in 8 semiannual installments of \$48,494, including interest at 1.99%, secured by vehicles purchased. \$ 371,140
- Installment purchase contract, executed in October 2015 for \$118,853, payable in 8 semiannual installments of \$15,500, including interest at 1.87%, secured by equipment purchased. 104,499
- 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. 31,085
- 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. 36,625
- 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. 108,098
- 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. 44,313
- 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. 60,857
- 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. 25,553

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

• Installment purchase contract, executed in August 2014 for \$68,495, payable in 8 semiannual installments of \$8,958, including interest at 2.03%, secured by EMS vehicles.	\$ 43,456
• Installment purchase contract, executed in April 2015 for \$326,635, payable in 8 semiannual installments of \$42,378, including interest at 1.67%, secured by equipment and vehicles purchased.	247,002
• Installment purchase contract, executed in June 2015 for \$2,704,802, payable in 30 semiannual installments of \$90,160, plus interest at 2.62%, secured by the Jail facility/property.	2,524,482
• Installment purchase contract, executed in October 2014 for \$20,550, payable in 8 semiannual installments of \$2,686, including interest at 2.25%, secured by vehicle purchased.	12,985
	<hr/>
	\$ 5,094,966

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.	\$ 84,676
• 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.	1,081,666
• 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.	1,081,667
	<hr/>
	\$ 2,248,009

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 1,009,136	\$ 136,941
2017	695,284	110,796
2018	571,802	93,749
2019	463,510	78,759
2020	352,598	65,813
2021-2025	1,281,356	179,750
2026-2030	721,280	42,518
Total principal payments	\$ 5,094,966	
Total interest payments		\$ 708,326

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2016	\$ 224,341	\$ 92,653
2017	224,888	83,629
2018	225,447	74,594
2019	196,667	65,692
2020	196,667	57,215
2021-2025	983,333	158,931
2026-2028	196,666	6,357
Total principal payments	\$ 2,248,009	
Total interest payments		\$ 539,071

Debt Related to Capital Activities

Of the total Governmental Activities debt listed, only \$5,094,966 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$371,148.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Long-Term Obligations – Summary

At June 30, 2016, McDowell County had a legal debt margin of \$292,360,351. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/15	Increases	Decreases	Balance 06/30/16	Current Portion of Balance
Governmental activities:					
Installment purchases, including					
amortized call premium	\$ 14,140,958	\$ 490,003	\$ 2,045,174	\$ 12,585,787	\$ 2,059,009
Net pension obligation (LEOSSA)	485,741	26,942	-	512,683	-
Compensated absences	738,617	464,582	487,128	716,071	-
Net pension liability (LGERS)	-	794,948	-	794,948	-
Other postemployment benefits	879,048	47,210	-	926,258	-
Total governmental activities	\$ 16,244,364	\$ 1,823,685	\$ 2,532,302	\$ 15,535,747	\$ 2,059,009
Business-type activities:					
Universal Fund					
Installment purchases	\$ 2,359,999	\$ -	\$ 196,666	\$ 2,163,333	\$ 196,667
Total Universal Fund	2,359,999	-	196,666	2,163,333	196,667
Waste Disposal Fund					
Installment purchases	111,813	-	27,137	84,676	27,674
Compensated absences	9,182	2,548	6,676	5,054	-
Net pension liability (LGERS)	-	15,397	-	15,397	-
Other postemployment benefits	79,326	1,155	-	80,481	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
Total Waste Disposal Fund	230,321	19,100	33,813	215,608	27,674
Total business-type activities	\$ 2,590,320	\$ 19,100	\$ 230,479	\$ 2,378,941	\$ 224,341

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.

Closure and Postclosure Care Costs – Landfill

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Healthcare Benefits

The calculation of unpaid healthcare claims liability reported in the Self-Insurance Fund is based on management’s experience and actual claims incurred prior to June 30, 2016 and reported for subsequent reimbursement.

(3) Interfund Balances and Activity

At June 30, 2016, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	McDowell House Restoration	\$ 3,579
General Fund	Universal Career Pathways Skill Center Project	600,839
General Fund	Catawba Falls Trial Bridge Project	168,500
		<hr/>
		\$ 772,918

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

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

Transfer from the General Fund to the Waste Disposal Fund to support cost of services not recovered by user charges.	\$ 980,585
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.	1,215,794
Transfer from the General Fund to the Lake James EPA Project to provide local match for the project.	20,000
Transfer from the General Fund to the Universal Career Pathways Skill Center Project to provide resources for the project.	3,572
Transfer from the General Fund to the Emergency Telephone System Fund to cover disallowed costs by the 911 Board.	38
Transfer from the General Fund to the Universal Fund for the retirement of debt obligations.	337,714
Transfer from Universal Fund to General Fund to increase resources to McDowell Technical College.	220,237
Transfer from the General Fund to the Harmony Grove Road/I-40 Interchange Water Line Project to provide local match for the project.	75,000
Transfer from the General Fund to the McDowell House Restoration Project to provide resources for the project.	3,580
Transfer from the General Fund to the Universal Water Line Project to provide local match for the project.	40,500
Transfer from the General Fund to the Jail and Courthouse Addition/Renovations Project to provide resources for the project.	846,769
	<hr/>
	\$ 3,743,789

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note C – Detail Notes on All Funds – continued:

(4) Transfers

Transfers at the government-wide level for the year ended June 30, 2016 included \$128,572 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 originally 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	\$	14,252,712
Less: Inventories		84,572
Stabilization by State Statute		4,302,862
Appropriated fund balance in 2017 budget		356,639
PEG channel		61,368
Register of deeds		94,854
Asset forfeiture		62,824
Social services		236,569
Senior Center		38,383
Cooperative extension		16,497
Tax revaluation		47,887
Jail		374,843
EMS		43,797
Fire		147,250
LEO special separation allowance		33,301
Remaining fund balance	\$	8,351,066

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, 2016

Note D – Joint Ventures:

McDowell Technical Community College

The County, in conjunction with the State of North Carolina and the McDowell County Board of Education, participates in a joint venture to operate the McDowell Technical Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the Community College. The president of the Community College's student government serves as an ex-officio nonvoting member of the Community College's board of trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The last general obligation bond issue for this purpose was retired during the June 30, 2000 fiscal year. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$994,650 and \$145,998 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2016. 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 \$59,168 for the year ended June 30, 2016. 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, 2016. 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 \$94,736 for the year ended June 30, 2016.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note D – Joint Ventures – continued:

McDowell House

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

Note E – Jointly Governed Organizations:

McDowell County maintains an affiliation with Smoky Mountain Center (Center) for the provision of mental health, developmental disabilities and substance abuse services. McDowell County appoints one County commissioner and one at-large member to serve on the board. The remaining members are appointed in the same manner by the other fourteen counties (Alexander, Alleghany, Ashe, Avery, Caldwell, Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain, Watauga and Wilkes) who participate. In addition, the County has made a financial commitment to the Center. For the year ended June 30, 2016, 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, 2016, the County contributed \$245,219 to the general operations of the Health Department.

The board of directors of McDowell Economic Development Association (MEDA), a 501(c)(3) organization, is comprised of twenty directors. McDowell County appoints three directors to serve on the board. The remaining directors are appointed as follows: one by the City of Marion, one by the Town of Old Fort, one by the McDowell County Chamber of Commerce, one by the McDowell Technical Community College, and one by the McDowell County Board of Education. This board then elects seven additional directors from members of MEDA. Five ex-officio members are comprised of the County Manager, the County attorney, the Director of the Isothermal Planning and Development Commission, the Director of the Small Business Center and the Director of the McDowell Chamber of Commerce. In addition, the County has made a financial commitment to MEDA. For the year ended June 30, 2016, the County contributed \$136,758 to the general operations of MEDA, including personnel costs (See related Note F).

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note E – Jointly Governed Organizations – continued:

The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and Development Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid \$17,945 in annual allocation to the Commission during the fiscal year ended June 30, 2016.

Note F – Related Party Transactions:

During the year ended June 30, 2001, the Board of Directors of the McDowell Economic Development Association (MEDA) requested that the County Manager serve as executive director of MEDA. Effective August 31, 2015, the County manager that had been serving as executive director of MEDA retired from McDowell County and now serves as the 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, 2016, one County commissioner is employed by the City of Marion and one County Commissioner is employed by McDowell County Schools.

Note G – Benefit Payments Issued by the State:

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

	Federal	State
Temporary Assistance for Needy Families	\$ 274,688	\$ -
Medicaid	48,633,602	26,337,479
NC Health Choice	1,078,127	81,014
State/County Special Assistance to Adults	-	429,724
Foster Care Adoption Assistance	464,658	120,698
CWS Adoption Subsidy	-	201,606
Total	\$ 50,451,075	\$ 27,170,521

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2016

Note H – Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs

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

Industrial Recruitment and Economic Development Incentives

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

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

During the year ended June 30, 2016, no payments were made under the economic development incentive agreements described above. Potential future installments of two active agreements amount to \$346,027 for the year ending June 30, 2017.

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, 2016

Note I – Cafeteria Plan:

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

Note J – Concentration of Credit Risk:

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

The Waste Disposal Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 73% of waste disposal revenue. Sales to this customer amounted to \$726,910 for the year ended June 30, 2016, with an account receivable balance of \$58,107 at June 30, 2016.

Note K – Use of Estimates:

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

Note L – Change in Accounting Principles/Restatement:

In accordance with Governmental Accounting Standards Board (GASB), Statement 73, the County reclassified the Law Enforcement Officers' Special Separation Allowance trust fund to the General Fund. As a result, net position for the governmental activities increased by \$49,019.

Note M – Subsequent Events:

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through December 1, 2016; the date of the financial statements is December 1, 2016.

