

**McDowell County,  
North Carolina**

Year Ended June 30, 2017

Independent Auditors' Report  
Financial Statements  
and  
Supplementary Information

# McDowell County, North Carolina

## County Officials

June 30, 2017

### Board of Commissioners

David Walker	Chairperson
Barry McPeters	Vice Chairperson
Lynn Greene	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 Bell	County Finance Officer
Linda Onufrey	Tax Collector
Lisa Sprouse	Social Services Director
Ashley Wooten	Interim Tax Assessor

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## Independent Auditors' Report

To the Board of County 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, 2017, 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 financial 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, 2017, 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 Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 81-82, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 83-84, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions on pages 85-86, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 87-88, 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 --, 2017 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 4, 2017

## 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, 2017. 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 \$38,860,870 (net position).
- The government's total net position increased by \$2,144,779 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 \$18,215,471, a decrease of \$606,995 over the prior year. Of this total amount, 51.9% or \$9,448,934 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,287,848 or 19.6% of total General Fund expenditures for the fiscal year. Fund balance available for appropriation represents 22.31% 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 \$1,759,887 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, 2017 and 2016  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 21,702,418	\$ 22,189,635	\$ 722,405	\$ 545,966	\$ 22,424,823	\$ 22,735,601
Capital assets	22,935,720	22,380,720	12,158,020	11,349,431	35,093,740	33,730,151
	44,638,138	44,570,355	12,880,425	11,895,397	57,518,563	56,465,752
Total deferred outflows of resources	3,370,604	836,054	62,831	14,617	3,433,435	850,671
Long-term liabilities outstanding	17,472,261	15,535,747	2,214,489	2,378,941	19,686,750	17,914,688
Other liabilities	1,956,955	1,735,542	246,918	184,729	2,203,873	1,920,271
	19,429,216	17,271,289	2,461,407	2,563,670	21,890,623	19,834,959
Total deferred inflows of resources	197,709	452,071	2,796	3,623	200,505	455,694
Net position:						
Net investment in capital assets	18,593,167	17,624,611	10,134,370	9,101,422	28,727,537	26,726,033
Restricted	9,462,661	10,360,258	-	-	9,462,661	10,360,258
Unrestricted (deficit)	325,989	(301,820)	344,683	241,299	670,672	(60,521)
	\$ 28,381,817	\$ 27,683,049	\$ 10,479,053	\$ 9,342,721	\$ 38,860,870	\$ 37,025,770

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 \$38,860,870 as of June 30, 2017. The County's net position increased by \$2,144,779 for the fiscal year ended June 30, 2017. One of the largest portions, 73.92% or \$28,727,537 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, \$9,462,661 or 24.35%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$670,762 is unrestricted.

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

- Obligations under installment purchases decreased by \$1,759,887 consisting of debt service payments totaling \$2,303,566 net of new borrowings totaling \$543,679.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 99.28%, slightly higher than the statewide average of 98.72%.

Following is a comparative summary of changes in net position.

**McDowell County's Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,301,113	\$ 5,304,144	\$ 1,991,302	\$ 1,813,767	\$ 7,292,415	\$ 7,117,911
Operating grants and contributions	8,983,206	9,023,171	-	-	8,983,206	9,023,171
Capital grants and contributions	710,275	1,057,077	-	-	710,275	1,057,077
General revenues:						
Property taxes	23,440,162	22,482,818	-	-	23,440,162	22,482,818
Other taxes	10,250,772	9,294,188	-	-	10,250,772	9,294,188
Grants and contributions not restricted to specific programs	175,049	280,410	-	-	175,049	280,410
Other	580,614	581,424	3,111	1,152	583,725	582,576
<b>Total revenues</b>	<b>49,441,191</b>	<b>48,023,232</b>	<b>1,994,413</b>	<b>1,814,919</b>	<b>51,435,604</b>	<b>49,838,151</b>

**McDowell County's Changes in Net Position – continued**  
**Years Ended June 30, 2017 and 2016**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Expenses:</b>						
General government	\$ 5,033,720	\$ 3,292,568	\$ -	\$ -	\$ 5,033,720	\$ 3,292,568
Public safety	14,610,668	14,244,430	-	-	14,610,668	14,244,430
Environmental protection	706,349	572,726	-	-	706,349	572,726
Economic and physical development	973,672	868,666	-	-	973,672	868,666
Human services	12,476,584	11,709,096	-	-	12,476,584	11,709,096
Cultural and recreational	1,172,374	1,316,366	-	-	1,172,374	1,316,366
Education	10,958,876	10,658,059	-	-	10,958,876	10,658,059
Interest on long-term debt	313,526	372,005	-	-	313,526	372,005
Universal	-	-	573,570	519,573	573,570	519,573
Waste disposal	-	-	2,282,740	2,204,429	2,282,740	2,204,429
Water	-	-	188,746	160,013	188,746	160,013
<b>Total expenses</b>	<b>46,245,769</b>	<b>43,033,916</b>	<b>3,045,056</b>	<b>2,884,015</b>	<b>49,290,825</b>	<b>45,917,931</b>
Increase (decrease) in net position before transfers	3,195,422	4,989,316	(1,050,643)	(1,069,096)	2,144,779	3,920,220
Transfers	(2,186,975)	(1,226,634)	2,186,975	1,226,634	-	-
Increase (decrease) in net position	1,008,447	3,762,682	1,136,332	157,538	2,144,779	3,920,220
Net position, beginning	27,683,049	23,871,348	9,342,721	9,185,183	37,025,770	33,056,531
Restatement	(309,679)	49,019	-	-	(309,679)	49,019
Net position, beginning, restated	27,373,370	23,920,367	9,342,721	9,185,183	36,716,091	33,105,550
Net position, ending	\$ 28,381,817	\$ 27,683,049	\$ 10,479,053	\$ 9,342,721	\$ 38,860,870	\$ 37,025,770

**Governmental activities.** Governmental activities increased the County's net position by \$1,008,447. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 99.28%.
- Increase in grant revenues and sales tax revenue.

**Business-type activities.** Business-type activities increased the County's net position by \$1,136,332. Key elements of this increase are as follows:

- Capital assets of \$1,219,404 were transferred from governmental activities.
- Income was received from leasing of space in the Universal building.
- Subsidy of \$946,821 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 \$9,696,755, while total fund balance reached \$13,681,294. The governing body of McDowell County has determined that the County should maintain an available fund balance for the General Fund of at least equal to greater than 18% of the prior year expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the County. The County currently has an available fund balance of 22.31% of General Fund expenditures and transfers, while total fund balance represents 31.47% of that same amount.

At June 30, 2017, the governmental funds of McDowell County reported a combined fund balance of \$18,215,471, a 3.22% decrease from 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 \$2,197,837 including increases in grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$543,679.

Actual revenues in the General Fund, when compared to the final budget, had a positive variance of \$383,967.

**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 \$216,813 with a current year increase of \$70,705. The Water Fund had a balance of \$4,987,483, due to a current year increase of \$851,846. The Universal Fund had a balance of \$5,274,757, due to a current year increase of \$213,781.

### Capital Asset and Debt Administration

**Capital assets.** McDowell County's capital assets for its governmental and business-type activities as of June 30, 2017 total \$35,093,740 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, infrastructure, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchase of waste collection truck.
- Purchase of vehicles for public safety.
- Purchase of ambulance.
- Jail and courthouse addition/renovations.
- 911 backup center and equipment.
- Waterlines at Harmony Grove Road.
- Waterlines at and near the Universal building.

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

**June 30, 2017 and 2016**

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,547,724	\$ 4,547,724	\$ 752,250	\$ 752,250	\$ 5,299,974	\$ 5,299,974
Land improvements	811,923	830,374	74,385	94,726	886,308	925,100
Buildings	8,980,505	9,324,421	1,852,870	1,894,275	10,833,375	11,218,696
Building improvements	5,674,191	1,721,030	4,012,965	4,214,812	9,687,156	5,935,842
Equipment	1,516,614	1,500,361	292,474	332,938	1,809,088	1,833,299
Infrastructure	-	-	5,166,744	4,052,558	5,166,744	4,052,558
Vehicles	1,138,991	894,816	2,822	4,362	1,141,813	899,178
Construction in progress	265,772	3,561,994	3,510	3,510	269,282	3,565,504
	\$ 22,935,720	\$ 22,380,720	\$ 12,158,020	\$ 11,349,431	\$ 35,093,740	\$ 33,730,151

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

**McDowell County's Outstanding Debt**

**June 30, 2017 and 2016**

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment purchases payable	\$ 11,050,240	\$ 12,585,787	\$ 2,023,669	\$ 2,248,009	\$ 13,073,909	\$ 14,833,796

McDowell County's total debt decreased by \$1,759,887 during the past fiscal year, due to \$2,303,566 in principal payments on installment purchase obligations, net of new borrowings of \$543,679.

Installment purchases payable includes a contract related to the construction of the McDowell County Schools in the amount of \$6,233,333. The contract 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 \$174,557. Installment purchases 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 \$225,000 in McDowell House debt is backed by the full faith and credit of McDowell County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for McDowell County is \$300,300,676 at June 30, 2017. 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 remains steady at 3.6% compared to 5.2% 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. Existing home 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 continues 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. The County recently completed two water line extension projects. A major water line extension along Stacy Hill Road is planned during the coming year. Increased infrastructure often leads to economic benefits.

The operation of the Universal Advanced Manufacturing Center 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 three 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 new McDowell Hospital facility is scheduled to open in February 2018. Smaller communities prosper when there are local healthcare options.

### **Budget Highlights for the Fiscal Year Ending June 30, 2018**

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 \$9,694,658 as of June 30, 2017. The approved budget for 2017-2018 increased the General Fund by \$886,179 with growth in the property tax base, sales tax, and other, small revenue increases and decreases in Federal and State programs.

## **Budget Highlights for the Fiscal Year Ending June 30, 2018 – continued**

The approved budget met the County's debt service obligation. The overall debt ratio remains low at .35%. McDowell County did incur additional debt in the amount of \$543,679 in order to purchase vehicles and equipment for public safety.

The budget contained significant accomplishments including the following:

The Commissioners continue to plan improvements for the Courthouse. Recent accomplishments included renovated courtrooms, new holding cells, a second elevator, and enhanced security. Improvements discussed include a third courtroom, new windows, and HVAC.

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 completed in early 2017. 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. The design is underway as of November 2017. The County will also partner with the U.S. Forest Service to construct a second trail bridge along the Catawba Falls Trail. This is the third cooperative project completed with this agency.

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 ensure that the vehicles are safe for the employees and patients. There are now two certified community paramedics serving in this function.

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 cleaned, the City and the County will market the site for industrial/warehouse use. Environmental analysis and planning continues with a goal of cleanup starting in calendar year 2018.

### **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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	McDowell County Tourism Development Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 15,181,027	\$ 533,640	\$ 15,714,667	\$ 335,767
Taxes receivable - net	498,047	-	498,047	-
Due from other governments	4,155,823	-	4,155,823	53,677
Other receivables - net	1,421,794	147,403	1,569,197	-
Inventories	80,648	-	80,648	-
Restricted cash	290,164	41,362	331,526	-
Net pension asset	74,915	-	74,915	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	4,813,496	755,760	5,569,256	-
Other capital assets, net of depreciation	18,122,224	11,402,260	29,524,484	13,518
Total capital assets	22,935,720	12,158,020	35,093,740	13,518
Total assets	44,638,138	12,880,425	57,518,563	402,962
<b>Deferred outflows of resources</b>	3,370,604	62,831	3,433,435	19,584
<b>Liabilities</b>				
Accounts payable and accrued liabilities	1,894,200	246,918	2,141,118	6,614
Miscellaneous liabilities	62,755	-	62,755	-
Long-term liabilities:				
Net pension liability – LGERS	3,803,207	73,661	3,876,868	22,486
Total pension liability – LEOSSA	820,318	-	820,318	-
Due within one year	1,444,349	224,889	1,669,238	-
Due in more than one year	11,404,387	1,915,939	13,320,326	11,835
Total long-term liabilities	17,472,261	2,214,489	19,686,750	34,321
Total liabilities	19,429,216	2,461,407	21,890,623	40,935
<b>Deferred inflows of resources</b>	197,709	2,796	200,505	855
<b>Net Position</b>				
Net investment in capital assets	18,593,167	10,134,370	28,727,537	13,518
Restricted for:				
Stabilization of State Statute	4,846,859	-	4,846,859	53,677
Register of Deeds	21,481	-	21,481	-
Register of Deeds' pension plan	94,375	-	94,375	-
Education	3,579,150	-	3,579,150	-
Human services	256,225	-	256,225	-
Economic and physical development	47,391	-	47,391	-
Public safety	534,161	-	534,161	-
General government	83,019	-	83,019	-
Unrestricted	325,989	344,683	670,672	313,561
Total net position	\$ 28,381,817	\$ 10,479,053	\$ 38,860,870	\$ 380,756

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

**McDowell County, North Carolina**

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit
	Primary Government								McDowell County
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Tourism Development Authority	
<b>Governmental activities:</b>									
General government	\$ 5,033,720	\$ 531,530	\$ 15,482	\$ 694,191	\$ (3,792,517)	\$ -	\$ (3,792,517)	\$ -	
Public safety	14,610,668	4,381,453	845,823	16,084	(9,367,308)	-	(9,367,308)	-	
Environmental protection	706,349	1,432	91,899	-	(613,018)	-	(613,018)	-	
Economic and physical development	973,672	29,890	-	-	(943,782)	-	(943,782)	-	
Human services	12,476,584	303,417	7,921,969	-	(4,251,198)	-	(4,251,198)	-	
Cultural and recreational	1,172,374	53,391	105,533	-	(1,013,450)	-	(1,013,450)	-	
Education	10,958,876	-	2,500	-	(10,956,376)	-	(10,956,376)	-	
Interest on long-term debt	313,526	-	-	-	(313,526)	-	(313,526)	-	
Total governmental activities	46,245,769	5,301,113	8,983,206	710,275	(31,251,175)	-	(31,251,175)	-	
<b>Business-type activities:</b>									
Universal	573,570	478,333	-	-	-	(95,237)	(95,237)	-	
Waste disposal	2,282,740	1,404,658	-	-	-	(878,082)	(878,082)	-	
Water	188,746	108,311	-	-	-	(80,435)	(80,435)	-	
Total business-type activities	3,045,056	1,991,302	-	-	-	(1,053,754)	(1,053,754)	-	
Total government	\$ 49,290,825	\$ 7,292,415	\$ 8,983,206	\$ 710,275	\$ (31,251,175)	\$ (1,053,754)	\$ (32,304,929)	\$ -	
<b>Component Unit:</b>									
Tourism development	\$ 439,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (439,260)	