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)
12-31-2009	\$ 121,823	\$ 606,847	\$ 485,024	20.07%	\$ 1,394,364	34.78%
12-31-2010	\$ 123,569	\$ 507,596	\$ 384,027	24.34%	\$ 1,333,001	28.81%
12-31-2011	\$ 99,456	\$ 600,420	\$ 500,964	16.56%	\$ 1,464,940	34.20%
12-31-2012	\$ 73,282	\$ 570,711	\$ 497,429	12.84%	\$ 1,527,649	32.56%
12-31-2013	\$ 44,205	\$ 573,684	\$ 529,479	7.71%	\$ 1,520,435	34.82%
12-31-2014	\$ 59,061	\$ 552,732	\$ 493,671	10.69%	\$ 1,639,148	30.12%
12-31-2015	\$ -	\$ 822,362	\$ 822,362	0.00%	\$ 1,747,623	47.06%

McDowell County, North Carolina

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2010	\$ -	\$ 1,837,433	\$ 1,837,433	0.00%	\$ 7,829,422	23.47%
12-31-2011	\$ -	\$ 1,837,362	\$ 1,837,362	0.00%	\$ 7,831,552	23.46%
12-31-2012	\$ -	\$ 2,172,692	\$ 2,172,692	0.00%	\$ 6,428,977	33.80%
12-31-2013	\$ -	\$ 2,172,696	\$ 2,172,696	0.00%	\$ 6,428,977	33.80%
12-31-2014	\$ -	\$ 3,048,717	\$ 3,048,717	0.00%	\$ 6,181,649	49.32%
12-31-2015	\$ -	\$ 3,049,113	\$ 3,049,113	0.00%	\$ 6,189,724	49.26%

McDowell County, North Carolina

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2014	\$ 214,312	21.45%
2015	\$ 214,341	39.19%
2016	\$ 286,464	82.19%

McDowell County, North Carolina

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

Local Government Employees' Retirement System

Last Three Fiscal Years*

	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.181%	0.178%	0.168%
County's proportionate share of the net pension liability (asset)	\$ 810,342	\$ (1,050,472)	\$ 2,031,072
County's covered-employee payroll	\$ 10,878,319	\$ 10,543,704	\$ 10,231,851
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.45%	-9.96%	19.85%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

McDowell County, North Carolina

Schedule of County Contributions

Local Government Employees' Retirement System

Last Three Fiscal Years

	2016	2015	2014
Contractually required contributions	\$ 740,011	\$ 746,980	\$ 722,743
Contributions in relation to the contractually required contribution	740,011	746,980	722,743
Contribution deficiency (excess)	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 10,878,319	\$ 10,543,704	\$ 10,231,851
Contributions as a percentage of covered-employee payroll	6.80%	7.08%	7.06%

McDowell County, North Carolina

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

Registers of Deeds' Supplemental Pension Fund

Last Three Fiscal Years*

	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.380%	0.384%	0.374%
County's proportionate share of the net pension liability (asset) \$	(88,019) \$	(87,139) \$	(79,985)
County's covered-employee payroll \$	46,518 \$	45,942 \$	44,814
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-189.21%	-189.67%	-178.48%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

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

McDowell County, North Carolina

Schedule of County Contributions

Registers of Deeds' Supplemental Pension Fund

Last Three Fiscal Years

	2016	2015	2014
Contractually required contributions	\$ 3,274	\$ 3,039	\$ 3,139
Contributions in relation to the contractually required contribution	3,274	3,039	3,139
Contribution deficiency (excess)	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 46,518	\$ 45,942	\$ 44,814
Contributions as a percentage of covered-employee payroll	7.04%	6.61%	7.00%

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year property taxes	\$ 19,310,565	\$ 19,620,575	\$ 310,010
Discount	(90,155)	(90,152)	3
Delinquent tax	510,000	308,587	(201,413)
Tax interest	99,000	171,683	72,683
Tax penalties	12,500	-	(12,500)
Total	19,841,910	20,010,693	168,783
Local option sales taxes:			
Article 39 one percent	3,299,818	3,310,143	10,325
Article 40 one-half percent	2,130,000	2,203,696	73,696
Article 42 one-half percent	340,680	261,701	(78,979)
Article 44 one-half percent	-	42,726	42,726
Total	5,770,498	5,818,266	47,768
Other taxes and licenses:			
Deed stamp excise tax	175,172	131,521	(43,651)
Real estate transfer tax	224,500	275,099	50,599
Scrap tire disposal tax	70,000	70,695	695
Occupancy tax	435,000	434,427	(573)
Cable franchise	217,000	171,459	(45,541)
Dog tax	300	485	185
Total	1,121,972	1,083,686	(38,286)
Unrestricted intergovernmental:			
Payments in lieu of taxes	160,000	280,410	120,410
Restricted intergovernmental:			
State and federal grants:			
DSS	7,934,701	6,776,273	(1,158,428)
State aid library	105,232	105,234	2
Senior Center - aging	502,700	411,671	(91,029)
Soil and water reimbursement	27,000	24,079	(2,921)
Veterans service	2,000	1,525	(475)
Juvenile Crime Prevention	135,938	135,938	-
EMA reimbursement	22,000	38,542	16,542
Asset forfeiture	19,187	26,330	7,143
Other	255,101	283,294	28,193
Court facility fees	60,000	76,437	16,437
Officer fees	15,000	22,020	7,020
ABC profits for law enforcement	7,500	7,955	455
Total	9,086,359	7,909,298	(1,177,061)

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building inspections	\$ 117,500	\$ 104,652	\$ (12,848)
Sign revenue	1,750	1,255	(495)
Homeowners' recovery	2,000	251	(1,749)
Register of Deeds:			
Acknowledgement and oath	3,275	9,929	6,654
Copies	48,000	39,399	(8,601)
Flood plain fees	16,000	15,737	(263)
Cultural resources	7,500	7,034	(466)
Universal Commercial Code	-	509	509
Total	196,025	178,766	(17,259)
Sales and services:			
NCDMV notary	31,000	41,953	10,953
NCDMV reimbursement	83,500	87,948	4,448
NCDMV tax collection fee	33,000	39,142	6,142
NCDMV reimbursement city/town	21,000	26,862	5,862
Tax mapping	800	192	(608)
Library fines	17,500	11,765	(5,735)
Library donations	8,300	8,795	495
Library copies	6,750	3,628	(3,122)
Library fax fees	2,250	2,234	(16)
Rent – dialysis clinic	45,735	45,743	8
Rent – Senior Center building	66,000	67,680	1,680
Fax fees	50	-	(50)
Vending income	750	304	(446)
Rent – Mental Health building	25,276	25,277	1
Rent – Baldwin Avenue - Isothermal	6,360	6,683	323
Tower rental	32,114	19,958	(12,156)
Rent – Baldwin Avenue - ESC	22,907	25,456	2,549
City of Marion reimbursement	80,526	93,022	12,496
Adoption fees	7,000	13,622	6,622
Canteen fees	115,000	130,893	15,893
Sheriff – process fees	60,000	57,080	(2,920)
Sheriff – permits	4,500	6,459	1,959
Jail phone reimbursement	40,000	39,141	(859)
Sheriff – concealed weapons permit	100,000	99,812	(188)
Sheriff – employee fund	5,500	5,476	(24)
Soil and water rent	1,200	-	(1,200)
Jail lease revenue	658,316	812,600	154,284
Jail fees	29,500	35,560	6,060
EMS collections	2,339,374	2,342,894	3,520
EMS Medicaid	95,000	177,772	82,772

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Sales and services - continued:			
Rescue Squad billing	\$ 24,900	\$ 15,461	\$ (9,439)
Sheriff – in school cop match	80,000	89,941	9,941
Recreation program fees	73,750	34,525	(39,225)
Other	172,652	618,894	446,242
Total	4,290,510	4,986,772	696,262
Investment earnings	20,000	15,817	(4,183)
Miscellaneous:			
Auction proceeds	4,500	16	(4,484)
Paper execution fees	20,000	17,671	(2,329)
Civil license revocation	3,800	2,676	(1,124)
Miscellaneous	11,801	37,318	25,517
4-H donations	24,000	12,981	(11,019)
Cooperative extension donations	4,500	4,101	(399)
Other	293,086	716,350	423,264
Total	361,687	791,113	429,426
Total revenues	40,848,961	41,074,821	225,860
Expenditures:			
General government:			
Board of Commissioners:			
Salaries and employee benefits	175,343	173,759	1,584
Operating expenditures	34,750	33,816	934
Total	210,093	207,575	2,518
Human resources:			
Operating expenditures	285,922	278,261	7,661
Total	285,922	278,261	7,661
County administration:			
Salaries and employee benefits	373,365	373,364	1
Operating expenditures	17,025	14,999	2,026
Total	390,390	388,363	2,027
Finance:			
Salaries and employee benefits	366,690	366,689	1
Operating expenditures	184,075	181,824	2,251
Total	550,765	548,513	2,252

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	\$ 330,750	\$ 330,749	\$ 1
Operating expenditures	117,600	107,406	10,194
Total	448,350	438,155	10,195
Tax - collections:			
Salaries and employee benefits	191,575	191,574	1
Operating expenditures	76,240	60,262	15,978
Capital expenditures	3,900	-	3,900
Total	271,715	251,836	19,879
Legal	29,026	26,557	2,469
Board of Elections:			
Salaries and employee benefits	129,698	129,696	2
Operating expenditures	129,613	125,015	4,598
Capital expenditures	1,337	-	1,337
Total	260,648	254,711	5,937
Register of Deeds:			
Salaries and employee benefits	188,890	188,889	1
Operating expenditures	210,452	196,613	13,839
Capital expenditures	4,890	4,787	103
Total	404,232	390,289	13,943
Clerk of Court:			
Operating expenditures	7,450	7,172	278
Capital expenditures	2,290	846	1,444
Total	9,740	8,018	1,722
Garage:			
Salaries and employee benefits	132,601	132,600	1
Operating expenditures	19,500	15,956	3,544
Capital expenditures	6,100	1,832	4,268
Total	158,201	150,388	7,813
Facility maintenance:			
Salaries and employee benefits	477,607	477,624	(17)
Operating expenditures	778,930	704,433	74,497
Capital expenditures	80,000	30,362	49,638
Total	1,336,537	1,212,419	124,118

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
DMV Operations:			
Salaries and employee benefits	\$ 139,561	\$ 139,560	\$ 1
Operating expenditures	123,050	116,404	6,646
Total	262,611	255,964	6,647
Total general government	4,618,230	4,411,049	207,181
Public safety:			
Sheriff:			
Salaries and employee benefits	2,619,157	2,589,751	29,406
Operating expenditures	535,321	483,295	52,026
Capital expenditures	326,967	191,130	135,837
Total	3,481,445	3,264,176	217,269
Jail:			
Salaries and employee benefits	1,009,634	1,009,798	(164)
Operating expenditures	1,093,956	1,021,545	72,411
Capital expenditures	18,210	17,157	1,053
Total	2,121,800	2,048,500	73,300
EMS:			
Salaries and employee benefits	2,056,980	2,020,825	36,155
Operating expenditures	430,614	390,113	40,501
Capital expenditures	514,770	271,219	243,551
Total	3,002,364	2,682,157	320,207
Emergency management:			
Salaries and employee benefits	143,885	143,878	7
Operating expenditures	51,072	48,896	2,176
Capital expenditures	5,801	5,800	1
Total	200,758	198,574	2,184
Fire protection	346,177	346,177	-
Forest service	74,985	62,876	12,109
Emergency communication:			
Salaries and employee benefits	640,651	639,488	1,163
Operating expenditures	43,555	39,968	3,587
Capital expenditures	2,200	2,058	142
Total	686,406	681,514	4,892

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Animal Control:			
Salaries and employee benefits	\$ 67,690	\$ 67,679	\$ 11
Operating expenditures	69,625	54,162	15,463
Capital expenditures	2,395	193	2,202
Total	139,710	122,034	17,676
Building Inspections:			
Salaries and employee benefits	233,787	233,736	51
Operating expenditures	42,679	25,624	17,055
Capital expenditures	1,500	-	1,500
Total	277,966	259,360	18,606
Medical Examiner	52,610	60,410	(7,800)
Rescue Squad billing	165,999	150,615	15,384
Rescue Squad	28,199	28,199	-
Total public safety	10,578,419	9,904,592	673,827
Environmental protection:			
Waste collections:			
Salaries and employee benefits	363,675	343,469	20,206
Operating expenditures	146,949	122,423	24,526
Capital expenditures	77,500	59,364	18,136
Total	588,124	525,256	62,868
Soil and Water District technician:			
Salaries and employee benefits	40,539	40,538	1
Operating expenditures	14,400	11,627	2,773
Capital expenditures	900	737	163
Total	55,839	52,902	2,937
Soil and Water Conservation:			
Salaries and employee benefits	44,850	41,490	3,360
Operating expenditures	14,837	10,497	4,340
Capital expenditures	638	149	489
Total	60,325	52,136	8,189
Watershed Commission	15,000	11,084	3,916
Water and sewer	177,415	52,317	125,098
Total environmental protection	896,703	693,695	203,008

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Keep McDowell Beautiful:			
Salaries and employee benefits	\$ 17,456	\$ 17,428	\$ 28
Operating expenditures	11,350	11,350	-
Total	28,806	28,778	28
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	2,082	2,082	-
Total	10,482	10,482	-
Cooperative Extension:			
Operating expenditures	175,080	167,687	7,393
Total	175,080	167,687	7,393
Isothermal Planning Commission:			
Isothermal operating expenditures	18,745	18,704	41
Planning board	500	182	318
Total	19,245	18,886	359
McDowell Economic Development Association:			
Salaries and employee benefits	51,550	51,549	1
Operating expenditures	85,511	85,209	302
Total	137,061	136,758	303
Economic and industrial development	20,500	19,375	1,125
Tourism Development Authority	423,900	421,794	2,106
Total economic and physical development	815,074	803,760	11,314
Human services:			
Health Department	245,219	245,219	-
Mental health	67,856	67,856	-
Volunteer Center:			
Salaries and employee benefits	16,390	16,389	1
Operating expenditures	8,900	1,356	7,544
Capital expenditures	600	-	600
Total	25,890	17,745	8,145
Juvenile Crime Prevention Council	148,225	147,462	763

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Social Services:			
Administration:			
Salaries and employee benefits	\$ 5,479,835	\$ 5,471,568	\$ 8,267
Operating expenditures	3,429,665	2,743,420	686,245
Capital expenditures	59,117	41,445	17,672
Total	8,968,617	8,256,433	712,184
Foster care	847,000	706,247	140,753
Adoption assistance	250,000	206,447	43,553
Crisis energy program	232,922	228,143	4,779
TANF - County participation	117,000	113,245	3,755
Medicaid - County participation	88,114	72,030	16,084
Special assistance	575,000	430,113	144,887
Aid to blind	2,000	-	2,000
General assistance	7,500	1,815	5,685
Total social services	11,088,153	10,014,473	1,073,680
Senior Center:			
Salaries and employee benefits	527,480	527,556	(76)
Operating expenditures	575,269	525,602	49,667
Capital expenditures	500	444	56
Total	1,103,249	1,053,602	49,647
Juvenile Placement:			
Operating expenditures	20,000	15,006	4,994
Total	20,000	15,006	4,994
Total human services	12,698,592	11,561,363	1,137,229
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	179,339	170,856	8,483
Operating expenditures	90,150	60,995	29,155
Capital expenditures	25,500	22,427	3,073
Total	294,989	254,278	40,711
Recreation - programs	73,750	58,779	14,971

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and employee benefits	\$ 513,696	\$ 513,712	\$ (16)
Operating expenditures	184,074	173,040	11,034
Capital expenditures	3,127	3,127	-
Total	700,897	689,879	11,018
Total cultural and recreational	1,069,636	1,002,936	66,700
Miscellaneous:			
Carson House	20,000	20,000	-
City of Marion hold harmless	69,001	69,001	-
Family Services	25,903	25,903	-
MACA	18,500	18,500	-
American Cancer Society	1,000	935	65
Freedom Ministries	6,000	6,000	-
McDowell Mission	12,000	12,000	-
Champion rent	18,750	1,311	17,439
July 4 th Marion	500	500	-
July 4 th Old Fort	500	500	-
Health Coalition	10,000	10,000	-
Other	362,270	268,976	93,294
Total miscellaneous	544,424	433,626	110,798
Education:			
Public schools:			
Current expense	8,001,390	7,990,205	11,185
Capital outlay	50,000	50,000	-
Technology	100,000	-	100,000
McDowell Technical College:			
Current expense	994,650	994,650	-
Capital outlay	145,998	145,998	-
Building payments	153,905	153,904	1
Total education	9,445,943	9,334,757	111,186
Debt service:			
Building inspections	5,373	2,686	2,687
Emergency Medical Services	205,313	191,592	13,721
Garage	4,614	4,614	-
Waste Collections	55,108	55,107	1
Sheriff	130,916	130,912	4
Debt service	593,475	593,463	12
Total debt service	994,799	978,374	16,425
Total expenditures	41,661,820	39,124,152	2,537,668
Revenues over (under) expenditures	(812,859)	1,950,669	2,763,528

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Installment purchase obligations issued	\$ 490,004	\$ 490,003	\$ (1)
Transfers to:			
Special Revenue Funds:			
Emergency Telephone System	(38)	(38)	-
Capital Project Funds:			
Universal Career Pathways Skill Center	(3,572)	(3,572)	-
Lake James EPA	(20,000)	(20,000)	-
Jail and Courthouse Addition/Renovations	(846,769)	(846,769)	-
McDowell House Restoration	(3,580)	(3,580)	-
Harmony Grove Road/I-40 Interchange Water Line	(75,000)	(75,000)	-
Universal Water Line	(40,500)	(40,500)	-
Enterprise Funds:			
Universal Fund	(337,714)	(337,714)	-
Waste Disposal Fund	(980,585)	(980,585)	-
Revaluation Fund	(15,000)	(15,000)	-
Transfers from:			
Enterprise Fund:			
Universal Fund	220,237	220,237	-
Fund balance appropriated	2,425,376	-	(2,425,376)
Total other financing sources (uses)	812,859	(1,612,518)	(2,425,377)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 338,151	\$ 338,151
Fund balance - beginning of year		13,817,655	
Restatement		49,019	
Fund balance - end of year		\$ 14,204,825	

McDowell County, North Carolina

Revaluation Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 90	\$ 90
Total revenues	-	90	90
Expenditures:			
General government:			
Capital expenditures	15,000	-	15,000
Total expenditures	15,000	-	15,000
Revenues over (under) expenditures	(15,000)	90	15,090
Other financing sources (uses):			
Transfer from General Fund	15,000	15,000	-
Total other financing sources (uses)	15,000	15,000	-
Revenues and other financing sources over expenditures	\$ -	15,090	\$ 15,090
Fund balance - beginning of year		32,797	
Fund balance - end of year		\$ 47,887	

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, 2016

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.
- Outdoor Environmental Learning Center Project – The County uses this fund to account for expenditures related to the construction of an environmental education center, funded by local funds and a private grant.
- 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.
- Harmony Grove Road/I-40 Interchange Water Line Project – The County uses this fund to account for expenditures for the extension of a water line along Harmony Grove Road and extending south, beneath Interstate 40, funded by the NC Department of Commerce and the Appalachian Regional Commission.
- 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.
- McDowell House Restoration Project – The County uses this fund to account for expenditures for the demolition and removal of two non-historic additions to the historic Joseph McDowell House, funded by the National Park Service.