**McDowell County, North Carolina**

Statement of Activities – continued

Year Ended June 30, 2017

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		
Total government	\$ 49,290,825	\$ 7,292,415	\$ 8,983,206	\$ 710,275	\$ (31,251,175)	\$ (1,053,754)	\$ (32,304,929)	\$ -	
<b>Component Unit:</b>									
Tourism development	\$ 439,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (439,260)	
<b>General revenues:</b>									
Taxes:									
Property taxes, levied for general purpose					23,440,162	-	23,440,162	-	
Local option sales taxes					8,998,588	-	8,998,588	-	
Other taxes and licenses					1,252,184	-	1,252,184	495,313	
Grants and contributions not restricted to specific programs					175,049	-	175,049	-	
Investment earnings, unrestricted					44,323	3,111	47,434	1,287	
Miscellaneous, unrestricted					536,291	-	536,291	513	
<b>Transfer</b>					(2,186,975)	2,186,975	-	-	
Total general revenues and transfers					32,259,622	2,190,086	34,449,708	497,113	
Changes in net position					1,008,447	1,136,332	2,144,779	57,853	
<b>Net position, beginning, previously reported</b>					27,683,049	9,342,721	37,025,770	322,903	
<b>Restatement</b>					(309,679)	-	(309,679)	-	
<b>Net position, beginning, restated</b>					27,373,370	9,342,721	36,716,091	322,903	
<b>Net position, ending</b>					\$ 28,381,817	\$ 10,479,053	\$ 38,860,870	\$ 380,756	

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

**McDowell County, North Carolina**

Balance Sheets

Governmental Funds

June 30, 2017

	Major		Nonmajor	
	General Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 10,533,193	\$ 3,579,150	\$ 420,644	\$ 14,532,987
Restricted cash	290,164	-	-	290,164
Taxes receivable - net	366,364	-	44,534	410,898
Accounts receivable – other governments	3,212,855	703,001	239,967	4,155,823
Accounts receivable EMS – net	1,071,152	-	-	1,071,152
Accounts receivable – other	154,788	-	-	154,788
Inventories	80,648	-	-	80,648
Due from other funds	176,996	-	-	176,996
<b>Total assets</b>	<b>\$ 15,886,160</b>	<b>\$ 4,282,151</b>	<b>\$ 705,145</b>	<b>\$ 20,873,456</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,029,721	\$ -	\$ 231,589	\$ 1,261,310
Miscellaneous liabilities	62,755	-	-	62,755
Due to other funds	-	-	176,996	176,996
<b>Total liabilities</b>	<b>1,092,476</b>	<b>-</b>	<b>408,585</b>	<b>1,501,061</b>
<b>Deferred inflows of resources</b>	<b>1,112,390</b>	<b>-</b>	<b>44,534</b>	<b>1,156,924</b>
<b>Fund balances</b>				
Nonspendable:				
Inventories	80,648	-	-	80,648
Restricted:				
Stabilization by State Statute	3,903,891	703,001	239,967	4,846,859
Register of Deeds	21,481	-	-	21,481
School capital	-	3,579,150	-	3,579,150
General government	83,019	-	-	83,019
Public safety	307,686	-	226,475	534,161
Human services	255,944	-	281	256,225
Economic and physical development	24,219	-	23,172	47,391
Committed:				
Tax revaluation	31,705	-	-	31,705
Assigned:				
Subsequent year’s expenditures	356,639	-	-	356,639
Debt service	-	-	9	9
General government	-	-	19,100	19,100
Public safety	328,214	-	-	328,214
Unassigned (deficit)	8,287,848	-	(256,978)	8,030,870
<b>Total fund balances</b>	<b>13,681,294</b>	<b>4,282,151</b>	<b>252,026</b>	<b>18,215,471</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 15,886,160</b>	<b>\$ 4,282,151</b>	<b>\$ 705,145</b>	<b>\$ 20,873,456</b>

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

**McDowell County, North Carolina**

Balance Sheets – continued

Governmental Funds – continued

June 30, 2017

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

Governmental fund balances	\$ 18,215,471
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,935,720
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	87,149
Net pension asset	74,915
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	847,462
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	32,968
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.	387,698
Deferred inflows of resources for taxes and other receivables.	1,122,798
Pension related deferrals	2,326,591
Net pension liability	(3,803,207)
Total pension liability (LEOSSA)	(820,318)
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.	(13,025,430)
<b>Net position of governmental activities</b>	<b>\$ 28,381,817</b>

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

**McDowell County, North Carolina**

Statements of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	Major		Nonmajor	Total Governmental Funds
	General Fund	School Capital Projects Fund	Other Governmental Funds	
<b>Revenues:</b>				
Ad valorem taxes	\$ 20,444,117	\$ -	\$ 3,086,956	\$ 23,531,073
Local option sales taxes	6,466,956	2,531,632	-	8,998,588
Other taxes and licenses	1,252,184	-	-	1,252,184
Unrestricted intergovernmental	175,049	-	-	175,049
Restricted intergovernmental	8,049,018	(24,117)	1,060,260	9,085,161
Permits and fees	210,712	-	-	210,712
Sales and services	5,400,919	-	-	5,400,919
Investment earnings	29,607	14,664	52	44,323
Miscellaneous	650,083	34,091	363,422	1,047,596
<b>Total revenues</b>	<b>42,678,645</b>	<b>2,556,270</b>	<b>4,510,690</b>	<b>49,745,605</b>
<b>Expenditures:</b>				
Current:				
General government	4,950,700	-	3,292	4,953,992
Public safety	10,678,954	-	3,632,494	14,311,448
Environmental protection	810,906	-	69,488	880,394
Economic and physical development	933,671	-	-	933,671
Human services	12,114,737	-	39,719	12,154,456
Cultural and recreational	1,057,386	-	1,303	1,058,689
Education	-	-	6,000	6,000
Miscellaneous	529,275	-	-	529,275
Intergovernmental:				
Education	10,100,209	-	-	10,100,209
Capital outlay	-	1,001,851	1,752,019	2,753,870
Debt service	1,017,800	-	1,228,904	2,246,704
<b>Total expenditures</b>	<b>42,193,638</b>	<b>1,001,851</b>	<b>6,733,219</b>	<b>49,928,708</b>
Revenues over (under) expenditures	485,007	1,554,419	(2,222,529)	(183,103)
<b>Other financing sources (uses):</b>				
Transfers to other funds	(1,820,341)	(1,181,709)	-	(3,002,050)
Transfers from other funds	220,237	-	1,814,242	2,034,479
Installment purchase obligations issued	543,679	-	-	543,679
<b>Total other financing sources (uses)</b>	<b>(1,056,425)</b>	<b>(1,181,709)</b>	<b>1,814,242</b>	<b>(423,892)</b>
<b>Net change in fund balances</b>	<b>(571,418)</b>	<b>372,710</b>	<b>(408,287)</b>	<b>(606,995)</b>
<b>Fund balances – beginning of year</b>	<b>14,252,712</b>	<b>3,909,441</b>	<b>660,313</b>	<b>18,822,466</b>
<b>Fund balances – end of year</b>	<b>\$ 13,681,294</b>	<b>\$ 4,282,151</b>	<b>\$ 252,026</b>	<b>\$ 18,215,471</b>

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

**McDowell County, North Carolina**

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

Governmental Funds

Year Ended June 30, 2017

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

Net change in fund balances – total governmental funds	\$ (606,995)
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.	562,340
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.	(7,340)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	847,462
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	32,968
Revenues in the fund financial statements that were previously recognized as revenues in the government-wide financial statements.	(297,072)
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.	1,535,547
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.	(1,199,425)
Net income of internal service fund, determined to be a governmental-type activity.	140,962
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Total changes in net position of governmental activities	\$ 1,008,447
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The accompanying notes are an integral part of these financial statements.

**McDowell County, North Carolina**

Statement of Revenues, Expenditures, and Changes in

Fund Balance – Budget and Actual – General Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 20,046,434	\$ 20,081,434	\$ 20,444,117	\$ 362,683
Local option sales taxes	6,145,000	6,341,562	6,466,956	125,394
Other taxes and licenses	1,012,472	1,254,072	1,252,184	(1,888)
Unrestricted intergovernmental	135,000	151,000	175,049	24,049
Restricted intergovernmental	8,449,694	8,784,436	8,049,018	(735,418)
Permits and fees	193,920	198,420	210,712	12,292
Sales and services	4,003,318	4,806,357	5,400,919	594,562
Investment earnings	20,000	20,000	29,404	9,404
Miscellaneous	90,800	657,194	650,083	(7,111)
<b>Total revenues</b>	<b>40,096,638</b>	<b>42,294,475</b>	<b>42,678,442</b>	<b>383,967</b>
<b>Expenditures:</b>				
Current:				
General government	4,444,805	5,110,867	4,919,315	191,552
Public safety	9,002,520	11,324,108	10,678,954	645,154
Environmental protection	913,117	876,665	810,906	65,759
Economic and physical development	864,392	993,924	933,671	60,253
Human services	12,149,297	12,806,373	12,114,737	691,636
Cultural and recreational	1,078,883	1,143,120	1,057,386	85,734
Miscellaneous	111,653	696,767	529,275	167,492
Intergovernmental:				
Education	9,923,740	10,113,070	10,100,209	12,861
Debt service	996,499	1,017,850	1,017,800	50
<b>Total expenditures</b>	<b>39,484,906</b>	<b>44,082,744</b>	<b>42,162,253</b>	<b>1,920,491</b>
<b>Revenues over (under) expenditures</b>	<b>611,732</b>	<b>(1,788,269)</b>	<b>516,189</b>	<b>2,304,458</b>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(1,363,608)	(1,835,342)	(1,835,341)	1
Transfers from other funds	220,237	220,237	220,237	-
Installment purchase obligations issued	-	543,679	543,679	-
Fund balance appropriated	531,639	2,859,695	-	(2,859,695)
<b>Total other financing sources (uses)</b>	<b>(611,732)</b>	<b>1,788,269</b>	<b>(1,071,425)</b>	<b>(2,859,694)</b>
Net change in fund balance	\$ -	\$ -	(555,236)	\$ (555,236)
<b>Fund balance - beginning of year</b>			14,204,825	
<b>Fund balance - end of year</b>			13,649,589	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			203	
Expenditures			(31,385)	
Transfer in from General Fund			15,000	
Fund Balance, beginning			47,887	
<b>Fund Balance, ending (Page 20)</b>			\$ 13,681,294	

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

**McDowell County, North Carolina**

Statements of Net Position

Proprietary Funds

June 30, 2017

Major					
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
<b>Assets</b>					
<b>Current assets:</b>					
Cash	\$ 206,987	\$ 102,145	\$ 224,508	\$ 533,640	\$ 648,040
Receivables - net	-	10,745	136,658	147,403	195,854
Total current assets	206,987	112,890	361,166	681,043	843,894
<b>Noncurrent assets:</b>					
Restricted cash	24,117	17,245	-	41,362	-
Capital assets:					
Land and construction in progress	752,250	3,510	-	755,760	-
Other capital assets, net of depreciation	6,307,880	4,876,937	217,443	11,402,260	-
Total capital assets	7,060,130	4,880,447	217,443	12,158,020	-
Total noncurrent assets	7,084,247	4,897,692	217,443	12,199,382	-
Total assets	7,291,234	5,010,582	578,609	12,880,425	843,894
<b>Deferred outflows of resources</b>	-	-	62,831	62,831	-
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	25,693	5,854	174,009	205,556	456,196
Customer deposits	24,117	17,245	-	41,362	-
Current installments of long-term debt	196,667	-	28,222	224,889	-
Total current liabilities	246,477	23,099	202,231	471,807	456,196
<b>Noncurrent liabilities:</b>					
Accrued landfill closure and postclosure care costs	-	-	30,000	30,000	-
Compensated absences payable	-	-	6,411	6,411	-
Net pension liability	-	-	73,661	73,661	-
Other postemployment benefits	-	-	80,748	80,748	-
Long-term debt	1,770,000	-	28,780	1,798,780	-
Total noncurrent liabilities	1,770,000	-	219,600	1,989,600	-
Total liabilities	2,016,477	23,099	421,831	2,461,407	456,196
<b>Deferred inflows of resources</b>	-	-	2,796	2,796	-
<b>Net position</b>					
Net investment in capital assets	5,093,463	4,880,467	160,440	10,134,370	-
Unrestricted (deficit)	181,294	107,016	56,373	344,683	387,698
Total net position	\$ 5,274,757	\$ 4,987,483	\$ 216,813	\$ 10,479,053	\$ 387,698