McDowell County, North Carolina

Combining Statements for Nonmajor Funds – continued

Year Ended June 30, 2016

- 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.
- Universal Water Line Project – The County uses this fund to account for expenditures for the connection to the existing water line along NC Highway 226 and the extension of the water line along College Drive at the Universal building, funded by the NC Department of Commerce and the Appalachian Regional Commission.
- Catawba Falls Trail Bridge Project – The County uses this fund to account for expenditures related to the construction of a trail bridge across the Catawba River, funded by the NC Recreational Trail Program.
- Single Family Rehabilitation Project – The County uses this fund to account for expenditures for the HOME program funds, funded by the NC Housing Finance Agency. There was no current year activity in this project.
- Jail and Courthouse Addition/Renovations – The County uses this fund to account for expenditures related to the addition to the existing jail facility and improvements to the courthouse, funded mainly through the issuance of an installment purchase obligation.

McDowell County, North Carolina

Combining Balance Sheets

Nonmajor Governmental Funds

June 30, 2016

	Special Revenue Funds		Debt Service Fund	
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund	
Assets				
Cash and investments	\$ 18,272	\$ 123,250	\$	9
Taxes receivable - net	48,840	-		-
Accounts receivable - other governments	24,631	24,212		-
Total assets	\$ 91,743	\$ 147,462	\$	9
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 42,903	\$ 1,679	\$	-
Due to other funds	-	-		-
Total liabilities	42,903	1,679		-
Deferred inflows of resources:				
Taxes receivable	48,840	-		-
Total deferred inflows of resources	48,840	-		-
Fund balances:				
Restricted:				
Stabilization by State Statute	24,631	24,212		-
911 Funds	-	121,571		-
General government	-	-		-
Public safety	-	-		-
Economic and physical development	-	-		-
Environmental protection	-	-		-
Assigned:				
Debt service	-	-		9
General government	-	-		-
Economic and physical development	-	-		-
Unassigned (deficit)	(24,631)	-		-
Total fund balances	-	145,783		9
Total liabilities, deferred inflows of resources, and fund balances	\$ 91,743	\$ 147,462	\$	9

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2016

	Capital Project Funds			
	Trail Project	Outdoor Environmental Learning Center Shelter Project	Lake James EPA Project	Kate B. Reynolds Gym Floor Project
Assets				
Cash and investments	\$ 22,442	\$ 3,500	\$ 2,942	\$ -
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	4,685	-
Total assets	\$ 22,442	\$ 3,500	\$ 7,627	\$ -
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 467	\$ -	\$ 1,241	\$ -
Due to other funds	-	-	-	-
Total liabilities	467	-	1,241	-
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	4,685	-
911 Funds	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	21,849	-	-	-
Environmental protection	-	3,500	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	-	1,701	-
Economic and physical development	126	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	21,975	3,500	6,386	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,442	\$ 3,500	\$ 7,627	\$ -

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2016

	Capital Project Funds			
	Kate B. Reynolds Recreation Project	Harmony Grove Road/ I-40 Interchange Water Line Project	Kate B. Reynolds Recreation Master Plan Project	
Assets				
Cash and investments	\$ -	\$ 22,142	\$ -	-
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	-	-
Total assets	\$ -	\$ 22,142	\$ -	-
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ 20,004	\$ -	-
Due to other funds	-	-	-	-
Total liabilities	-	20,004	-	-
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	-	-
911 Funds	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Environmental protection	-	-	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	2,138	-	-
Economic and physical development	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	-	2,138	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 22,142	\$ -	-

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2016

	Capital Project Funds			
	McDowell House Restoration Project	Kate B. Reynolds Paramedic Project	Universal Water Line Project	Catawba Falls Trail Bridge Project
Assets				
Cash and investments	\$ -	\$ 198,971	\$ 7,475	\$ -
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	3,579	1,336	17,000	168,500
Total assets	\$ 3,579	\$ 200,307	\$ 24,475	\$ 168,500
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ 1,625	\$ -	\$ -
Due to other funds	3,579	-	-	168,500
Total liabilities	3,579	1,625	-	168,500
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by State Statute	3,579	1,336	17,000	168,500
911 Funds	-	-	-	-
General government	-	-	-	-
Public safety	-	197,346	-	-
Economic and physical development	-	-	-	-
Environmental protection	-	-	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	-	7,475	-
Economic and physical development	-	-	-	-
Unassigned (deficit)	(3,579)	-	-	(168,500)
Total fund balances	-	198,682	24,475	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,579	\$ 200,307	\$ 24,475	\$ 168,500

McDowell County, North Carolina

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2016

	Capital Project Funds			
	Single Family Rehabilitation Project	Jail and Courthouse Addition/Renovations Project	Totals	
			June 30, 2016	
Assets				
Cash and investments	\$ -	\$ 553,223	\$	952,226
Taxes receivable - net	-	-		48,840
Accounts receivable - other governments	-	-		243,943
Total assets	\$ -	\$ 553,223	\$	1,245,009
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ 124,858	\$	192,777
Due to other funds	-	-		172,079
Total liabilities	-	124,858		364,856
Deferred inflows of resources:				
Taxes receivable	-	-		48,840
Total deferred inflows of resources	-	-		48,840
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-		243,943
911 Funds	-	-		121,571
General government	-	170,737		170,737
Public safety	-	257,628		454,974
Economic and physical development	-	-		21,849
Environmental protection	-	-		3,500
Assigned:				
Debt service	-	-		9
General government	-	-		11,314
Economic and physical development	-	-		126
Unassigned (deficit)	-	-		(196,710)
Total fund balances	-	428,365		831,313
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 553,223	\$	1,245,009

McDowell County, North Carolina

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2016

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
Revenues:			
Ad valorem taxes	\$ 2,654,835	\$ -	\$ -
Restricted intergovernmental revenue	-	290,541	48,631
Investment earnings	-	301	-
Miscellaneous revenue	-	-	-
Total revenues	2,654,835	290,842	48,631
Expenditures:			
Public safety	2,654,835	507,091	-
Cultural and recreational	-	-	-
Debt service	-	-	1,264,425
Capital outlay	-	-	-
Total expenditures	2,654,835	507,091	1,264,425
Revenues over (under) expenditures	-	(216,249)	(1,215,794)
Other financing sources (uses):			
Operating transfer in from General Fund	-	38	-
Operating transfer in from Capital Project Fund	-	-	1,215,794
Total other financing sources	-	38	1,215,794
Increase (decrease) in fund balances	-	(216,211)	-
Fund balances – beginning of year	-	361,994	9
Fund balances – end of year	\$ -	\$ 145,783	\$ 9

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2016

	Capital Project Funds			
	Trail Project	Outdoor Environmental Learning Center Shelter Project	Lake James EPA Project	Kate B. Reynolds Gym Floor Project
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	3,500	29,243	-
Investment earnings	-	-	-	-
Miscellaneous revenue	20,000	-	-	-
Total revenues	20,000	3,500	29,243	-
Expenditures:				
Public safety	-	-	-	-
Cultural and recreational	467	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	53,168	1,637
Total expenditures	467	-	53,168	1,637
Revenues over (under) expenditures	19,533	3,500	(23,925)	(1,637)
Other financing sources (uses):				
Operating transfer in from General Fund	-	-	20,000	-
Operating transfer in from Capital Project Fund	-	-	-	-
Total other financing sources (uses)	-	-	20,000	-
Increase (decrease) in fund balances	19,533	3,500	(3,925)	(1,637)
Fund balances – beginning of year	2,442	-	10,311	1,637
Fund balances – end of year	\$ 21,975	\$ 3,500	\$ 6,386	\$ -

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2016

	Capital Project Funds		
	Kate B. Reynolds Recreation Project	Harmony Grove Road/ I-40 Interchange Water Line Project	Kate B. Reynolds Recreation Master Plan Project
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	-
Investment earnings	-	-	-
Miscellaneous revenue	-	-	(22)
Total revenues	-	-	(22)
Expenditures:			
Public safety	-	-	-
Cultural and recreation	-	-	-
Debt service	-	-	-
Capital outlay	749	72,862	-
Total expenditures	749	72,862	-
Revenues over (under) expenditures	(749)	(72,862)	(22)
Other financing sources (uses):			
Operating transfer in from General Fund	-	75,000	-
Operating transfer in from Capital Project Fund	-	-	-
Total other financing sources (uses)	-	75,000	-
Increase (decrease) in fund balances	(749)	2,138	(22)
Fund balances – beginning of year	749	-	22
Fund balances – end of year	\$ -	\$ 2,138	\$ -

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2016

	Capital Project Funds			
	McDowell House Restoration Project	Kate B. Reynolds Paramedic Project	Universal Water Line Project	Catawba Falls Trail Bridge Project
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	(728)	3,843	17,000	168,500
Investment earnings	-	-	-	-
Miscellaneous revenue	3,579	235,685	-	-
Total revenues	2,851	239,528	17,000	168,500
Expenditures:				
Public safety	-	81,439	-	-
Cultural and recreational	-	-	-	168,500
Debt service	-	-	-	-
Capital outlay	6,431	-	33,025	-
Total expenditures	6,431	81,439	33,025	168,500
Revenues over (under) expenditures	(3,580)	158,089	(16,025)	-
Other financing sources (uses):				
Operating transfer in from General Fund	3,580	-	40,500	-
Operating transfer in from Capital Project Fund	-	-	-	-
Total other financing sources	3,580	-	40,500	-
Increase (decrease) in fund balances	-	158,089	24,475	-
Fund balances – beginning of year	-	40,593	-	-
Fund balances – end of year	\$ -	\$ 198,682	\$ 24,475	\$ -

McDowell County, North Carolina

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

Nonmajor Governmental Funds

Year Ended June 30, 2016

	Capital Project Funds			Totals June 30, 2016
	Single Family Rehabilitation Project	Jail and Courthouse Addition/Renovations Project		
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	2,654,835
Restricted intergovernmental revenue	-	-	-	560,530
Investment earnings	-	-	-	301
Miscellaneous revenue	-	-	-	259,242
Total revenues	-	-	-	3,474,908
Expenditures:				
Public safety	-	-	-	3,243,365
Cultural and recreational	-	-	-	168,967
Debt service	-	-	-	1,264,425
Capital outlay	-	3,008,329	-	3,176,201
Total expenditures	-	3,008,329	-	7,852,958
Revenues over (under) expenditures	-	(3,008,329)	-	(4,378,050)
Other financing sources (uses):				
Operating transfer in from General Fund	-	846,769	-	985,887
Operating transfer in from Capital Project Fund	-	-	-	1,215,794
Total other financing sources	-	846,769	-	2,201,681
Increase (decrease) in fund balance	-	(2,161,560)	-	(2,176,369)
Fund balances – beginning of year	-	2,589,925	-	3,007,682
Fund balances – end of year	\$ -	\$ 428,365	\$ -	\$ 831,313

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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Fire districts:			
Ashford/North Cove	\$ 173,000	\$ 171,536	\$ (1,464)
Crooked Creek	174,500	172,951	(1,549)
Dysartsville	179,000	177,073	(1,927)
Glenwood	170,000	167,843	(2,157)
Nebo	325,000	302,269	(22,731)
Old Fort Area	117,000	115,212	(1,788)
Pleasant Gardens	165,000	165,113	113
Sugar Hill	104,000	103,019	(981)
Woodlawn/Sevier	80,000	78,926	(1,074)
Hankins/North Fork	70,000	69,945	(55)
Long Town	46,000	44,530	(1,470)
Parkway/Woodlawn	35,922	29,700	(6,222)
Old Fort - Inside	42,500	41,462	(1,038)
Marion Area	310,000	299,273	(10,727)
County	360,000	354,270	(5,730)
Rescue district:			
McDowell County Rescue	360,000	361,713	1,713
Total revenues	2,711,922	2,654,835	(57,087)
Expenditures:			
Public safety:			
Fire district allocations:			
Ashford/North Cove	173,000	171,448	1,552
Crooked Creek	174,500	172,951	1,549
Dysartsville	179,000	177,066	1,934
Glenwood	170,392	167,841	2,551
Nebo	325,000	302,272	22,728
Old Fort Area	117,000	115,197	1,803
Pleasant Gardens	165,128	165,128	-
Sugar Hill	104,000	103,020	980
Woodlawn/Sevier	80,000	78,926	1,074
Hankins/North Fork	70,000	69,945	55
Long Town	46,000	44,590	1,410
Parkway/Woodlawn	35,922	29,700	6,222
Old Fort - Inside	42,500	41,462	1,038
Marion Area	309,480	299,273	10,207
County	360,000	354,303	5,697
Rescue district:			
McDowell County Rescue	360,000	361,713	(1,713)
Total expenditures	2,711,922	2,654,835	57,087
Revenues over expenditures	\$ -	-	\$ -
Fund balance - beginning of year			-
Fund balance - end of year		\$ -	

McDowell County, North Carolina

Emergency Telephone System Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 290,541	\$ 290,541	\$ -
Investment earnings	-	301	301
Total revenues	290,541	290,842	301
Expenditures:			
Public safety:			
Furniture	2,000	-	2,000
Telephone equipment	109,000	96,628	12,372
Interpretive services	1,600	1,219	381
Travel/training	13,000	8,171	4,829
Telephone	15,400	5,333	10,067
Software maintenance	1,000	782	218
Hardware maintenance	9,500	9,061	439
911 addressing	2,000	1,675	325
Selective routing and ALI provisioning	20,400	20,014	386
Database provisioning for 911	7,354	-	7,354
Voice logging recorder	30,232	29,134	1,098
Radio dispatch console	216,845	216,223	622
Software messaging switch	12,000	10,229	1,771
Hardware printers	1,400	924	476
GIS equipment	1,000	-	1,000
Software CAD	27,500	14,600	12,900
Paging	1,000	-	1,000
Text to 911	6,000	-	6,000
Software dispatch protocol	11,000	9,660	1,340
Software QA protocol	2,000	570	1,430
Hardware computer workstation	24,000	21,965	2,035
Hardware UPS	7,900	-	7,900
Hardware generator	225	-	225
911 functions	61,000	60,903	97
Total expenditures	583,356	507,091	76,265
Revenues over (under) expenditures	(292,815)	(216,249)	76,566
Other financing sources (uses):			
Transfer from General Fund	38	38	-
Appropriated fund balance	292,777	-	(292,777)
Total other financing sources (uses)	292,815	38	(292,777)
Revenues and other financing sources under expenditures	\$ -	(216,211)	\$ (216,211)
Fund balance - beginning of year		361,994	
Fund balance - end of year		\$ 145,783	

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

McDowell County, North Carolina

Debt Service Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenue	\$ 48,631	\$ 48,631	\$ -
Total revenues	48,631	48,631	-
Expenditures:			
Debt service	1,264,425	1,264,425	-
Total expenditures	1,264,425	1,264,425	-
Revenues under expenditures	(1,215,794)	(1,215,794)	-
Other financing sources:			
Transfer from School Capital Projects Fund	1,215,794	1,215,794	-
Total other financing sources	1,215,794	1,215,794	-
Revenues and other financing sources over expenditures	\$ -	- \$	-
Fund balance - beginning of year		9	
Fund balance - end of year	\$	9	

McDowell County, North Carolina

School Capital Projects Fund

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Lottery funds	\$ 3,062,932	\$ 2,325,000	\$ 737,932	\$ 3,062,932
Local option sales tax	8,673,810	9,335,206	2,392,236	11,727,442
Investment earnings	2,000	3,327	6,087	9,414
Miscellaneous	-	282,832	60,523	343,355
Total revenues	11,738,742	11,946,365	3,196,778	15,143,143
Expenditures:				
Capital outlay:				
PG roof #1	54,533	-	39,236	39,236
West McDowell Middle renovations	2,325,000	2,254,239	47,515	2,301,754
Nebo roof	343,349	48,409	294,940	343,349
McDowell High School Stadium	394,583	-	221,318	221,318
Central Office roof	56,737	-	50,595	50,595
McDowell High School Addition	11,961,536	11,676,128	277,041	11,953,169
North Cove roof	153,856	-	153,856	153,856
West McDowell Middle roof	494,671	-	275,103	275,103
PG roof #2	117,602	-	117,602	117,602
Improvement	59,427	272	-	272
Total expenditures	15,961,294	13,979,048	1,477,206	15,456,254
Revenues over (under) expenditures	(4,222,552)	(2,032,683)	1,719,572	(313,111)
Other financing sources (uses):				
Installment purchase obligation	8,500,000	8,500,000	-	8,500,000
Transfer to Debt Service Fund	(4,277,448)	(3,061,654)	(1,215,794)	(4,277,448)
Total other financing sources (uses)	4,222,552	5,438,346	(1,215,794)	4,222,552
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 3,405,663	503,778	\$ 3,909,441
Fund balance - beginning of year			3,405,663	
Fund balance - end of year			\$ 3,909,441	

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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Donations	\$ 17,000	\$ 1,849	\$ 20,000	\$ 21,849
Total revenues	17,000	1,849	20,000	21,849
Expenditures:				
Improvements	57,000	39,407	467	39,874
Total expenditures	57,000	39,407	467	39,874
Revenues over (under) expenditures	(40,000)	(37,558)	19,533	(18,025)
Other financing sources:				
Transfer from General Fund	40,000	40,000	-	40,000
Total other financing sources	40,000	40,000	-	40,000
Revenues over (under) expenditures and other financing sources	\$ -	\$ 2,442	19,533	\$ 21,975
Fund balance - beginning of year			2,442	
Fund balance - end of year			\$ 21,975	

McDowell County, North Carolina

Outdoor Environmental Learning Center Shelter Project

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
Board of education	\$ 3,500	\$ -	\$ 3,500	\$ 3,500
Local revenue	12,000	-	-	-
Total revenues	15,500	-	3,500	3,500
Expenditures:				
Construction	15,500	-	-	-
Total expenditures	15,500	-	-	-
Revenues over (under) expenditures	\$ -	\$ -	3,500	\$ 3,500
Fund balance - beginning of year				-
Fund balance - end of year			\$ 3,500	

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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
EPA	\$ 485,000	\$ 87,921	\$ 29,243	\$ 117,164
Total revenues	485,000	87,921	29,243	117,164
Expenditures:				
Architectural	836,818	149,858	53,168	203,026
Property purchase	203,918	199,024	-	199,024
Administration	45,000	11,250	-	11,250
Debt service	95,423	95,423	-	95,423
Total expenditures	1,181,159	455,555	53,168	508,723
Revenues under expenditures	(696,159)	(367,634)	(23,925)	(391,559)
Other financing sources:				
Short-term debt issued	95,423	95,400	-	95,400
Transfer from General Fund	600,736	282,545	20,000	302,545
Total other financing sources	696,159	377,945	20,000	397,945
Revenues over (under) expenditures and other financing sources	\$ -	\$ 10,311	(3,925)	\$ 6,386
Fund balance - beginning of year			10,311	
Fund balance - end of year			\$ 6,386	

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, 2016

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

McDowell County, North Carolina

Kate B. Reynolds Recreation Project

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Private grant	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
Total revenues	150,000	150,000	-	150,000
Expenditures:				
Park improvements	151,115	149,251	749	150,000
Total expenditures	151,115	149,251	749	150,000
Revenues over (under) expenditures	(1,115)	749	(749)	-
Other financing sources:				
Transfer from General Fund	1,115	-	-	-
Total other financing sources	1,115	-	-	-
Revenues over (under) expenditures and other financing sources	\$ -	\$ 749	(749)	\$ -
Fund balance - beginning of year			749	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Harmony Grove Road/I-40 Interchange Water Line Project

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
NC Commerce	\$ 100,000	\$ -	\$ -	\$ -
Appalachian Regional Commission	300,000	-	-	-
Total revenues	400,000	-	-	-
Expenditures:				
Construction	442,625	-	-	-
Contingency	43,470	-	-	-
Preliminary engineering	8,000	-	8,000	8,000
Engineering design	40,200	-	39,000	39,000
Bidding and award	13,200	-	9,900	9,900
Construction administration	37,000	-	-	-
Grant administration	10,000	-	15,762	15,762
Legal/environmental	21,620	-	200	200
Total expenditures	616,115	-	72,862	72,862
Revenues under expenditures	(216,115)	-	(72,862)	(72,862)
Other financing sources:				
Transfer from General Fund	216,115	-	75,000	75,000
Total other financing sources	216,115	-	75,000	75,000
Revenues over (under) expenditures and other financing sources	\$ -	\$ -	2,138	\$ 2,138
Fund balance - beginning of year			-	
Fund balance - end of year			\$ 2,138	