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, 2017

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self-Insurance Fund
<b>Operating revenues:</b>					
Charges for services	\$ 478,333	\$ 106,331	\$ 1,361,255	\$ 1,945,919	\$ 4,374,070
Other operating revenues	-	1,980	43,403	45,383	-
<b>Total operating revenues</b>	<b>478,333</b>	<b>108,311</b>	<b>1,404,658</b>	<b>1,991,302</b>	<b>4,374,070</b>
<b>Operating expense:</b>					
Salaries and benefits	-	-	275,866	275,866	3,706,404
Operating expenses	157,900	81,329	1,965,726	2,204,955	526,704
Depreciation	324,549	107,417	39,616	471,582	-
<b>Total operating expenses</b>	<b>482,449</b>	<b>188,746</b>	<b>2,281,208</b>	<b>2,952,403</b>	<b>4,233,108</b>
<b>Operating income (loss)</b>	<b>(4,116)</b>	<b>(80,435)</b>	<b>(876,550)</b>	<b>(961,101)</b>	<b>140,962</b>
<b>Non-operating revenues (expenses):</b>					
Investment earnings	657	488	1,966	3,111	-
Interest expense	(91,121)	-	(1,532)	(92,653)	-
<b>Total non-operating revenues (expenses)</b>	<b>(90,464)</b>	<b>488</b>	<b>434</b>	<b>(89,542)</b>	<b>-</b>
<b>Income (loss) before contributions and transfers</b>	<b>(94,580)</b>	<b>(79,947)</b>	<b>(876,116)</b>	<b>(1,050,643)</b>	<b>140,962</b>
<b>Capital contributions</b>	<b>287,611</b>	<b>931,793</b>	<b>-</b>	<b>1,219,404</b>	<b>-</b>
<b>Transfers from General Fund</b>	<b>411,987</b>	<b>-</b>	<b>946,821</b>	<b>1,358,808</b>	<b>-</b>
<b>Transfer to General Fund</b>	<b>(220,237)</b>	<b>-</b>	<b>-</b>	<b>(220,237)</b>	<b>-</b>
<b>Transfer to Universal Career Pathways Skill Center Project</b>	<b>(171,000)</b>	<b>-</b>	<b>-</b>	<b>(171,000)</b>	<b>-</b>
<b>Change in net position</b>	<b>213,781</b>	<b>851,846</b>	<b>70,705</b>	<b>1,136,332</b>	<b>140,962</b>
<b>Net position - beginning of year</b>	<b>5,060,976</b>	<b>4,135,637</b>	<b>146,108</b>	<b>9,342,721</b>	<b>246,736</b>
<b>Net position - end of year</b>	<b>\$ 5,274,757</b>	<b>\$ 4,987,483</b>	<b>\$ 216,813</b>	<b>\$ 10,479,053</b>	<b>\$ 387,698</b>

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

**McDowell County, North Carolina**

Statements of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance-Fund
<b>Cash flows from operating activities:</b>					
Cash received from customers and users of services	\$ 478,438	\$ 98,703	\$ 1,384,911	\$ 1,962,052	\$ 4,232,498
Cash paid for goods and services	(111,751)	(82,399)	(1,945,932)	(2,140,082)	(526,704)
Cash paid to employees for services and for employee benefits	-	-	(265,019)	(265,019)	(3,440,685)
Customer deposits paid	-	(2,688)	-	(2,688)	-
Net cash provided (used) by operating activities	366,687	13,616	(826,040)	(445,737)	265,109
<b>Cash flows from non-capital financing activities:</b>					
Transfer from General Fund	411,987	-	946,821	1,358,808	-
Transfer to General Fund	(220,237)	-	-	(220,237)	-
Transfer to Universal Career Pathways Skill Center Project	(171,000)	-	-	(171,000)	-
Net cash provided (used) by non-capital financing activities	20,750	-	946,821	967,571	-
<b>Cash flows from capital and related financing activities:</b>					
Purchase of property and equipment	(50,229)	-	(10,534)	(60,763)	-
Repayment of long-term debt	(196,666)	-	(27,674)	(224,340)	-
Interest paid	(91,121)	-	(1,532)	(92,653)	-
Net cash provided (used) by capital and related financing activities	(338,016)	-	(39,740)	(377,756)	-
<b>Cash flows from investing activities:</b>					
Investment earnings	657	488	1,966	3,111	-
Net cash provided by investing activities	657	488	1,966	3,111	-
<b>Net increase in cash</b>	50,078	14,104	83,007	147,189	265,109
<b>Cash - beginning of year</b>	181,026	105,286	141,501	427,813	382,931
<b>Cash - end of year</b>	\$ 231,104	\$ 119,390	\$ 224,508	\$ 575,002	\$ 648,040
<b>Presented on the accompanying statements of net position as:</b>					
Cash	\$ 206,987	\$ 102,145	\$ 224,508	\$ 533,640	\$ 648,040
Restricted cash	24,117	17,245	-	41,362	-
	\$ 231,104	\$ 119,390	\$ 224,508	\$ 575,002	\$ 648,040

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, 2017

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self-Insurance Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (4,116)	\$ (80,435)	\$ (876,550)	\$ (961,101)	\$ 140,962
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	324,549	107,417	39,616	471,582	-
Provision for uncollectible accounts	-	-	21,695	21,695	-
Changes in:					
Accounts receivable	105	(9,608)	(41,442)	(50,945)	(141,571)
Deferred outflows of resources – pensions	-	-	(48,214)	(48,214)	-
Accounts payable	22,032	(1,069)	19,794	40,757	265,718
Customer deposits	24,117	(2,689)	-	21,428	-
Net pension liability	-	-	58,264	58,264	-
Compensated absences payable	-	-	1,357	1,357	-
Other postemployment benefits payable	-	-	267	267	-
Deferred inflows of resources – pensions	-	-	(827)	(827)	-
Net cash provided (used) by operating activities	\$ 366,687	\$ 13,616	\$ (826,040)	\$ (445,737)	\$ 265,109
<b>Noncash financing activities:</b>					
Assets acquired through contributed capital	\$ 287,611	\$ 931,793	\$ -	\$ 1,219,404	\$ -

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

**McDowell County, North Carolina**  
Statements of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

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	Agency Funds
<hr/>	
<b><u>Assets</u></b>	
Cash and investments	\$ 47,177
Accounts receivable - other governments	37,487
Accounts receivable - other	4,235
Total assets	88,899
<hr/>	
<b><u>Liabilities and net position</u></b>	
Liabilities:	
Miscellaneous liabilities	49,500
Intergovernmental payable	39,399
Total liabilities	88,899
<hr/>	
Net position:	
Assets held in trust for pension benefits	\$ -
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The accompanying notes are an integral part of these financial statements.

# McDowell County, North Carolina

## Notes to Financial Statements

June 30, 2017

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

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

#### (1) Reporting Entity

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

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

#### (2) Basis of Presentation, Basis of Accounting

##### Basis of Presentation, Measurement Focus - Basis of Accounting

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following 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.

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:**

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**(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:**

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**(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 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.

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

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**(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 Government 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, 2017

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

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**(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.

Governmental activities:

General Fund	Tax revaluation	\$	31,705
General Fund	Unexpended debt proceeds		258,459
Total governmental activities			290,164

Business-type activities:

Universal Fund	Customer deposits		24,117
Water Fund	Customer deposits		17,245
Total business-type activities			41,362

Total restricted cash		\$	331,526
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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, 2016. 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:**

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**(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:**

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**(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:**

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**(4) Assets, Liabilities, Deferred Inflows and Outflows of Resources, 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 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 Clerk of Court, the Library and 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 social services and Senior Center purposes.

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

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

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

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

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**(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.

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 \$10,166,346 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)	\$ 42,751,890
Less accumulated depreciation	(19,816,170)
Net capital assets	22,935,720
Net pension asset	74,915
Contributions to the pension plan in the current fiscal year	847,462
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.	87,149
Benefit payments and pension administration costs for LEOSSA	32,968

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2017

**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.	\$ 387,698
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide.	1,122,798
Pension related deferrals	2,326,591
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	(11,050,240)
Compensated absences	(743,200)
Other postemployment benefits	(1,055,296)
Net pension liability	(4,623,525)
Accrued interest payable	(47,612)
Other long-term liabilities	(129,082)
<b>Total adjustment</b>	<b>\$ 10,166,346</b>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,615,442 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 2,031,444
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.	(1,469,104)
Cost of disposed capital assets not recorded in fund statements.	(7,340)
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.	(543,679)

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(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.	\$ 2,079,226
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	847,462
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	32,968
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	13,741
Difference in net pension obligation (LEOSSA), accrued in the government-wide statements but not in the fund statements.	2,044
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	(27,129)
Difference in other postemployment benefits, accrued in the government-wide statements but not in the fund statements.	(129,038)
Difference in amounts payable under various inter-local agreements.	51,968
County's portion of collective pension expense	(1,111,011)
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.	(17,291)
Increase in deferred inflows of resources.	(279,781)
Net income of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	140,962
Total adjustment	\$ 1,615,442

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**Noncompliance with North Carolina General Statutes**

The County is required to contribute to the Supplemental Retirement Income Plan for Law Enforcement Officers (Plan). 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 are vested immediately. During the year ended June 30, 2017, management discovered that certain law enforcement officers hired after October 2013 were inadvertently excluded from the calculation of this benefit. As a result, required contributions were not timely made. The County has accrued a liability for \$51,756, representing the arrears contributions for the affected employees. Additionally, the County will subsequently contribute lost earnings and correct any other impact created by the arrears contributions to the Plan, once this amount has been determined by the Plan administrator.

**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, 2017, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
General Fund:			
Recreation – capital expenditures	\$ 21,947	\$ 22,084	\$ 137
Community Food and Health Hub Project:			
Meeting	2,000	2,242	242
Universal Water Line Project:			
Legal/administration	27,500	27,913	413

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, 2017: Universal Water Line Project (\$102,969). The deficit fund balance is expected to be recovered through revenues in the June 30, 2018 fiscal year.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(1) Assets**

Deposits

As of February 1, 1998, the Authority entered into an interlocal agreement with the County, whereby the County performs accounting functions for the Authority. As part of this agreement, the Authority's deposits are co-mingled with deposits of the County in order to take advantage of the higher yield available to the County. All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name.

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

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

At June 30, 2017, the County's deposits had a carrying amount of \$8,815,585 and a bank balance of \$9,441,421. Of the bank balance, \$1,346,300 was covered by federal depository insurance, and \$7,606,605 in interest bearing deposits and \$488,516 in non-interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2017, the County had \$6,794 cash on hand.

At June 30, 2017, the Authority's deposits had a carrying amount of \$335,717. The Authority maintains a petty cash fund of \$50.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(1) Assets – continued**

Investments

At June 30, 2017, the County’s investment balances were as follows:

Investment Type	Valuation Measurement Method	Fair Value
North Carolina Capital Management Trust: Government Portfolio	Amortized cost	\$ 7,270,991
Total Investments		\$ 7,270,991

*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 Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2017.

*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, 2017

**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
2014	\$ 285,377	\$ 74,355	\$ 359,732
2015	276,506	47,017	323,523
2016	302,409	24,193	326,602
2017	303,740	-	303,740
<b>Total</b>	<b>\$ 1,168,032</b>	<b>\$ 145,565</b>	<b>\$ 1,313,597</b>

Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
<b>Governmental Activities:</b>					
General	\$ 1,092,740	\$ 3,212,855	\$ 6,442,397	\$ 350,642	\$ 11,098,634
Other Governmental	87,640	942,968	-	-	1,030,608
Total receivables	1,180,380	4,155,823	6,442,397	350,642	12,129,242
Allowance for doubtful accounts	(682,333)	-	(5,371,245)	-	(6,053,578)
Total - governmental activities	\$ 498,047	\$ 4,155,823	\$ 1,071,152	\$ 350,642	\$ 6,075,664
<b>Business-type Activities:</b>					
Waste disposal	\$ -	\$ -	\$ -	\$ 181,000	\$ 181,000
Water	-	-	-	10,745	10,745
Total receivables	-	-	-	191,745	191,745
Allowance for doubtful accounts	-	-	-	(44,342)	(44,342)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 147,403	\$ 147,403

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

Local option sales tax	\$ 2,241,072
State and federal assistance	1,214,587
Other	700,164
<b>Total</b>	<b>\$ 4,155,823</b>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

**(1) Assets – continued**

Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balances 07/01/16	Increases	Decreases	Balances 06/30/17
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,547,724	\$ -	\$ -	\$ 4,547,724
Construction in progress	3,561,994	52,904	3,349,126	265,772
<b>Total capital assets not being depreciated</b>	<b>8,109,718</b>	<b>52,904</b>	<b>3,349,126</b>	<b>4,813,496</b>
Capital assets being depreciated:				
Building improvements	2,860,149	4,260,602	14,117	7,106,634
Buildings	19,275,204	-	-	19,275,204
Equipment	4,677,983	359,071	240,982	4,796,072
Land improvements	1,632,453	60,738	-	1,693,191
Vehicles	4,536,295	647,255	116,257	5,067,293
<b>Total capital assets being depreciated</b>	<b>32,982,084</b>	<b>5,327,666</b>	<b>371,356</b>	<b>37,938,394</b>
Less accumulated depreciation for:				
Building improvements	1,139,119	300,101	6,777	1,432,443
Buildings	9,950,783	343,916	-	10,294,699
Equipment	3,177,622	342,818	240,982	3,279,458
Land improvements	802,079	79,189	-	881,268
Vehicles	3,641,479	403,080	116,257	3,928,302
<b>Total accumulated depreciation</b>	<b>18,711,082</b>	<b>\$ 1,469,104</b>	<b>\$ 364,016</b>	<b>19,816,170</b>
<b>Total capital assets being depreciated, net</b>	<b>14,271,002</b>			<b>18,122,224</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 22,380,720</b>			<b>\$ 22,935,720</b>

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

General government	\$ 243,001
Public safety	809,058
Economic and physical development	44,247
Environmental protection	72,938
Human services	162,246
Cultural and recreational	137,614
<b>Total depreciation expense</b>	<b>\$ 1,469,104</b>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