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, 2016

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

McDowell County, North Carolina

McDowell House Restoration Project

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
National Park Service	\$ 50,000	\$ 54,307	\$ (4,307)	\$ 50,000
City of Marion	5,000	-	3,579	3,579
McDowell Chamber	5,000	-	3,579	3,579
Total revenues	60,000	54,307	2,851	57,158
Expenditures:				
Construction	57,500	49,265	6,431	55,696
Contract services	7,500	5,042	-	5,042
Total expenditures	65,000	54,307	6,431	60,738
Revenues over (under) expenditures	(5,000)	-	(3,580)	(3,580)
Other financing sources:				
Transfer from General Fund	5,000	-	3,580	3,580
Total other financing sources	5,000	-	3,580	3,580
Revenues over expenditures and other financing sources	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year				-
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Kate B. Reynolds Paramedic Project

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
Smoky Mountain	\$ 5,000	\$ -	\$ 3,843	\$ 3,843
Private Grant – Expansion Funds	-	-	167,950	167,950
Private Grant	326,161	258,426	67,735	326,161
Total revenues	331,161	258,426	239,528	497,954
Expenditures:				
Salary & fringe	159,183	99,665	55,289	154,954
Travel	10,500	6,695	2,322	9,017
Equipment	101,700	86,549	15,016	101,565
Training	7,222	5,293	-	5,293
Promotions	1,000	-	-	-
Rent/utilities/phone	3,300	2,135	1,075	3,210
Office supplies	1,200	211	871	1,082
Uniforms/safety equipment	1,600	1,123	273	1,396
Capacity building	19,878	9,704	2,024	11,728
Discretionary spending	20,578	6,458	4,569	11,027
Smoky Mountain grant	5,000	-	-	-
Total expenditures	331,161	217,833	81,439	299,272
Revenues over (under) expenditures	\$ -	\$ 40,593	158,089	\$ 198,682
Fund balance - beginning of year			40,593	
Fund balance - end of year			\$ 198,682	

McDowell County, North Carolina

Universal Water Line Project

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
NC Commerce	\$ 130,000	\$ -	\$ 17,000	\$ 17,000
Appalachian Regional Commission	140,500	-	-	-
Total revenues	270,500	-	17,000	17,000
Expenditures:				
Construction	226,200	-	-	-
Contingency	2,200	-	-	-
Preliminary engineering	10,000	-	5,000	5,000
Design and permitting	27,000	-	24,300	24,300
Construction administration	23,000	-	-	-
Legal/administration	20,500	-	3,725	3,725
Testing during construction	2,100	-	-	-
Total expenditures	311,000	-	33,025	33,025
Revenues under expenditures	(40,500)	-	(16,025)	(16,025)
Other financing sources:				
Transfer from General Fund	40,500	-	40,500	40,500
Total other financing sources	40,500	-	40,500	40,500
Revenues over expenditures and other financing sources	\$ -	\$ -	24,475	\$ 24,475
Fund balance - beginning of year			-	
Fund balance - end of year			\$ 24,475	

McDowell County, North Carolina

Catawba Falls Trail Bridge Project

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

From Inception and for the Year Ended June 30, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue:				
NC Recreational Trail Program	\$ 168,500	\$ -	\$ 168,500	\$ 168,500
Total revenues	168,500	-	168,500	168,500
Expenditures:				
Bridge construction	168,500	-	168,500	168,500
Total expenditures	168,500	-	168,500	168,500
Revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balance - beginning of year			-	
Fund balance - end of year			\$ -	

McDowell County, North Carolina

Single Family Rehabilitation Project

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

From Inception and for the Year Ended June 30, 2016

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

McDowell County, North Carolina

Universal Career Pathways Skill Center Project

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Golden Leaf	\$ 2,140,000	\$ 1,961,000	\$ 179,000	\$ 2,140,000
Grant/fundraiser	100,000	100,000	-	100,000
Sales tax	52,579	52,579	-	52,579
Total revenues	2,292,579	2,113,579	179,000	2,292,579
Expenditures:				
Design/engineering	223,620	223,620	-	223,620
Sprinkler system	65,693	65,693	-	65,693
Electrical	639,350	639,350	-	639,350
Renovations	2,171,404	2,171,404	-	2,171,404
Vacated college space	128,572	-	128,572	128,572
Parking lot improvements	20,000	20,000	-	20,000
Exterior work	168,000	168,000	-	168,000
HVAC system	297,415	297,415	-	297,415
Plumbing	137,800	137,800	-	137,800
Contingency	123,268	123,268	-	123,268
Total expenditures	3,975,122	3,846,550	128,572	3,975,122
Revenues over (under) expenditures	(1,682,543)	(1,732,971)	50,428	(1,682,543)
Other financing sources:				
Transfer from General Fund	705,267	701,695	3,572	705,267
Transfer from Universal Enterprise Fund	977,276	806,276	-	806,276
Total other financing sources	1,682,543	1,507,971	3,572	1,511,543
Revenues over (under) expenditures and other financing sources	\$ -	\$ (225,000)	54,000	\$ (171,000)
Fund balance - beginning of year			(225,000)	
Fund balance - end of year			\$ (171,000)	

McDowell County, North Carolina

Jail and Courthouse Addition/Renovations Project

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

From Inception and for the Year Ended June 30, 2016

			Actual		
	Project Authorization	Prior Years	Current Year	Total to Date	
Expenditures:					
Construction	\$ 3,355,065	\$ 39,303	\$ 2,899,157	\$ 2,938,460	
Engineering/architect fees	181,173	60,241	109,172	169,413	
Legal	15,333	15,333	-	15,333	
Total expenditures	3,551,571	114,877	3,008,329	3,123,206	
Revenues under expenditures	(3,551,571)	(114,877)	(3,008,329)	(3,123,206)	
Other financing sources:					
Installment purchase obligation issued	2,704,802	2,704,802	-	2,704,802	
Transfer from General Fund	846,769	-	846,769	846,769	
Total other financing sources	3,551,571	2,704,802	846,769	3,551,571	
Revenues over (under) expenditures and other financing sources	\$ -	\$ 2,589,925	(2,161,560)	\$ 428,365	
Fund balance - beginning of year			2,589,925		
Fund balance - end of year			\$ 428,365		

McDowell County, North Carolina

Enterprise Fund – Universal Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenue:			
Lease revenue	\$ 533,032	\$ 530,330	\$ (2,702)
Total operating revenue	533,032	530,330	(2,702)
Nonoperating revenue:			
Investment earnings	25	309	284
Total nonoperating revenue	25	309	284
Total revenues	533,057	530,639	(2,418)
Expenditures:			
Operating:			
Utilities		40,954	
Contract services		52,672	
Capital outlay		193,164	
Total operating expenditures	354,270	286,790	67,480
Debt service:			
Interest		99,598	
Debt principal		196,666	
Total debt service expenditures	296,264	296,264	-
Total expenditures	650,534	583,054	67,480
Revenues over (under) expenditures	(117,477)	(52,415)	65,062
Other financing sources (uses):			
Transfer from General Fund	337,714	337,714	-
Transfer to General Fund	(220,237)	(220,237)	-
Total other financing sources (uses)	117,477	117,477	-
Revenues and other financing sources (uses) over expenditures	\$ -	\$ 65,062	\$ 65,062
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other financing sources (uses) over expenditures			\$ 65,062
Capital expenditures			176,991
Depreciation			(310,176)
Debt service principal			196,666
Capital contribution			128,572
Change in net position - GAAP			\$ 257,115

McDowell County, North Carolina

Enterprise Fund – Waste Disposal Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees	\$ 1,155,851	\$ 1,125,107	\$ (30,744)
Recycling revenue	65,000	24,537	(40,463)
Solid waste disposal	-	28,914	28,914
Other operating revenue	21,500	21,216	(284)
Total operating revenues	1,242,351	1,199,774	(42,577)
Nonoperating revenue:			
Investment earnings	100	648	548
Total nonoperating revenue	100	648	548
Total revenues	1,242,451	1,200,422	(42,029)
Expenditures:			
Facility operations:			
Salaries and employee benefits		277,301	
Operating expenses		1,921,666	
Capital outlay		1,367	
Total expenditures	2,223,036	2,200,334	22,702
Revenues under expenditures	(980,585)	(999,912)	(19,327)
Other financing sources:			
Transfer from General Fund	980,585	980,585	-
Total other financing sources	980,585	980,585	-
Revenues and other financing sources under expenditures	\$ -	\$ (19,327)	\$ (19,327)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other financing sources under expenditures			\$ (19,327)
Depreciation			(42,266)
Debt service principal			27,674
Decrease in net pension asset			(18,281)
Decrease in deferred outflows of resources – pensions			270
Increase in accrued vacation pay			4,128
Increase in other postemployment benefits			(1,155)
Increase in net pension liability			(15,397)
Decrease in deferred inflows of resources – pensions			40,932
Change in net position - GAAP			\$ (23,422)

McDowell County, North Carolina

Enterprise Fund – Water Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$ 73,500	\$ 77,212	\$ 3,712
New customers	1,100	1,265	165
Tap fees	1,900	3,950	2,050
Miscellaneous	1,500	1,236	(264)
Total operating revenues	78,000	83,663	5,663
Nonoperating revenue:			
Investment earnings	-	195	195
Total nonoperating revenue	-	195	195
Total revenues	78,000	83,858	5,858
Expenditures:			
Operating:			
Water purchase		38,424	
Maintenance and equipment		26,760	
Total expenditures	78,000	65,184	12,816
Revenues over expenditures	\$ -	\$ 18,674	\$ 18,674
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures			\$ 18,674
Depreciation			(94,829)
Change in net position - GAAP			\$ (76,155)