**(1) Assets – continued**

Capital Assets – continued

	Balances 07/01/16	Increases	Decreases	Balances 06/30/17
<b>Business-type activities:</b>				
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	4,723,047	44,660	-	4,767,707
Equipment	206,744	-	-	206,744
Infrastructure	-	293,181	-	293,181
Land Improvements	40,500	-	-	40,500
Total capital assets being depreciated	7,040,537	337,841	-	7,378,378
Less accumulated depreciation for:				
Buildings	175,971	41,405	-	217,376
Building improvements	508,235	246,507	-	754,742
Equipment	56,481	29,213	-	85,694
Infrastructure	-	3,374	-	3,374
Land Improvements	5,262	4,050	-	9,312
Total accumulated depreciation	745,949	324,549	-	1,070,498
Total capital assets being depreciated, net - Universal	6,294,588			6,307,880
Total capital assets, net - Universal	7,046,838			7,060,130
Waste Disposal:				
Capital assets being depreciated:				
Buildings	203,914	-	-	203,914
Equipment	370,329	10,534	-	380,863
Land improvements	199,869	-	-	199,869
Vehicles	477,765	-	-	477,765
Total capital assets being depreciated	1,251,877	10,534	-	1,262,411
Less accumulated depreciation for:				
Buildings	203,914	-	-	203,914
Equipment	187,654	21,785	-	209,439
Land improvements	140,381	16,291	-	156,672
Vehicles	473,403	1,540	-	474,943
Total accumulated depreciation	1,005,352	39,616	-	1,044,968
Total capital assets being depreciated, net - waste disposal	246,525			217,443

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

**(1) Assets – continued**

Capital Assets – continued

	Balances 07/01/16	Increases	Decreases	Balances 06/30/17
<b>Business-type activities - continued:</b>				
Water:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,510	\$ -	\$ -	\$ 3,510
Total capital assets not being depreciated	3,510	-	-	3,510
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	4,675,112	931,793	-	5,606,905
Computer software	12,733	-	-	12,733
Total capital assets being depreciated	4,688,989	931,793	-	5,620,782
Less accumulated depreciation for:				
Equipment	1,144	-	-	1,144
Infrastructure	622,554	107,414	-	729,968
Computer software	12,733	-	-	12,733
Total accumulated depreciation	636,431	\$ 107,414	\$ -	743,845
Total capital assets being depreciated, net - water	4,052,558			4,876,937
Total capital assets, net - water	4,056,068			4,880,447
Business-type activities capital assets, net	\$ 11,349,431			\$ 12,158,020

Construction Commitments

The government has one active construction project as of June 30, 2017. The project is a school capital project. At June 30, 2017, the government’s commitment with contractors is as follows:

Project	Spent-to date	Remaining Commitment
McDowell High School Addition	\$ 481,321	\$ 1,043,771
	\$ 481,321	\$ 1,043,771

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(2) Liabilities**

Payables

Payables at the government-wide level at June 30, 2017 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
<b>Governmental activities:</b>					
General	\$ 1,025,151	\$ 4,570	\$ 47,612	\$ 129,082	\$ 1,206,415
Other governmental	231,589	456,196	-	-	687,785
	<u>\$ 1,256,740</u>	<u>\$ 460,766</u>	<u>\$ 47,612</u>	<u>\$ 129,082</u>	<u>\$ 1,894,200</u>
<b>Business-type activities:</b>					
Universal	\$ 25,693	\$ -	\$ -	\$ 24,117	\$ 49,810
Waste disposal	174,009	-	-	-	174,009
Water fund	5,854	-	-	17,245	23,099
	<u>\$ 205,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,362</u>	<u>\$ 246,918</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](http://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:**

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**(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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$825,323 for the year ended June 30, 2017.

**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, 2017, the County reported a liability of \$3,876,868 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County’s proportion was .183%, which was an increase of .002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,083,423. At June 30, 2017, 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	\$ 72,840	\$ 135,850
Changes of assumptions	265,531	-
Net difference between projected and actual earnings on pension plan investments	2,143,420	-
Changes in proportion and differences between County contributions and proportionate share of contributions	69,258	11,402
County contributions subsequent to the measurement date	825,323	-
<b>Total</b>	<b>\$ 3,376,372</b>	<b>\$ 147,252</b>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

\$825,323 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$	385,795
2019		385,817
2020		1,018,911
2021		613,280
2022		-
Thereafter		-

1. Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**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, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
<b>Total</b>	<b>100.0%</b>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 liability to changes in the discount rate

The following presents the County’s proportionate share of the net pension liability 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)	\$ 9,201,619	\$ 3,876,868	\$ (570,758)

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, 2017

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

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

McDowell County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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. 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>

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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond index determined at the end of each month. Mortality rates are based on the RP-2014 mortality tables with adjustments for mortality improvements using MP-2015.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

**(2) Liabilities – continued**

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

4. 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 County paid \$60,890 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$820,318. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$65,666.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 14,492
County benefit payments and plan administrative expense made subsequent to the measurement date	32,968	-
<b>Total</b>	<b>\$ 32,968</b>	<b>\$ 14,492</b>

\$32,968 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 2,963
2019	2,963
2020	2,963
2021	2,963
2022	2,640
Thereafter	-

\$32,307 paid as benefits came due and \$661 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

**(2) Liabilities - continued**

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance – continued

Sensitivity of the County's total pension liability to changes in the discount rate

The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 882,367	\$ 820,318	\$ 763,413

Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 822,362
Service cost	39,984
Interest on the total pension liability	28,413
Changes of assumptions or other inputs	(17,455)
Benefit payments	(52,986)
<u>Ending balance of the total pension liability</u>	<u>\$ 820,318</u>

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

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, 2017 were \$138,542 which consisted of \$120,632 from the County and \$17,910 from law enforcement officers.

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, 2017, contributions of \$13,236 were made to the Section 457 plan, which consisted of \$5,434 from the County and \$7,802 from employees. For the year ended June 30, 2017, contributions of \$191,179 were made to the 401(k) plan, which consisted of \$99,020 from the County and \$92,159 from employees.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

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 Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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 \$3,532 for the year ended June 30, 2017.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

**(2) Liabilities – continued**

Pension Plan Obligations – continued

e. Registers of Deeds’ Supplemental Pension Fund – continued

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

At June 30, 2017, the County reported an asset of \$74,915 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County’s proportion was .401% which was an increase of .021% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$3,714. At June 30, 2017, 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	\$ 80	\$ 970
Changes of assumptions	19,959	-
Net difference between projected and actual earnings on pension plan investments	129	-
Changes in proportion and differences between County contributions and proportionate share of contributions	395	3,665
County contributions subsequent to the measurement date	3,532	-
<b>Total</b>	<b>\$ 24,095</b>	<b>\$ 4,635</b>

\$3,532 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 6,732
2019	7,085
2020	2,948
2021	(839)
2022	-
Thereafter	-

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

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**(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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 is 1.4%.

**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 2016 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 3.05%. 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)	\$ (60,406)	\$ (74,915)	\$ (87,104)

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, 2017

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

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**(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 Annual Required Contribution (ARC) rate is 4.63% of annual covered payroll. For the current year, the County contributed \$141,484. 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 1.02% and 1.26% 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, 2017

**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	\$	286,500
Interest on net OPEB obligation		40,270
Adjustments to annual required contribution		(55,982)
Annual OPEB cost (expense)		270,788
Contributions made		(141,484)
Increase in net OPEB obligation		129,304
Net OPEB obligation, beginning of year		1,006,740
Net OPEB obligation, end of year	\$	1,136,044

The net OPEB obligation at June 30, 2017 includes \$1,055,296 reported in the governmental activities and \$80,748 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
2015	\$ 201,266	39.19%	\$ 958,374
2016	\$ 271,509	82.19%	\$ 1,006,739
2017	\$ 270,788	52.25%	\$ 1,136,044

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

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

f. Other Postemployment Benefits – continued

4. Funded Status and Funding Progress

As of December 31, 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 \$3,049,507. The covered payroll (annual payroll of active employees covered by the plan) was \$6,188,274, and the ratio of the UAAL to the covered payroll was 49.28 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 of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend 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.

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

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

g. Other Employment Benefits

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

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

For the fiscal year ended June 30, 2017, the County made contributions to the State for death benefits of \$12,687. 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, 2017

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

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**(2) Liabilities – continued**

Pension Plan Obligations – continued

g. Other Employment Benefits – continued

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

Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions – difference between expected and actual experience	\$ 72,920	\$ 136,820
Pensions – difference between projected and actual investment earnings	2,143,549	-
Pensions – change in proportion and difference between employer contributions and proportionate share of contributions	69,653	15,067
Pensions – change in assumptions	285,490	14,492
Contributions to pension plan subsequent to measurement date (LGERs, ROD)	828,855	-
Benefit payments/administrative costs paid subsequent to measurement date (LEOSSA)	32,968	-
Prepaid taxes not yet earned	-	34,126
<b>Total</b>	<b>\$ 3,433,435</b>	<b>\$ 200,505</b>
Prepaid taxes not yet earned (General)	\$ -	\$ 34,126
Taxes receivable, net (General)	-	366,364
Taxes receivable, net (Special Revenue)	-	44,534
Other receivables (General)	-	99,416
EMS receivables (General)	-	612,484
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,156,924</b>

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(2) Liabilities – continued**

Risk Management

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

The County carries flood insurance on two County properties located in designated flood plain areas, the Old Fort library and the McDowell House. Coverage is purchased from a commercial carrier in the amount of \$500,000 for the Old Fort library building and \$481,600 for the McDowell House building.

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

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, 2017

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

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**(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 \$3,620,831 for the year ended June 30, 2017. 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 2016-2017 was \$364,732. 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 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. \$ 6,233,333

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. 174,557
- 
- \$ 6,407,890**
-

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

**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, 2017, including interest, are as follows:

	Year Ending June 30	Principal	Interest
2018	\$	616,540	\$ 158,350
2019		616,540	142,385
2020		616,540	126,419
2021		591,603	110,454
2022		566,667	95,816
2023-2027		2,833,333	266,156
2028		566,667	10,647
Total principal payments		\$ 6,407,890	
Total interest payments			\$ 910,227

**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 August 2016 for \$153,701, payable in 8 semiannual installments of \$19,849 including interest at 1.45%, secured by vehicles purchased. \$ 134,948
- Installment purchase contract, executed in April 2017 for \$389,978, payable in 8 semiannual installments of \$50,941 including interest at 1.95%, secured by vehicles purchased. 389,978
- 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. 386,265
- 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. 225,000
- Installment purchase contract, executed in December 2008 for \$1,056,000, payable in 30 semiannual principal payments of \$35,200 plus interest at 4.19%, for improvement to Baldwin Avenue property. 457,600

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(2) Liabilities – continued**

Installment Purchases – Other – continued

Governmental Activities – continued

- Installment purchase contract, executed in April 2016 for \$371,140, payable in 8 semiannual installments of \$48,494, including interest at 1.99%, secured by vehicles purchased. \$ 279,635
- 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. 75,343
- 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. 54,469
- 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. 22,364
- 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. 30,674
- 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. 8,606
- 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. 26,336
- 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. 166,033
- 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. 2,344,162

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(2) Liabilities – continued**

Installment Purchases – Other – continued

Governmental Activities – continued

- Installment purchase contract, executed in October 2014 for \$20,550, payable in 8 semiannual installments of \$2,686, including interest at 2.25%, secured by vehicle purchased. \$ 7,879
- 
- \$ 4,609,292

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. \$ 57,002
  - 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. 983,333
  - Installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semiannual installments of \$49,167, plus interest at 5.23%, secured by real property. 983,334
- 
- \$ 2,023,669

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

**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
2018	\$ 827,809	\$ 119,857
2019	706,751	100,371
2020	599,401	82,903
2021	472,694	67,450
2022	352,598	54,443
2023-2027	1,109,078	143,023
2028-2030	540,961	24,802
Total principal payments	\$ 4,609,292	
Total interest payments		\$ 592,849

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2018	\$ 224,889	\$ 83,629
2019	225,447	74,594
2020	196,667	65,692
2021	196,667	57,215
2022	196,667	48,739
2023-2027	983,332	116,549
Total principal payments	\$ 2,023,669	
Total interest payments		\$ 446,418

Debt Related to Capital Activities

Of the total Governmental Activities debt listed, \$4,609,292 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$258,459.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

**(2) Liabilities – continued**

**Long-Term Obligations – Summary**

At June 30, 2017, McDowell County had a legal debt margin of \$300,300,676. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/16	Increases	Decreases	Balance 06/30/17	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases, including					
amortized call premium	\$ 12,585,787	\$ 543,679	\$ 2,079,226	\$ 11,050,240	\$ 1,444,349
Total pension liability (LEOSSA)	822,362	-	2,044	820,318	-
Compensated absences	716,071	529,051	501,922	743,200	-
Net pension liability (LGERS)	794,948	3,008,259	-	3,803,207	-
Other postemployment benefits	926,258	129,038	-	1,055,296	-
<b>Total governmental activities</b>	<b>\$ 15,845,426</b>	<b>\$ 4,210,027</b>	<b>\$ 2,583,192</b>	<b>\$ 17,472,261</b>	<b>\$ 1,444,349</b>
<b>Business-type activities:</b>					
<b>Universal Fund</b>					
Installment purchases	\$ 2,163,333	\$ -	\$ 196,666	\$ 1,966,667	\$ 196,667
<b>Total Universal Fund</b>	<b>2,163,333</b>	<b>-</b>	<b>196,666</b>	<b>1,966,667</b>	<b>196,667</b>
<b>Waste Disposal Fund</b>					
Installment purchases	84,676	-	27,674	57,002	28,222
Compensated absences	5,054	5,126	3,769	6,411	-
Net pension liability (LGERS)	15,397	58,264	-	73,661	-
Other postemployment benefits	80,481	267	-	80,748	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
<b>Total Waste Disposal Fund</b>	<b>215,608</b>	<b>63,657</b>	<b>31,443</b>	<b>247,822</b>	<b>28,222</b>
<b>Total business-type activities</b>	<b>\$ 2,378,941</b>	<b>\$ 63,657</b>	<b>\$ 228,109</b>	<b>\$ 2,214,489</b>	<b>\$ 224,889</b>

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

**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, 2017

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

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**(2) Liabilities – continued**

Healthcare Benefits

The calculation of unpaid healthcare claims liability reported in the Self-Insurance Fund is based on management’s experience and actual claims incurred prior to June 30, 2017 and reported for subsequent reimbursement.