McDowell County, North Carolina

Internal Service Fund – Self-Insurance Fund

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

Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Employee contributions	\$ 293,920	\$ 293,458	\$ (462)
Employer contributions	2,886,059	2,881,579	(4,480)
Stop Loss	388,587	384,809	(3,778)
Cobra payments	15,750	15,351	(399)
Total revenues	3,584,316	3,575,197	(9,119)
Expenditures:			
Employee benefits:			
Claims	3,021,991	2,782,323	239,668
Life Insurance	17,800	17,718	82
Fees	544,525	542,190	2,335
Total expenditures	3,584,316	3,342,231	242,085
Revenues over expenditures	\$ -	232,966	\$ 232,966
Net position, beginning of year		13,770	
Net position, end of year		\$ 246,736	

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2016

	Balance June 30, 2015		Additions		Deductions		Balance June 30, 2016
<u>Social Services Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 30,649	\$	188,003	\$	189,196	\$	29,456
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 30,649	\$	188,003	\$	189,196	\$	29,456
<u>Fines and Forfeitures Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -	\$	179,431	\$	179,431	\$	-
Accounts receivable - other governments	11,810		26,636		11,810		26,636
Total	\$ 11,810	\$	206,067	\$	191,241	\$	26,636
<u>Liabilities</u>							
Due to other governments	\$ 11,810	\$	206,067	\$	191,241	\$	26,636
<u>Motor Vehicle Tax Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 1,111	\$	230,289	\$	230,183	\$	1,217
Accounts receivable - other governments	17,936		21,938		17,936		21,938
Total	\$ 19,047	\$	252,227	\$	248,119	\$	23,155
<u>Liabilities</u>							
Due to other governments	\$ 19,047	\$	252,227	\$	248,119	\$	23,155
<u>Inmates Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 23,261	\$	284,354	\$	296,330	\$	11,285
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 23,261	\$	284,354	\$	296,330	\$	11,285
<u>Employee Sec 125 Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -	\$	38,192	\$	38,192	\$	-
Accounts receivable - other	532		5,373		532		5,373
Total	\$ 532	\$	43,565	\$	38,724	\$	5,373
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 532	\$	43,565	\$	38,724	\$	5,373

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – continued

Year Ended June 30, 2016

	Balance June 30, 2015		Additions		Deductions		Balance June 30, 2016
<u>Tax Penalty Schools Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 11,185		\$ 11,185		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 11,185		\$ 11,185		\$ -
<u>DMV Operations Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 3,721,719		\$ 3,721,719		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 3,721,719		\$ 3,721,719		\$ -
<u>Rescue Squad Billing Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 87		\$ 168,792		\$ 167,917		\$ 962
<u>Liabilities</u>							
Due to other governments	\$ 87		\$ 168,792		\$ 167,917		\$ 962
<u>Deed of Trust Fee Fund:</u>							
<u>Assets</u>							
Cash and investments	\$ 511		\$ 5,842		\$ 5,711		\$ 642
<u>Liabilities</u>							
Due to other governments	\$ 511		\$ 5,842		\$ 5,711		\$ 642
<u>Totals - All Agency Funds:</u>							
<u>Assets</u>							
Cash and investments	\$ 55,619		\$ 4,827,807		\$ 4,839,864		\$ 43,562
Accounts receivable - other governments	29,746		48,574		29,746		48,574
Accounts receivable - other	532		5,373		532		5,373
Total	\$ 85,897		\$ 4,881,754		\$ 4,870,142		\$ 97,509
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 54,442		\$ 515,922		\$ 524,250		\$ 46,114
Due to other governments	31,455		4,365,832		4,345,892		51,395
Total	\$ 85,897		\$ 4,881,754		\$ 4,870,142		\$ 97,509

McDowell County, North Carolina

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2016

Year of Levy	Uncollected Balance June 30, 2015	Additions	Collections and Adjustments	Uncollected Balance June 30, 2016
2015	\$ -	\$ 19,761,300	\$ 19,601,918	\$ 159,382
2014	226,751	-	121,260	105,491
2013	187,683	-	77,366	110,317
2012	134,277	-	37,421	96,856
2011	105,563	-	25,975	79,588
2010	106,620	-	17,822	88,798
2009	95,197	-	18,379	76,818
2008	85,837	-	15,813	70,024
2007	73,391	-	13,835	59,556
2006	72,218	-	12,192	60,026
2005	74,325	-	74,325	-
	\$ 1,161,862	\$ 19,761,300	\$ 20,016,306	906,856
Less allowance for uncollectible ad valorem taxes				(471,178)
Ad Valorem taxes receivable - net				\$ 435,678
Reconciliation with revenues:				
Taxes - Ad Valorem:				
General Fund			\$ 20,010,693	
Releases			46,611	
Discounts			90,152	
Amounts written off for the 2005 levy per the statute of limitations			57,266	
Other adjustments			(16,732)	
			20,187,990	
Less interest collected				(171,684)
Total collections and adjustments			\$ 20,016,306	

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2016

	County-wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,377,826,230	\$.55	\$ 18,578,044	\$ 16,712,446	\$ 1,865,598
Penalties	-		7,002	7,002	-
Total	3,377,826,230		18,585,046	16,719,448	1,865,598
Discoveries:					
Current year taxes	211,452,019	.55	1,162,986	1,162,296	690
Prior year taxes	19,615,334	.55	107,885	107,834	51
Penalties	-		4,459	4,459	-
Total	231,067,353		1,275,330	1,274,589	741
Abatements	(18,013,604)		(99,076)	(98,736)	(340)
Total property valuation	\$ 3,590,879,979				
Net levy			19,761,300	17,895,301	1,865,999
Uncollected taxes at June 30, 2016			(159,382)	(157,458)	(1,924)
Current year's taxes collected			\$ 19,601,918	\$ 17,737,843	\$ 1,864,075
Current levy collection percentage			99.19%	99.12%	99.90%

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2016

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio ¹		100%
Real Property	\$	2,659,077,369
Personal Property		724,075,935
Public Service Companies ²		207,726,675
<hr/>		
Total Assessed Valuation	\$	3,590,879,979
<hr/>		
Tax Rate per \$100	\$	0.55
Levy (includes discoveries and abatements) ³	\$	19,761,300

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

Fire Protection and Rescue Districts	\$	2,648,316
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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, 2016

Taxpayer	Type of Business	2016 Assessed Valuation	Percentage of Total Assessed Valuation
Baxter Healthcare	IV Solution	\$ 174,903,680	4.87%
Duke Energy	Utility	153,083,140	4.26%
CSX Transportation	Railroad	55,503,506	1.55%
Baldor Electric Company	Manufacturing	31,483,930	0.88%
Rutherford EMC	Utility	31,071,746	0.87%
Norfolk Southern	Railroad	27,242,642	0.76%
IAC/Collins & Aikman Group	Manufacturing	26,370,203	0.73%
Rock-Tenn Packaging	Manufacturing	24,802,081	0.69%
Walmart	Retail	21,146,464	0.59%
Columbia Carolina	Manufacturing	20,829,798	0.58%
Total		\$ 566,437,190	15.78%

McDowell County, North Carolina

Compliance Section

Year Ended June 30, 2016



**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, 2016, and the related notes to the financial statements, which collectively comprise McDowell County's basic financial statements, and have issued our report thereon dated December 1, 2016. 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 our 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.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-002.

McDowell County's Response to Findings

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

Purpose of this Report

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

Johnson Price Sprinkle PA

Marion, North Carolina
December 1, 2016



**Independent Auditors' Report on Compliance for
Each Major Federal Program; Report on Internal Control Over
Compliance in Accordance With OMB Uniform Guidance
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 *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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McDowell County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, McDowell County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Johnson Price Sprinkle PA

Marion, North Carolina
December 1, 2016



**Independent Auditors' Report on Compliance for
Each Major State Program; Report on Internal Control Over
Compliance in Accordance with OMB Uniform Guidance
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, 2016. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about McDowell County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, McDowell County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Johnson Price Sprinkle PA

Marion, North Carolina
December 1, 2016

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2016

Dollar threshold to distinguish
between Type A and Type B Programs \$ 1,698,886

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

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes ___X___ no
- Significant deficiency(s) identified? _____ yes ___X___ none reported

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

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

Identification of major State programs:

Program Name

Medical Assistance Program (Title XIX – Medicaid) – State Appropriations
Public School Building Capital Fund – Lottery Proceeds

Section II. Financial Statement Findings

Finding: 2016-001: 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.

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 occurred. For the year ended June 30, 2016, payroll testing resulted in 2 (out of 40) instances in which the required department head signature was missing on a timesheet.

Cause: During the year ended June 30, 2016, there was employee turnover in various department head positions. As a result, approval of timesheets was not occurring on a consistent basis.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2015-001.

Recommendation: Management should implement additional training for payroll staff and department heads in order to review timesheet approval procedures.

Views of responsible officials and planned corrective action: The County agrees with the finding. The finance officer intends to increase training for all department heads responsible for oversight functions and address the specific area of timesheets.

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2016

Section II. Financial Statement Findings – continued

Finding: 2016-002: Non-compliance with North Carolina General Statutes

Criteria: North Carolina General Statute 159-13(b)(2) requires the full amount of any deficit in a fund to be appropriated.

Condition: The Universal Career Pathways Skill Center Project has a deficit fund balance of \$171,000 at June 30, 2016.

Effect: Transfers from the General Fund were not appropriated to cover the deficit during the year ended June 30, 2016.

Cause: The deficit fund balance was expected to be covered by current year revenues that were not received or accrued.

Recommendation: Management should monitor the activity status of capital project funds during the year and appropriate adequate resources as necessary.

Views of responsible officials and planned corrective action: The County agrees with the finding. The finance officer will increase training for project managers with an emphasis on monitoring project status.