**(3) Interfund Balances and Activity**

At June 30, 2017, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	Emergency Telephone System Fund	\$ 49,700
General Fund	Old Fort Ball Field Stream Restoration and Trail System Project	21,406
General Fund	Universal Water Line Project	105,890
		<hr/>
		\$ 176,996

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, 2018.

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.	\$ 946,821
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.	1,181,709
Transfer from the General Fund to the Lake James EPA Project to provide local match for the project.	20,000
Transfer from the Universal Fund to the Universal Career Pathways Skill Center Project to provide resources for the project.	171,000
Transfer from the General Fund to the Emergency Telephone System Fund to cover disallowed costs by the 911 Board.	59
Transfer from the General Fund to the Universal Fund for the retirement of debt obligations.	411,987
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.	265,000
Transfer from the General Fund to the Jail and Courthouse Addition/Renovations Project to provide resources for the project.	176,474
	<hr/>
	\$ 3,393,287

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**(4) Transfers**

Transfers at the government-wide level for the year ended June 30, 2017 included \$1,219,404 in capital assets transferred from governmental activities to business-type activities. The capital assets transferred consisted of infrastructure for this amount related to the waterlines at and near the former Universal building and on Harmony Grove Road/I-40 Interchange. The expenditures incurred for the improvements were originally accounted for in the Universal Water Line Project and the Harmony Grove Road/I-40 Interchange Water Line Project, which are governmental funds, and the General Fund.

**(5) Fund Balance**

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

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

Total fund balance - General Fund	\$	13,681,294
Less: Inventories		80,648
Stabilization by State Statute		3,903,891
Appropriated fund balance in 2018 budget		356,639
PEG channel		77,857
Register of deeds		21,481
Asset forfeiture		27,960
Social services		205,893
Senior Center		50,051
Cooperative extension		24,219
Tax revaluation		31,705
Jail		328,214
EMS		93,143
Fire		186,583
Library		5,052
Clerk of court		110
Remaining fund balance	\$	8,287,848

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, 2017

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### Note D – Joint Ventures:

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#### McDowell Technical Community College

The County, in conjunction with the State of North Carolina and the McDowell County Board of Education, participates in a joint venture to operate the McDowell Technical Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the Community College. The president of the Community College's student government serves as an ex-officio nonvoting member of the Community College's board of trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The last general obligation bond issue for this purpose was retired during the June 30, 2000 fiscal year. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,019,516 and \$207,727 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2017. 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 \$57,398 for the year ended June 30, 2017. 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, 2017. 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 \$91,786 for the year ended June 30, 2017.

## **McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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#### McDowell House

During the year ended June 30, 2008, the County entered into an agreement with the McDowell 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:**

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McDowell County maintains an affiliation with Vaya Health 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 Vaya Health. For the year ended June 30, 2017, the County contributed \$67,856 to the general operations of Vaya Health.

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, 2017, the County contributed \$336,743 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, 2017, the County contributed \$154,378 to the general operations of MEDA, including personnel costs.

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and Development Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid \$20,661 in annual allocation to the Commission during the fiscal year ended June 30, 2017.

**Note F – Related Party Transactions:**

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For the year ended June 30, 2017, one County commissioner is employed by the City of Marion, one County Commissioner is employed by McDowell County Schools, and one County Commissioner is a reserve deputy for the McDowell County Sheriff's Department.

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

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

	Federal	State
Temporary Assistance for Needy Families	\$ 251,771	\$ -
Medicaid	49,351,688	26,314,969
NC Health Choice	1,186,665	8,866
State/County Special Assistance to Adults	-	455,971
Foster Care Adoption Assistance	485,111	123,922
CWS Adoption Subsidy	-	211,191
Total	\$ 51,275,235	\$ 27,114,919

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

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**Federal and State Assisted Programs**

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

**McDowell County, North Carolina**

Notes to Financial Statements – continued

June 30, 2017

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

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**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 or rent for building space. 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, 2017, no payments were made under the economic development incentive agreements described above. Potential future installment payments of two active agreements amount to \$346,027 for the year ending June 30, 2018. One active agreement is in place that provides for reduced rent payments by a company for space at the Universal building.

**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.

**Operating Leases**

The County leases phone systems for the Sheriff’s office, the Department of Social Services, and EMS. It also leases copiers and other small equipment for all County departments. Total costs for operating leases were approximately \$284,501 for the year ended June 30, 2017. Future minimum lease payments under non-cancelable operating leases are as follows:

Year Ending June 30,	Amount
2018	\$ 287,435
2019	104,079
2020	26,387
2021	8,466
2022	1,137
Total	\$ 427,504

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## McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2017

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### Note I – Cafeteria Plan:

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

### Note J – Concentration of Credit Risk:

---

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 \$837,567 for the year ended June 30, 2017, with an account receivable balance of \$73,805 at June 30, 2017.

### Note K – Use of Estimates:

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

### Note L – Change in Accounting Principles/Restatement:

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The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$309,679.

### Note M – Subsequent Events:

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In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through December 4, 2017; the date of the financial statements is December 4, 2017.

**McDowell County, North Carolina**

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

For the Year Ended June 30, 2017

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	2017
Beginning balance	\$ 822,362
Service cost	39,984
Interest on the total pension liability	28,413
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(17,455)
Benefit payments	(52,986)
Other changes	-
Ending balance of the total pension liability	\$ 820,318

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The amounts presented for each fiscal year were determined as of the prior December 31.

**McDowell County, North Carolina**

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officers' Special Separation Allowance

For the Year Ended June 30, 2017

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	2017
Total pension liability	\$ 820,318
Covered payroll	1,747,623
Total pension liability as a percentage of covered payroll	46.94%

Notes to the schedules:

McDowell County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**McDowell County, North Carolina**

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Funding Progress

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2014	\$ -	\$ 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%
12-31-2016	\$ -	\$ 3,049,507	\$ 3,049,507	0.00%	\$ 6,188,274	49.28%

**McDowell County, North Carolina**

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Employer Contributions

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Year Ending June 30	Annual Required Contributions	Percentage Contributed
2015	\$ 214,341	36.80%
2016	\$ 286,464	77.90%
2017	\$ 286,500	49.38%

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**McDowell County, North Carolina**

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

Local Government Employees' Retirement System

Last Four Fiscal Years\*

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	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.183%	0.181%	0.178%	0.168%
County's proportionate share of the net pension liability (asset)	\$ 3,876,869	\$ 810,345	\$ (1,050,472)	\$ 2,031,072
County's covered-employee payroll	\$ 11,180,150	\$ 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	34.68%	7.45%	-9.96%	19.85%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	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 Four Fiscal Years

---

	2017	2016	2015	2014
Contractually required contributions	\$ 825,323	\$ 740,011	\$ 746,980	\$ 722,743
Contributions in relation to the contractually required contribution	825,323	740,011	746,980	722,743
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -

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County's covered-employee payroll	\$ 11,180,150	\$ 10,878,319	\$ 10,543,704	\$ 10,231,851
Contributions as a percentage of covered-employee payroll	7.38%	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 Four Fiscal Years\*

---

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.401%	0.380%	0.384%	0.374%
County's proportionate share of the net pension liability (asset)	\$ (74,915)	\$ (88,019)	\$ (87,139)	\$ (79,985)
County's covered-employee payroll	\$ 47,688	\$ 46,518	\$ 45,942	\$ 44,814
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-157.09%	-189.21%	-189.67%	-178.48%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	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 Four Fiscal Years

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	2017	2016	2015	2014
Contractually required contributions	\$ 3,532	\$ 3,274	\$ 3,039	\$ 3,139
Contributions in relation to the contractually required contribution	3,532	3,274	3,039	3,139
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -

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County's covered-employee payroll	\$ 47,688	\$ 46,518	\$ 45,942	\$ 44,814
Contributions as a percentage of covered-employee payroll	7.41%	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, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Current year property taxes	\$ 19,711,263	\$ 20,212,017	\$ 500,754
Discount	(90,155)	(87,057)	3,098
Delinquent tax	332,826	192,020	(140,806)
Tax interest	115,000	127,137	12,137
Tax penalties	12,500	-	(12,500)
<b>Total</b>	<b>20,081,434</b>	<b>20,444,117</b>	<b>362,683</b>
Local option sales taxes:			
Article 39 one percent	3,370,000	3,451,277	81,277
Article 40 one-half percent	2,160,000	2,256,203	96,203
Article 42 one-half percent	305,000	243,707	(61,293)
Article 44 one-half percent	506,562	515,769	9,207
<b>Total</b>	<b>6,341,562</b>	<b>6,466,956</b>	<b>125,394</b>
Other taxes and licenses:			
Deed stamp excise tax	175,172	144,899	(30,273)
Real estate transfer tax	291,600	364,364	72,764
Scrap tire disposal tax	70,000	74,087	4,087
Occupancy tax	500,000	497,064	(2,936)
Cable franchise	217,000	171,560	(45,440)
Dog tax	300	210	(90)
<b>Total</b>	<b>1,254,072</b>	<b>1,252,184</b>	<b>(1,888)</b>
Unrestricted intergovernmental:			
Payments in lieu of taxes	151,000	175,049	24,049
Restricted intergovernmental:			
State and federal grants:			
DSS	7,746,909	7,043,879	(703,030)
State aid library	105,232	105,533	301
Senior Center - aging	506,850	404,757	(102,093)
Soil and water reimbursement	27,000	22,411	(4,589)
Veterans service	1,500	1,526	26
Juvenile Crime Prevention	151,937	152,433	496
EMA reimbursement	36,000	38,584	2,584
Other	113,508	165,954	52,446
Court facility fees	70,000	82,087	12,087
Officer fees	18,000	23,757	5,757
ABC profits for law enforcement	7,500	8,097	597
<b>Total</b>	<b>8,784,436</b>	<b>8,049,018</b>	<b>(735,418)</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Permits and fees:</b>			
Building inspections	\$ 117,500	\$ 129,017	\$ 11,517
Sign revenue	1,750	1,260	(490)
Homeowners' recovery	2,000	870	(1,130)
<b>Register of Deeds:</b>			
Acknowledgement and oath	4,170	11,449	7,279
Copies	48,000	44,149	(3,851)
Flood plain fees	17,000	16,395	(605)
Cultural resources	8,000	7,452	(548)
Certificates	-	120	120
<b>Total</b>	<b>198,420</b>	<b>210,712</b>	<b>12,292</b>
<b>Sales and services:</b>			
NCDMV notary	41,000	39,979	(1,021)
NCDMV reimbursement	96,000	96,655	655
NCDMV tax collection fee	42,000	42,216	216
NCDMV reimbursement city/town	28,000	27,650	(350)
Tax mapping	500	603	103
Library fines	17,500	9,984	(7,516)
Library donations	582	1,757	1,175
Library copies	6,750	4,259	(2,491)
Library fax fees	2,250	2,310	60
Rent – dialysis clinic	45,735	42,477	(3,258)
Rent – Senior Center building	66,000	67,680	1,680
Fax fees	50	-	(50)
Vending income	750	208	(542)
Rent – Mental Health building	25,276	25,277	1
Rent – Baldwin Avenue - Isothermal	6,360	6,850	490
Tower rental	34,614	44,423	9,809
Rent – Baldwin Avenue - ESC	22,907	21,540	(1,367)
City of Marion reimbursement	90,526	99,402	8,876
Adoption fees	7,000	14,586	7,586
Canteen fees	135,000	119,919	(15,081)
Sheriff – process fees	60,000	49,052	(10,948)
Sheriff – permits	4,500	6,710	2,210
Jail phone reimbursement	44,000	47,640	3,640
Sheriff – concealed weapons permit	95,000	84,020	(10,980)
Sheriff – employee fund	5,500	2,873	(2,627)
Soil and water rent	1,200	1,200	-
Jail lease revenue	673,905	802,276	128,371
Jail fees	34,500	37,967	3,467
EMS collections	2,509,824	2,688,435	178,611
EMS Medicaid	192,781	192,781	-

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Sales and services - continued:</b>			
Rescue Squad billing	\$ 34,650	\$ 33,120	\$ (1,530)
Sheriff – in school cop match	85,000	94,081	9,081
Recreation program fees	91,250	36,837	(54,413)
Other	305,447	656,152	350,705
<b>Total</b>	<b>4,806,357</b>	<b>5,400,919</b>	<b>594,562</b>
Investment earnings	20,000	29,404	9,404
<b>Miscellaneous:</b>			
Auction proceeds	4,500	74	(4,426)
Paper execution fees	20,000	3,507	(16,493)
Civil license revocation	3,800	2,166	(1,634)
Miscellaneous	6,500	68,534	62,034
4-H donations	25,000	23,529	(1,471)
Cooperative extension donations	7,000	9,036	2,036
Other	590,394	543,237	(47,157)
<b>Total</b>	<b>657,194</b>	<b>650,083</b>	<b>(7,111)</b>
<b>Total revenues</b>	<b>42,294,475</b>	<b>42,678,442</b>	<b>383,967</b>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Board of Commissioners:</b>			
Salaries and employee benefits	175,435	175,184	251
Operating expenditures	37,650	32,378	5,272
<b>Total</b>	<b>213,085</b>	<b>207,562</b>	<b>5,523</b>
<b>Human resources:</b>			
Operating expenditures	273,339	272,393	946
<b>Total</b>	<b>273,339</b>	<b>272,393</b>	<b>946</b>
<b>County administration:</b>			
Salaries and employee benefits	374,758	374,737	21
Operating expenditures	19,025	15,444	3,581
<b>Total</b>	<b>393,783</b>	<b>390,181</b>	<b>3,602</b>
<b>Finance:</b>			
Salaries and employee benefits	396,413	396,413	-
Operating expenditures	210,330	206,201	4,129
Capital expenditures	15,419	15,419	-
<b>Total</b>	<b>622,162</b>	<b>618,033</b>	<b>4,129</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	\$ 327,743	\$ 327,166	\$ 577
Operating expenditures	117,600	97,696	19,904
Total	445,343	424,862	20,481
Tax - collections:			
Salaries and employee benefits	191,551	190,018	1,533
Operating expenditures	76,460	57,841	18,619
Total	268,011	247,859	20,152
Legal	23,719	22,034	1,685
Board of Elections:			
Salaries and employee benefits	205,367	183,840	21,527
Operating expenditures	90,188	80,305	9,883
Capital expenditures	2,500	-	2,500
Total	298,055	264,145	33,910
Register of Deeds:			
Salaries and employee benefits	197,933	194,462	3,471
Operating expenditures	373,052	349,636	23,416
Capital expenditures	1,500	882	618
Total	572,485	544,980	27,505
Clerk of Court:			
Operating expenditures	10,690	10,580	110
Total	10,690	10,580	110
Garage:			
Salaries and employee benefits	124,141	118,261	5,880
Operating expenditures	17,893	15,827	2,066
Capital expenditures	6,707	3,445	3,262
Total	148,741	137,533	11,208
Facility maintenance:			
Salaries and employee benefits	501,336	500,230	1,106
Operating expenditures	999,989	958,545	41,444
Capital expenditures	42,385	31,794	10,591
Total	1,543,710	1,490,569	53,141
DMV Operations:			
Salaries and employee benefits	159,244	156,493	2,751
Operating expenditures	138,500	132,091	6,409
Total	297,744	288,584	9,160
Total general government	5,110,867	4,919,315	191,552

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Public safety:</b>			
<b>Sheriff:</b>			
Salaries and employee benefits	\$ 2,879,973	\$ 2,844,815	\$ 35,158
Operating expenditures	481,763	433,567	48,196
Capital expenditures	474,852	365,230	109,622
<b>Total</b>	<b>3,836,588</b>	<b>3,643,612</b>	<b>192,976</b>
<b>Jail:</b>			
Salaries and employee benefits	1,043,886	1,027,524	16,362
Operating expenditures	1,151,998	1,110,205	41,793
Capital expenditures	33,500	32,285	1,215
<b>Total</b>	<b>2,229,384</b>	<b>2,170,014</b>	<b>59,370</b>
<b>EMS:</b>			
Salaries and employee benefits	2,204,629	2,120,776	83,853
Operating expenditures	566,993	523,456	43,537
Capital expenditures	435,633	244,814	190,819
<b>Total</b>	<b>3,207,255</b>	<b>2,889,046</b>	<b>318,209</b>
<b>Emergency management:</b>			
Salaries and employee benefits	157,241	152,989	4,252
Operating expenditures	58,217	55,887	2,330
Capital expenditures	24,409	24,316	93
<b>Total</b>	<b>239,867</b>	<b>233,192</b>	<b>6,675</b>
Forest service	107,738	96,328	11,410
<b>Emergency communication:</b>			
Salaries and employee benefits	715,801	714,592	1,209
Operating expenditures	48,456	44,466	3,990
Capital expenditures	218,782	217,561	1,221
<b>Total</b>	<b>983,039</b>	<b>976,619</b>	<b>6,420</b>
<b>Animal Control:</b>			
Salaries and employee benefits	69,796	69,795	1
Operating expenditures	68,720	43,414	25,306
Capital expenditures	17,611	17,055	556
<b>Total</b>	<b>156,127</b>	<b>130,264</b>	<b>25,863</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Building Inspections:</b>			
Salaries and employee benefits	\$ 235,068	\$ 234,826	\$ 242
Operating expenditures	37,292	27,071	10,221
Capital expenditures	750	-	750
<b>Total</b>	<b>273,110</b>	<b>261,897</b>	<b>11,213</b>
Medical Examiner	60,000	58,700	1,300
Rescue Squad billing	231,000	219,282	11,718
<b>Total public safety</b>	<b>11,324,108</b>	<b>10,678,954</b>	<b>645,154</b>
<b>Environmental protection:</b>			
<b>Waste collections:</b>			
Salaries and employee benefits	309,426	302,751	6,675
Operating expenditures	153,100	137,258	15,842
Capital expenditures	230,440	213,241	17,199
<b>Total</b>	<b>692,966</b>	<b>653,250</b>	<b>39,716</b>
<b>Soil and Water District technician:</b>			
Salaries and employee benefits	42,875	42,495	380
Operating expenditures	7,650	6,266	1,384
<b>Total</b>	<b>50,525</b>	<b>48,761</b>	<b>1,764</b>
<b>Soil and Water Conservation:</b>			
Salaries and employee benefits	42,474	42,465	9
Operating expenditures	21,200	17,524	3,676
<b>Total</b>	<b>63,674</b>	<b>59,989</b>	<b>3,685</b>
Watershed Commission	17,500	10,135	7,365
Water and sewer	52,000	38,771	13,229
<b>Total environmental protection</b>	<b>876,665</b>	<b>810,906</b>	<b>65,759</b>
<b>Economic and physical development:</b>			
<b>Chamber of Commerce:</b>			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
<b>Total</b>	<b>12,563</b>	<b>12,563</b>	<b>-</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Cooperative extension:			
Salaries and employee benefits	\$ 33,753	\$ 33,752	\$ 1
Operating expenditures	216,069	202,565	13,504
Capital expenditures	2,000	-	2,000
<b>Total</b>	<b>251,822</b>	<b>236,317</b>	<b>15,505</b>
Isothermal Planning Commission:			
Isothermal operating expenditures	21,463	20,661	802
Planning board	1,000	544	456
<b>Total</b>	<b>22,463</b>	<b>21,205</b>	<b>1,258</b>
McDowell Economic Development Association:			
Salaries and employee benefits	54,019	53,863	156
Operating expenditures	101,157	100,515	642
<b>Total</b>	<b>155,176</b>	<b>154,378</b>	<b>798</b>
Economic and industrial development	63,000	28,616	34,384
Tourism Development Authority	488,900	480,592	8,308
<b>Total economic and physical development</b>	<b>993,924</b>	<b>933,671</b>	<b>60,253</b>
Human services:			
Health Department	357,393	336,743	20,650
Mental health	67,856	67,856	-
Alcohol and substance abuse	15,266	15,266	-
Juvenile Crime Prevention Council	164,507	164,435	72
Social Services:			
Administration:			
Salaries and employee benefits	5,711,076	5,667,502	43,574
Operating expenditures	2,967,906	2,566,874	401,032
Capital expenditures	29,512	8,742	20,770
<b>Total</b>	<b>8,708,494</b>	<b>8,243,118</b>	<b>465,376</b>
Foster care	1,144,500	1,116,722	27,778
Adoption assistance	275,000	237,455	37,545

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Crisis energy program	\$ 203,084	\$ 193,451	\$ 9,633
TANF - County participation	146,300	146,002	298
Medicaid - County participation	2,000	967	1,033
Special assistance	500,000	456,039	43,961
Aid to blind	2,000	-	2,000
General assistance	7,500	1,936	5,564
<b>Total social services</b>	<b>10,988,878</b>	<b>10,395,690</b>	<b>593,188</b>
Senior Center:			
Salaries and employee benefits	573,495	572,659	836
Operating expenditures	603,478	530,302	73,176
Capital expenditures	5,500	3,726	1,774
<b>Total</b>	<b>1,182,473</b>	<b>1,106,687</b>	<b>75,786</b>
Juvenile Placement:			
Operating expenditures	30,000	28,060	1,940
<b>Total</b>	<b>30,000</b>	<b>28,060</b>	<b>1,940</b>
<b>Total human services</b>	<b>12,806,373</b>	<b>12,114,737</b>	<b>691,636</b>
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	202,294	192,965	9,329
Operating expenditures	108,896	89,533	19,363
Capital expenditures	21,947	22,084	(137)
<b>Total</b>	<b>333,137</b>	<b>304,582</b>	<b>28,555</b>
Recreation - programs	91,250	49,153	42,097
Library:			
Salaries and employee benefits	542,207	537,122	5,085
Operating expenditures	175,446	165,492	9,954
Capital expenditures	1,080	1,037	43
<b>Total</b>	<b>718,733</b>	<b>703,651</b>	<b>15,082</b>
<b>Total cultural and recreational</b>	<b>1,143,120</b>	<b>1,057,386</b>	<b>85,734</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Miscellaneous:</b>			
Carson House	\$ 20,000	\$ 20,000	\$ -
City of Marion hold harmless	176,000	140,629	35,371
Family Services	25,903	25,903	-
MACA	18,500	18,500	-
American Cancer Society	1,000	974	26
Freedom Ministries	4,500	4,500	-
McDowell Mission	12,000	12,000	-
Champion rent	18,750	18,600	150
July 4 <sup>th</sup> Marion	500	500	-
July 4 <sup>th</sup> Old Fort	500	500	-
Health Coalition	10,000	10,000	-
Other	409,114	277,169	131,945
<b>Total miscellaneous</b>	<b>696,767</b>	<b>529,275</b>	<b>167,492</b>
<b>Education:</b>			
Public schools:			
Current expense	8,685,390	8,672,532	12,858
Capital outlay	51,250	51,250	-
McDowell Technical College:			
Current expense	1,019,516	1,019,516	-
Capital outlay	207,730	207,727	3
Building payments	149,184	149,184	-
<b>Total education</b>	<b>10,113,070</b>	<b>10,100,209</b>	<b>12,861</b>
<b>Debt service:</b>			
Building inspections	5,372	5,372	-
Emergency Medical Services	222,985	222,984	1
Waste Collections	74,956	74,956	-
Sheriff	138,217	138,216	1
Debt service	576,320	576,272	48
<b>Total debt service</b>	<b>1,017,850</b>	<b>1,017,800</b>	<b>50</b>
<b>Total expenditures</b>	<b>44,082,744</b>	<b>42,162,253</b>	<b>1,920,491</b>
<b>Revenues over (under) expenditures</b>	<b>(1,788,269)</b>	<b>516,189</b>	<b>2,304,458</b>

**McDowell County, North Carolina**

General Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Other financing sources (uses):</b>			
Installment purchase obligations issued	\$ 543,679	\$ 543,679	\$ -
Transfers to:			
Special Revenue Funds:			
Emergency Telephone System	(59)	(59)	-
Capital Project Funds:			
Lake James EPA	(20,000)	(20,000)	-
Jail and Courthouse Addition/Renovations	(176,475)	(176,474)	1
Harmony Grove Road/I-40 Interchange Water Line	(265,000)	(265,000)	-
Universal Water Line	(124,200)	(124,200)	-
Enterprise Funds:			
Universal Fund	(287,787)	(287,787)	-
Waste Disposal Fund	(946,821)	(946,821)	-
Revaluation Fund	(15,000)	(15,000)	-
Transfers from:			
Enterprise Fund:			
Universal Fund	220,237	220,237	-
Fund balance appropriated	2,859,695	-	(2,859,695)
<b>Total other financing sources (uses)</b>	<b>1,788,269</b>	<b>(1,071,425)</b>	<b>(2,859,694)</b>
Revenues and other financing sources under expenditures and other financing uses	\$ -	(555,236)	\$ (555,236)
<b>Fund balance - beginning of year</b>		14,204,825	
<b>Fund balance - end of year</b>		\$ 13,649,589	

**McDowell County, North Carolina**

Revaluation Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 203	\$ 203
Total revenues	-	203	203
<b>Expenditures:</b>			
General government:			
Capital expenditures	31,386	31,385	1
Total expenditures	31,386	31,385	1
Revenues over (under) expenditures	(31,386)	(31,182)	204
<b>Other financing sources (uses):</b>			
Transfer from General Fund	15,000	15,000	-
Total other financing sources (uses)	15,000	15,000	-
Revenues and other financing sources over (under) expenditures	(16,386)	(16,182)	204
Fund balance appropriated	16,386	-	(16,386)
<b>Revenues, other financing sources, and fund balance appropriated under expenditures</b>	<b>\$ -</b>	<b>(16,182)</b>	<b>\$ (16,182)</b>
<b>Fund balance - beginning of year</b>		<b>47,887</b>	
<b>Fund balance - end of year</b>		<b>\$ 31,705</b>	

**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, 2017

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#### *Special Revenue Funds:*

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

#### *Debt Service Fund:*

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

#### *Capital Project Funds:*

- Trail Project – The County uses this fund to account for expenditures related to the development of a walking trail at Point Lookout near Old Fort.
- 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.
- Community Food and Health Hub Project – The County uses this fund to account for expenditures for the feasibility study of a community food and health hub, funded by private grants.
- 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.
- Commerce Fellows Program Project – The County uses this fund to account for expenditures for grant administration training and public management, funded by the NC Department of Commerce.
- Kate B. Reynolds Community Paramedic Expansion Project – The County uses this fund to account for expenditures to implement a Rural Community Care Paramedic Program, funded by the Kate B. Reynolds Charitable Trust.

## McDowell County, North Carolina

Combining Statements for Nonmajor Funds – continued

Year Ended June 30, 2017

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- 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.
- Old Fort Ball Field Stream Restoration and Trail System Project – The County uses this fund to account for expenditures for the restoration of the Catawba River in Old Fort and to add a trail system around the ball field in Old Fort, funded by the NC Department of Environmental Quality and a private grant.
- Universal Career Pathways Skill Center Project – The County uses this fund to account for expenditures related to the renovation of space at McDowell Technical Community College and the former Universal building, partially funded by the Golden Leaf Foundation.
- Jail and Courthouse Addition/Renovations – The County uses this fund to account for expenditures related to the addition to the existing jail facility and improvements to the courthouse, funded mainly through the issuance of an installment purchase obligation.