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

McDowell County, North Carolina

Corrective Action Plan

Year Ended June 30, 2016

Section II: Financial Statement Findings

Finding 2016-001: 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 2016-002: Noncompliance with North Carolina General Statutes

Name of contact person: Alison Morgan, Finance Officer

Corrective Action: Project managers will be reminded to monitor project status, matching expenditures with the availability of revenue sources.

Proposed Completion Date: Immediately.

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

McDowell County, North Carolina

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2016

Finding: 2014-001 and 2015-001: Communication and Monitoring.

Status: Duties are separated as much as possible. The finding is repeated in 2016 as 2016-001.

Finding: 2014-002 and 2015-002: Excess of Expenditures over Appropriations.

Status: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Finding is not repeated in 2016.

Finding: 2014-003 and 2015-003: Title XIX – Medicaid – Budget Calculation for Eligibility Determination.

Status: The County increased training on the budgeting process. Finding is not repeated in 2016.

Finding: 2014-004 and 2015-004: Title XIX – Medicaid – File Documentation – Content.

Status: The County increased training on gathering and documenting all information concerning cases. Finding is not repeated in 2016.

Finding: 2015-005: Title XIX – Medicaid – File Documentation – EPICS.

Status: The Program Integrity Investigator has followed policy in substantiating cases and making sure cases are resolved in the appropriate timeframe. Finding is not repeated in 2016.

Finding: 2015-006: State/County Special Assistance – File Documentation.

Status: The County completed training to update workers on the correct process to ensure that the client and/or facility were receiving 8108 notices. Finding is not repeated in 2016.

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2016

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards:					
U.S. Department of Agriculture:					
Passed through North Carolina Department of Health and Human Services, Division of Social Services:					
Food and Nutrition Services Program	10.561		\$ 412,100	\$ -	\$ -
Total U.S. Department of Agriculture			412,100	-	-
U.S. Department of Housing and Urban Development:					
Passed through North Carolina Department of Commerce:					
Community Development Block Grants:					
Commerce Fellows	14.228	11-D-2694	17,500	-	-
Total U.S. Department of Housing and Urban Development			17,500	-	-
U.S. Department of Justice:					
Direct federal:					
Office of Justice Programs:					
State Criminal Alien Assistance Program	16.606		2,936	-	-
Equitable Sharing	16.922		26,330	-	-
			29,266	-	-
Passed through North Carolina Department of Crime Control and Public Safety, Governor's Crime Commission:					
2015 Radio Grant	16.738	PROJ010878	14,939	-	-
2015 VIPER Grant	16.738	PROJ010862	54,600	-	-
			69,539	-	-
Total U.S. Department of Justice			98,805	-	-
U.S. Office of Library Services:					
Passed through North Carolina Department of Cultural Resources, Library Service and Technology Act:					
EZ Technology Planning Grant	45.310		750	-	-
Total U.S. Office of Library Services			750	-	-
U.S. Department of Interior:					
Direct federal:					
National Parks Service:					
Conservation – Joseph McDowell					
House (adjustment)	15.954		(4,307)	-	-
Total U.S. Department of Interior			(4,307)	-	-
U.S. Department of Transportation:					
Passed through North Carolina Department of Environment and Natural Resources, Division of Parks and Recreation:					
Recreational Trails Program	20.219		168,500	-	-
Total U.S. Department of Transportation			168,500	-	-
U.S. Environmental Protection Agency:					
Direct federal:					
Congressional Mandated Projects	66.202		29,243	-	-
Total U.S. Environmental Protection Agency			29,243	-	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2016

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
U.S. Department of Health and Human Services:					
<i>Health Care Financing Administration:</i>					
Passed through North Carolina Department of Health and Human Services:					
Division of Medical Assistance (Medicaid):					
Direct Benefit Payments:					
Medical Assistance Program	93.778		\$ * 48,633,602	\$ 26,337,479	\$ -
Division of Social Services:					
Medicaid Administration	93.778		* 1,199,188	89,351	-
Adult Care Home Case Management	93.778		* 25,734	9,820	-
			49,858,524	26,436,650	-
Division of Medical Assistance (NC Health Choice):					
Direct Benefit Payments:					
NC Health Choice	93.767		1,078,127	81,014	-
Division of Social Services:					
NC Health Choice - Administration	93.767		23,248	266	-
			1,101,375	81,280	-
Passed through North Carolina Department of Insurance:					
SHIIP	93.779		5,128	-	-
			5,128	-	-
			50,965,027	26,517,930	-
<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		-	11,400	-
Part C – Nutrition Services	93.045		99,874	149,812	-
Part D – In-Home Services	93.044		38,256	57,379	-
NSIP Supplement	93.053		54,950	-	-
Aging Cluster			193,080	218,591	-
<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		78,421	-	78,421
Division of Child Development:					
Child Care and Development Fund – Discretionary	93.575		100,779	-	100,779
Child Care and Development Fund – TANF	93.575		340,177	-	340,177
Child Care and Development Fund – Mandatory	93.596		117,715	-	117,715
Child Care and Development Fund – Matching	93.596		401,879	183,625	585,504
Child Care Development Fund Cluster			1,038,971	183,625	1,222,596

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2016

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
U.S. Department of Health and Human Services – continued:					
<u>Subsidized Child Care Cluster - continued:</u>					
Passed through North Carolina Department of Health and Human Services - continued:					
<i>Administration for Children and Families - continued:</i>					
IV-E Foster Care	93.658		\$ 6,289	\$ 3,218	\$ 9,507
Temporary Assistance for Needy Families	93.558		112,436	-	112,436
Smart Start	N/A		-	35,000	35,000
Smart Start Quality TANF MOE	N/A		-	133,200	133,200
State Funding	N/A		-	181,248	181,248
Smart Start TANF Maintenance of Effort	N/A		-	44,019	44,019
Subsidized Child Care Cluster			1,157,696	580,310	1,738,006
Division of Social Services:					
<i>Foster Care and Adoption Cluster:</i>					
Title IV-E – Foster Care:					
Administrative	93.658		338,076	34,725	-
Benefit Payments	93.658		232,878	62,408	-
Adoption Training	93.659		5,095	-	-
Adoption	93.659		804	-	-
Optional Adoption Training	93.659		3,062	-	-
Adoption Assistance – Direct Benefit Payments	93.659		464,658	120,698	-
Foster Care and Adoption Cluster			1,044,573	217,831	-
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:					
Administration	93.568		495,645	-	-
Passed through North Carolina Department of Health and Human Services:					
Work First/Temporary Assistance for Needy Families (TANF):					
Direct Benefit Payments	93.558		274,688	-	-
Special Children Adoption	93.558		84,000	-	-
Work First Benefits	93.558		477,535	-	-
Administration	93.558		204,975	41	-
Administration – Adoption Foster Care (TANF Share)	93.558		66,211	-	-
			1,107,409	41	-
LINKS	93.674		39,567	3,766	-
Social Services Block Grant	93.667		640,659	16,248	-
Family Preservation	93.556		16,355	-	-
Child Welfare Services:					
Permanency Planning	93.645		6,269	-	-
Child Support Enforcement	93.563		236,831	-	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2016

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
U.S. Department of Health and Human Services – continued:					
Passed through North Carolina Department of Health and Human Services – continued:					
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Passed through Smoky Mountain Local Management Entity					
Community Paramedicine Behavioral Health Crisis	93.959		\$ 1,922	\$ -	-
Community Paramedicine Behavioral Health Crisis	93.958		1,922	-	-
			3,844	-	-
Total U.S. Department of Health and Human Services			55,906,955	27,554,717	1,738,006
Total Federal awards			56,629,546	27,554,717	1,738,006
State Awards:					
North Carolina Department of Health and Human Services:					
Division of Social Services:					
Soil Conservation			-	24,079	-
Child Protective Services:					
Foster Care			-	79,071	-
Child Welfare Services:					
Direct Benefit Payments:					
Adoption Subsidy			-	201,606	-
Child Protective Services			-	154,723	-
Division of Aging:					
Direct Benefit Payments:					
State/County Special Assistance to Adults			-	429,724	-
Office of Rural Health and Community Care:					
Medication Assistance Program Grant			-	12,323	-
Division of Health Service Regulation, NC Office of Emergency Management Services:					
Community Paramedic			-	16,499	-
Total North Carolina Department of Health and Human Services			-	918,025	-
North Carolina Department of Transportation:					
Elderly and Handicapped Transportation Assistance Program (EDTAP)					
		DOT-16CL	-	62,083	-
ROAP Employment		DOT-16CL	-	12,707	-
ROAP RGP		DOT-16CL	-	68,910	-
Total North Carolina Department of Transportation			-	143,700	-
North Carolina Department of Crime Control and Public Safety:					
Division of Emergency Management:					
Emergency Management Preparedness Grant			-	38,542	-
Division of Youth Services:					
Juvenile Crime Prevention Council			-	135,938	135,938
Total North Carolina Department of Crime Control and Public Safety			-	174,480	135,938

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2016

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
State Awards:					
North Carolina Department of Cultural Resources:					
State Aid to Libraries:					
Administration and Library Development			\$ -	\$ 105,234	\$ -
North Carolina Department of Administration:					
Division of Veterans Affairs:					
N.C. General Statute 165-6(9)			-	1,525	-
North Carolina Department of Commerce:					
Rural Economic Development Center:					
Economic Infrastructure: Total Quality			-	17,000	-
North Carolina Department of Agriculture:					
WNC Communities:					
Soil and Water Environmental Impact Grant			-	1,012	-
North Carolina Department of Public Instruction:					
Public School Building Capital Fund – Lottery Proceeds			*	563,773	563,773
Total State awards			-	1,924,749	699,711
Total Federal and State awards			\$ 56,629,546	\$ 29,479,466	\$ 2,437,717

* Indicates major program

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

Note 1: Basis of Presentation:

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of McDowell County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of McDowell County, it is not intended to and does not present the financial position, changes in net position or cash flows of McDowell County.

Note 2: Summary of Significant Accounting Policies

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