**McDowell County, North Carolina**

Combining Balance Sheets

Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
<b>Assets</b>			
Cash and investments	\$ 48,464	\$ -	\$ 9
Taxes receivable - net	44,534	-	-
Accounts receivable - other governments	28,324	166,267	-
<b>Total assets</b>	<b>\$ 121,322</b>	<b>\$ 166,267</b>	<b>\$ 9</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 76,788	\$ 50,937	\$ -
Due to other funds	-	49,700	-
<b>Total liabilities</b>	<b>76,788</b>	<b>100,637</b>	<b>-</b>
Deferred inflows of resources:			
Taxes receivable	44,534	-	-
<b>Total deferred inflows of resources</b>	<b>44,534</b>	<b>-</b>	<b>-</b>
Fund balances:			
Restricted:			
Stabilization by State Statute	28,324	166,267	-
Public safety	-	-	-
Human services	-	-	-
Economic and physical development	-	-	-
Environmental protection	-	-	-
Assigned:			
Debt service	-	-	9
General government	-	-	-
Unassigned (deficit)	(28,324)	(100,637)	-
<b>Total fund balances</b>	<b>-</b>	<b>65,630</b>	<b>9</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 121,322</b>	<b>\$ 166,267</b>	<b>\$ 9</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2017

	Capital Project Funds		
	Trail Project	Outdoor Environmental Learning Center Shelter Project	Lake James EPA Project
<b>Assets</b>			
Cash and investments	\$ 23,172	\$ -	\$ 17,714
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	-
<b>Total assets</b>	<b>\$ 23,172</b>	<b>\$ -</b>	<b>\$ 17,714</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,000
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>3,000</b>
Deferred inflows of resources:			
Taxes receivable	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
Public safety	-	-	-
Human services	-	-	-
Economic and physical development	23,172	-	-
Environmental protection	-	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	14,714
Unassigned (deficit)	-	-	-
<b>Total fund balances</b>	<b>23,172</b>	<b>-</b>	<b>14,714</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 23,172</b>	<b>\$ -</b>	<b>\$ 17,714</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2017

	Capital Project Funds			
	Community Food and Health Hub Project	Harmony Grove Road/ I-40 Interchange Water Line Project	Universal Career Pathways Skill Center	
<b>Assets</b>				
Cash and investments	\$ 281	\$ 104,386	\$ -	-
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	20,328	-	-
<b>Total assets</b>	<b>\$ 281</b>	<b>\$ 124,714</b>	<b>\$ -</b>	<b>-</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 100,000	\$ -	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>-</b>
Deferred inflows of resources:				
Taxes receivable	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Restricted:				
Stabilization by State Statute	-	20,328	-	-
Public safety	-	-	-	-
Human services	281	-	-	-
Economic and physical development	-	-	-	-
Environmental protection	-	-	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	4,386	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<b>281</b>	<b>24,714</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 281</b>	<b>\$ 124,714</b>	<b>\$ -</b>	<b>-</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2017

	Capital Project Funds		
	Commerce Fellows Program Project	Kate B. Reynolds Community Paramedic Expansion Project	Universal Water Line Project
<b>Assets</b>			
Cash and investments	\$ -	\$ 226,618	\$ -
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	3,642
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 226,618</b>	<b>\$ 3,642</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 143	\$ 721
Due to other funds	-	-	105,890
<b>Total liabilities</b>	<b>-</b>	<b>143</b>	<b>106,611</b>
Deferred inflows of resources:			
Taxes receivable	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	3,642
Public safety	-	226,475	-
Human services	-	-	-
Economic and physical development	-	-	-
Environmental protection	-	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	-
Unassigned (deficit)	-	-	(106,611)
<b>Total fund balances</b>	<b>-</b>	<b>226,475</b>	<b>(102,969)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ 226,618</b>	<b>\$ 3,642</b>

**McDowell County, North Carolina**

Combining Balance Sheets – continued

Nonmajor Governmental Funds

June 30, 2017

	Capital Project Funds			
	Old Fort Ball Field Stream Restoration and Trail System Project	Jail and Courthouse Addition/Renovations Project	Totals June 30, 2017	
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$	420,644
Taxes receivable - net	-	-		44,534
Accounts receivable - other governments	21,406	-		239,967
<b>Total assets</b>	<b>\$ 21,406</b>	<b>\$ -</b>	<b>\$</b>	<b>705,145</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$	231,589
Due to other funds	21,406	-		176,996
<b>Total liabilities</b>	<b>21,406</b>	<b>-</b>		<b>408,585</b>
Deferred inflows of resources:				
Taxes receivable	-	-		44,534
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>		<b>44,534</b>
Fund balances:				
Restricted:				
Stabilization by State Statute	21,406	-		239,967
Public safety	-	-		226,475
Human services	-	-		281
Economic and physical development	-	-		23,172
Environmental protection	-	-		-
Assigned:				
Debt service	-	-		9
General government	-	-		19,100
Unassigned (deficit)	(21,406)	-		(256,978)
<b>Total fund balances</b>	<b>-</b>	<b>-</b>		<b>252,026</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 21,406</b>	<b>\$ -</b>	<b>\$</b>	<b>705,145</b>

**McDowell County, North Carolina**

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service Fund
<b>Revenues:</b>			
Ad valorem taxes	\$ 3,086,956	\$ -	\$ -
Restricted intergovernmental revenue	-	321,590	47,195
Investment earnings	-	52	-
Miscellaneous revenue	-	-	-
<b>Total revenues</b>	<b>3,086,956</b>	<b>321,642</b>	<b>47,195</b>
<b>Expenditures:</b>			
General government	-	-	-
Human services	-	-	-
Public safety	3,086,956	401,854	-
Environmental protection	-	-	-
Cultural and recreational	-	-	-
Education	-	-	-
Debt service	-	-	1,228,904
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>3,086,956</b>	<b>401,854</b>	<b>1,228,904</b>
Revenues over (under) expenditures	-	(80,212)	(1,181,709)
<b>Other financing sources (uses):</b>			
Operating transfer in from General Fund	-	59	-
Operating transfer in from Capital Project Fund	-	-	1,181,709
Operating transfer in from Universal Fund	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>59</b>	<b>1,181,709</b>
Increase (decrease) in fund balances	-	(80,153)	-
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>145,783</b>	<b>9</b>
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ 65,630</b>	<b>\$ 9</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Capital Project Funds		
	Trail Project	Outdoor Environmental Learning Center Shelter Project	Lake James EPA Project
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	660
Investment earnings	-	-	-
Miscellaneous revenue	2,500	2,500	-
<b>Total revenues</b>	<b>2,500</b>	<b>2,500</b>	<b>660</b>
<b>Expenditures:</b>			
General government	-	-	-
Human services	-	-	-
Public safety	-	-	-
Environmental protection	-	-	-
Cultural and recreational	1,303	-	-
Education	-	6,000	-
Debt service	-	-	-
Capital outlay	-	-	12,332
<b>Total expenditures</b>	<b>1,303</b>	<b>6,000</b>	<b>12,332</b>
Revenues over (under) expenditures	1,197	(3,500)	(11,672)
<b>Other financing sources (uses):</b>			
Operating transfer in from General Fund	-	-	20,000
Operating transfer in from Capital Project Fund	-	-	-
Operating transfer in from Universal Fund	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>20,000</b>
Increase (decrease) in fund balances	1,197	(3,500)	8,328
<b>Fund balances – beginning of year</b>	<b>21,975</b>	<b>3,500</b>	<b>6,386</b>
<b>Fund balances – end of year</b>	<b>\$ 23,172</b>	<b>\$ -</b>	<b>\$ 14,714</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Capital Project Funds		
	Community Food and Health Hub Project	Harmony Grove Road/ I-40 Interchange Water Line Project	Universal Career Pathways Skill Center
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	532,703	-
Investment earnings	-	-	-
Miscellaneous revenue	40,000	83,925	-
<b>Total revenues</b>	<b>40,000</b>	<b>616,628</b>	<b>-</b>
<b>Expenditures:</b>			
General government	-	-	-
Human services	39,719	-	-
Public safety	-	-	-
Environmental protection	-	-	-
Cultural and recreation	-	-	-
Education	-	-	-
Debt service	-	-	-
Capital outlay	-	859,052	-
<b>Total expenditures</b>	<b>39,719</b>	<b>859,052</b>	<b>-</b>
Revenues over (under) expenditures	281	(242,424)	-
<b>Other financing sources (uses):</b>			
Operating transfer in from General Fund	-	265,000	-
Operating transfer in from Capital Project Fund	-	-	-
Operating transfer in from Universal Fund	-	-	171,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>265,000</b>	<b>171,000</b>
Increase (decrease) in fund balances	281	22,576	171,000
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>2,138</b>	<b>(171,000)</b>
<b>Fund balances – end of year</b>	<b>\$ 281</b>	<b>\$ 24,714</b>	<b>\$ -</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Capital Project Funds		
	Commerce Fellows Program Project	Kate B. Reynolds Community Paramedic Expansion Project	Universal Water Line Project
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	3,292	-	123,500
Investment earnings	-	-	-
Miscellaneous revenue	-	171,477	3,642
<b>Total revenues</b>	<b>3,292</b>	<b>171,477</b>	<b>127,142</b>
<b>Expenditures:</b>			
General government	3,292	-	-
Human services	-	-	-
Public safety	-	143,684	-
Environmental protection	-	-	-
Cultural and recreational	-	-	-
Education	-	-	-
Debt service	-	-	-
Capital outlay	-	-	254,586
<b>Total expenditures</b>	<b>3,292</b>	<b>143,684</b>	<b>254,586</b>
Revenues over (under) expenditures	-	27,793	(127,444)
<b>Other financing sources (uses):</b>			
Operating transfer in from General Fund	-	-	-
Operating transfer in from Capital Project Fund	-	-	-
Operating transfer in from Universal Fund	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase (decrease) in fund balances	-	27,793	(127,444)
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>198,682</b>	<b>24,475</b>
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ 226,475</b>	<b>\$ (102,969)</b>

**McDowell County, North Carolina**

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

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Capital Project Funds			
	Old Fort Ball Field Stream Restoration and Trail System Project	Jail and Courthouse Addition/Renovations Project	<u>Totals</u> June 30, 2017	
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ 3,086,956	
Restricted intergovernmental revenue	31,320	-	1,060,260	
Investment earnings	-	-	52	
Miscellaneous revenue	38,168	21,210	363,422	
<b>Total revenues</b>	<b>69,488</b>	<b>21,210</b>	<b>4,510,690</b>	
<b>Expenditures:</b>				
General government	-	-	3,292	
Human services	-	-	39,719	
Public safety	-	-	3,632,494	
Environmental protection	69,488	-	69,488	
Cultural and recreational	-	-	1,303	
Education	-	-	6,000	
Debt service	-	-	1,228,904	
Capital outlay	-	626,049	1,752,019	
<b>Total expenditures</b>	<b>69,488</b>	<b>626,049</b>	<b>6,733,219</b>	
Revenues over (under) expenditures	-	(604,839)	(2,222,529)	
<b>Other financing sources (uses):</b>				
Operating transfer in from General Fund	-	176,474	461,533	
Operating transfer in from Capital Project Fund	-	-	1,181,709	
Operating transfer in from Universal Fund	-	-	171,000	
<b>Total other financing sources</b>	<b>-</b>	<b>176,474</b>	<b>1,814,242</b>	
Increase (decrease) in fund balance	-	(428,365)	(408,287)	
<b>Fund balances – beginning of year</b>	<b>-</b>	<b>428,365</b>	<b>660,313</b>	
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 252,026</b>	

**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, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Fire districts:			
Ashford/North Cove	\$ 204,864	\$ 198,281	\$ (6,583)
Crooked Creek	182,980	178,261	(4,719)
Dysartsville	185,531	180,536	(4,995)
Glenwood	176,825	169,574	(7,251)
Nebo	326,603	313,381	(13,222)
Old Fort Area	119,982	114,425	(5,557)
Pleasant Gardens	183,136	168,120	(15,016)
Sugar Hill	109,573	104,263	(5,310)
Woodlawn/Sevier	88,808	78,183	(10,625)
Hankins/North Fork	76,416	72,693	(3,723)
Long Town	38,734	35,338	(3,396)
Parkway/Woodlawn	35,922	29,859	(6,063)
Old Fort - Inside	53,135	45,432	(7,703)
Marion Area	294,558	284,234	(10,324)
County	741,505	725,695	(15,810)
Rescue district:			
McDowell County Rescue	422,144	388,681	(33,463)
Total revenues	3,240,716	3,086,956	(153,760)
<b>Expenditures:</b>			
Public safety:			
Fire district allocations:			
Ashford/North Cove	204,864	198,281	6,583
Crooked Creek	182,980	178,258	4,722
Dysartsville	185,531	180,533	4,998
Glenwood	176,825	169,489	7,336
Nebo	326,603	313,499	13,104
Old Fort Area	119,982	114,425	5,557
Pleasant Gardens	183,136	168,115	15,021
Sugar Hill	109,573	104,260	5,313
Woodlawn/Sevier	88,808	78,183	10,625
Hankins/North Fork	76,416	72,685	3,731
Long Town	38,734	35,338	3,396
Parkway/Woodlawn	35,922	29,859	6,063
Old Fort - Inside	53,135	45,436	7,699
Marion Area	294,558	284,234	10,324
County	741,505	725,680	15,825
Rescue district:			
McDowell County Rescue	422,144	388,681	33,463
Total expenditures	3,240,716	3,086,956	153,760
<b>Revenues over expenditures</b>	\$ -	-	\$ -
<b>Fund balance - beginning of year</b>			-
<b>Fund balance - end of year</b>		\$ -	

**McDowell County, North Carolina**

Emergency Telephone System Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 257,768	\$ 257,768	\$ -
Restricted intergovernmental revenue:			
Grant	63,822	63,822	-
Investment earnings	-	52	52
<b>Total revenues</b>	<b>321,590</b>	<b>321,642</b>	<b>52</b>
<b>Expenditures:</b>			
Public safety:			
Furniture	7,200	7,168	32
Telephone equipment	156,729	128,560	28,169
Interpretive services	400	284	116
Travel/training	9,000	7,609	1,391
Telephone	15,136	8,288	6,848
Software maintenance	782	391	391
911 addressing	1,800	1,786	14
Capital outlay	59	-	59
Selective routing and ALI provisioning	30,500	26,931	3,569
Database provisioning for 911	200	-	200
Radio dispatch console	700	507	193
Software license	8,400	4,673	3,727
Software messaging switch	9,000	8,968	32
Hardware printers	600	407	193
GIS equipment	1,000	-	1,000
Software CAD	21,500	21,484	16
Software dispatch protocol	5,205	1,795	3,410
Software QA protocol	700	-	700
Hardware computer workstation	7,900	7,752	148
Hardware UPS	38,600	38,592	8
Hardware generator	25	-	25
911 functions	72,860	72,837	23
Additional grant	63,822	63,822	-
<b>Total expenditures</b>	<b>452,118</b>	<b>401,854</b>	<b>50,264</b>
Revenues over (under) expenditures	(130,528)	(80,212)	50,316
<b>Other financing sources:</b>			
Transfer from General Fund	59	59	-
Appropriated fund balance	130,469	-	(130,469)
<b>Total other financing sources</b>	<b>130,528</b>	<b>59</b>	<b>(130,469)</b>
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>(80,153)</b>	<b>\$ (80,153)</b>
<b>Fund balance - beginning of year</b>		<b>145,783</b>	
<b>Fund balance - end of year</b>		<b>\$ 65,630</b>	

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, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 47,195	\$ 47,195	\$ -
Total revenues	47,195	47,195	-
<b>Expenditures:</b>			
Debt service	1,228,904	1,228,904	-
Total expenditures	1,228,904	1,228,904	-
Revenues under expenditures	(1,181,709)	(1,181,709)	-
<b>Other financing sources:</b>			
Transfer from School Capital Projects Fund	1,181,709	1,181,709	-
Total other financing sources	1,181,709	1,181,709	-
<b>Revenues and other financing sources over expenditures</b>	\$ -	- \$	-
<b>Fund balance - beginning of year</b>		9	
<b>Fund balance - end of year</b>	\$	9	

**McDowell County, North Carolina**

School Capital Projects Fund

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Lottery funds	\$ 2,719,583	\$ 2,719,583	\$ (24,117)	\$ 2,695,466
Local option sales tax	6,961,288	7,178,536	2,531,632	9,710,168
Investment earnings	2,000	9,414	14,664	24,078
Miscellaneous	-	343,355	34,091	377,446
<b>Total revenues</b>	<b>9,682,871</b>	<b>10,250,888</b>	<b>2,556,270</b>	<b>12,807,158</b>
<b>Expenditures:</b>				
Capital outlay:				
PG roof #1	54,533	39,236	15,297	54,533
West McDowell Middle renovations	2,325,000	2,301,754	23,246	2,325,000
McDowell High School Stadium	394,583	221,318	149,148	370,466
Central Office roof	56,737	50,595	6,142	56,737
McDowell High School Addition	11,961,536	11,953,169	-	11,953,169
West McDowell Middle roof	494,671	275,103	219,568	494,671
McDowell High School addition phase II	1,525,092	-	588,450	588,450
McDowell High School Field House roof	128,233	-	-	-
McDowell High School Field House HVAC	60,059	-	-	-
Improvement	718	272	-	272
<b>Total expenditures</b>	<b>17,001,162</b>	<b>14,841,447</b>	<b>1,001,851</b>	<b>15,843,298</b>
Revenues over (under) expenditures	(7,318,291)	(4,590,559)	1,554,419	(3,036,140)
<b>Other financing sources (uses):</b>				
Installment purchase obligation	8,500,000	8,500,000	-	8,500,000
Transfer to Debt Service Fund	(1,181,709)	-	(1,181,709)	(1,181,709)
<b>Total other financing sources (uses)</b>	<b>7,318,291</b>	<b>8,500,000</b>	<b>(1,181,709)</b>	<b>7,318,291</b>
<b>Revenues over (under) expenditures and other financing sources (uses)</b>	\$ -	\$ 3,909,441	\$ 372,710	\$ 4,282,151
<b>Fund balance - beginning of year</b>			3,909,441	
<b>Fund balance - end of year</b>			\$ 4,282,151	

**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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Donations	\$ 17,000	\$ 21,849	\$ 2,500	\$ 24,349
Total revenues	17,000	21,849	2,500	24,349
<b>Expenditures:</b>				
Improvements	57,000	39,874	1,303	41,177
Total expenditures	57,000	39,874	1,303	41,177
Revenues over (under) expenditures	(40,000)	(18,025)	1,197	(16,828)
<b>Other financing sources:</b>				
Transfer from General Fund	40,000	40,000	-	40,000
Total other financing sources	40,000	40,000	-	40,000
<b>Revenues over (under) expenditures and other financing sources</b>	\$ -	\$ 21,975	1,197	\$ 23,172
<b>Fund balance - beginning of year</b>			21,975	
<b>Fund balance - end of year</b>			\$ 23,172	

**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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
Board of education	\$ 13,000	\$ 3,500	\$ -	\$ 3,500
Local revenue	2,500	-	2,500	2,500
<b>Total revenues</b>	<b>15,500</b>	<b>3,500</b>	<b>2,500</b>	<b>6,000</b>
<b>Expenditures:</b>				
Construction	15,500	-	6,000	6,000
<b>Total expenditures</b>	<b>15,500</b>	<b>-</b>	<b>6,000</b>	<b>6,000</b>
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 3,500</b>	<b>(3,500)</b>	<b>\$ -</b>
<b>Fund balance - beginning of year</b>			<b>3,500</b>	
<b>Fund balance - end of year</b>			<b>\$ -</b>	

**McDowell County, North Carolina**

Lake James EPA Project

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
EPA	\$ 485,000	\$ 117,164	\$ 660	\$ 117,824
Total revenues	485,000	117,164	660	117,824
<b>Expenditures:</b>				
Architectural	836,818	203,026	7,332	210,358
Property purchase	203,918	199,024	-	199,024
Administration	45,000	11,250	5,000	16,250
Debt service	95,423	95,423	-	95,423
Total expenditures	1,181,159	508,723	12,332	521,055
Revenues under expenditures	(696,159)	(391,559)	(11,672)	(403,231)
<b>Other financing sources:</b>				
Short-term debt issued	95,423	95,400	-	95,400
Transfer from General Fund	600,736	302,545	20,000	322,545
Total other financing sources	696,159	397,945	20,000	417,945
<b>Revenues over (under) expenditures and other financing sources</b>	\$ -	\$ 6,386	8,328	\$ 14,714
<b>Fund balance - beginning of year</b>			6,386	
<b>Fund balance - end of year</b>			\$ 14,714	

**McDowell County, North Carolina**

Community Food and Health Hub Project

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Private grants	\$ 40,000	\$ -	\$ 40,000	\$ 40,000
Total revenues	40,000	-	40,000	40,000
<b>Expenditures:</b>				
Consulting fees	36,000	-	36,000	36,000
Meeting	2,000	-	2,242	2,242
Travel and Supplies	2,000	-	1,477	1,477
Total expenditures	40,000	-	39,719	39,719
<b>Revenues over expenditures</b>	\$ -	\$ -	281	\$ 281
<b>Fund balance - beginning of year</b>			-	
<b>Fund balance - end of year</b>			\$ 281	

**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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
Appalachian Regional Commission	\$ 532,703	\$ -	\$ 532,703	\$ 532,703
NC Commerce	100,000	-	-	-
US Forest Service	63,597	-	63,597	63,597
Miscellaneous	-	-	20,328	20,328
<b>Total revenues</b>	<b>696,300</b>	<b>-</b>	<b>616,628</b>	<b>616,628</b>
<b>Expenditures:</b>				
Construction cost	866,300	-	794,514	794,514
Preliminary engineering	8,000	8,000	-	8,000
Engineering design	40,200	39,000	-	39,000
Bidding and award	13,200	9,900	3,300	13,200
Construction administration	37,000	-	37,000	37,000
Grant administration	50,000	15,762	24,238	40,000
Legal/environmental	21,600	200	-	200
<b>Total expenditures</b>	<b>1,036,300</b>	<b>72,862</b>	<b>859,052</b>	<b>931,914</b>
Revenues under expenditures	(340,000)	(72,862)	(242,424)	(315,286)
<b>Other financing sources:</b>				
Transfer from General Fund	340,000	75,000	265,000	340,000
<b>Total other financing sources</b>	<b>340,000</b>	<b>75,000</b>	<b>265,000</b>	<b>340,000</b>
<b>Revenues over (under) expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ 2,138</b>	<b>22,576</b>	<b>\$ 24,714</b>
<b>Fund balance - beginning of year</b>			<b>2,138</b>	
<b>Fund balance - end of year</b>			<b>\$ 24,714</b>	

**McDowell County, North Carolina**

Commerce Fellows Program Project

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
Community Development Block	\$ 22,500	\$ 17,500	\$ 3,292	\$ 20,792
Total revenues	22,500	17,500	3,292	20,792
<b>Expenditures:</b>				
Planning	20,000	17,500	1,077	18,577
Administration	2,500	-	2,215	2,215
Total expenditures	22,500	17,500	3,292	20,792
<b>Revenues over (under) expenditures</b>	\$ -	\$ -	-	\$ -
<b>Fund balance - beginning of year</b>				-
<b>Fund balance - end of year</b>			\$ -	

Note: Prior year activity recorded in General Fund

**McDowell County, North Carolina**

Kate B. Reynolds Community Paramedic Expansion Project

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
Vaya Health	\$ 5,000	\$ 3,843	\$ -	\$ 3,843
Private Grant – Expansion Funds	185,288	194,839	171,477	366,316
<b>Total revenues</b>	<b>190,288</b>	<b>198,682</b>	<b>171,477</b>	<b>370,159</b>
<b>Expenditures:</b>				
Salary & fringe	124,732	-	102,124	102,124
Travel	17,500	-	9,814	9,814
Equipment	17,500	-	14,398	14,398
Rent/utilities/phone	2,200	-	1,480	1,480
Office supplies	750	-	348	348
Discretionary spending	22,606	-	11,677	11,677
Vaya Health grant	5,000	-	3,843	3,843
<b>Total expenditures</b>	<b>190,288</b>	<b>-</b>	<b>143,684</b>	<b>143,684</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 198,682</b>	<b>27,793</b>	<b>\$ 226,475</b>
<b>Fund balance - beginning of year</b>			<b>198,682</b>	
<b>Fund balance - end of year</b>			<b>\$ 226,475</b>	

**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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenue:				
NC Commerce	\$ 130,000	\$ 17,000	\$ (17,000)	\$ -
Appalachian Regional Commission	140,500	-	140,500	140,500
Miscellaneous	-	-	3,642	3,642
<b>Total revenues</b>	<b>270,500</b>	<b>17,000</b>	<b>127,142</b>	<b>144,142</b>
<b>Expenditures:</b>				
Construction	226,200	-	203,336	203,336
Preliminary engineering	5,000	5,000	-	5,000
Design and permitting	27,000	24,300	2,700	27,000
Construction administration	24,400	-	24,362	24,362
Legal/administration	27,500	3,725	24,188	27,913
Testing during construction	900	-	-	-
<b>Total expenditures</b>	<b>311,000</b>	<b>33,025</b>	<b>254,586</b>	<b>287,611</b>
Revenues under expenditures	(40,500)	(16,025)	(127,444)	(143,469)
<b>Other financing sources:</b>				
Transfer from General Fund	40,500	40,500	-	40,500
<b>Total other financing sources</b>	<b>40,500</b>	<b>40,500</b>	<b>-</b>	<b>40,500</b>
<b>Revenues over (under) expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ 24,475</b>	<b>(127,444)</b>	<b>\$ (102,969)</b>
<b>Fund balance - beginning of year</b>			<b>24,475</b>	
<b>Fund balance - end of year</b>			<b>\$ (102,969)</b>	

**McDowell County, North Carolina**

Old Fort Ball Field Stream Restoration and Trail System Project

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenues:</b>				
Private Grant	\$ 50,614	\$ -	\$ 38,168	\$ 38,168
NC Water Resources WRDP Grant	34,000	-	31,320	31,320
Total revenues	84,614	-	69,488	69,488
<b>Expenditures:</b>				
Trail System	24,085	-	21,406	21,406
In kind	14,114	-	1,668	1,668
Stream Stabilization	46,415	-	46,414	46,414
Total expenditures	84,614	-	69,488	69,488
<b>Revenues over (under) expenditures</b>	\$ -	\$ -	-	\$ -
<b>Fund balance - beginning of year</b>				-
<b>Fund balance - end of year</b>			\$ -	

**McDowell County, North Carolina**

Universal Career Pathways Skill Center Project

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

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenues:</b>				
Golden Leaf	\$ 2,140,000	\$ 2,140,000	\$ -	\$ 2,140,000
Grant/fundraiser	100,000	100,000	-	100,000
Sales tax	52,579	52,579	-	52,579
<b>Total revenues</b>	<b>2,292,579</b>	<b>2,292,579</b>	<b>-</b>	<b>2,292,579</b>
<b>Expenditures:</b>				
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
<b>Total expenditures</b>	<b>3,975,122</b>	<b>3,975,122</b>	<b>-</b>	<b>3,975,122</b>
Revenues under expenditures	(1,682,543)	(1,682,543)	-	(1,682,543)
<b>Other financing sources:</b>				
Transfer from General Fund	705,267	705,267	-	705,267
Transfer from Universal Enterprise Fund	977,276	806,276	171,000	977,276
<b>Total other financing sources</b>	<b>1,682,543</b>	<b>1,511,543</b>	<b>171,000</b>	<b>1,682,543</b>
<b>Revenues over (under) expenditures and other financing sources</b>	\$ -	\$ (171,000)	171,000	\$ -
<b>Fund balance - beginning of year</b>			(171,000)	
<b>Fund balance - end of year</b>			\$ -	

**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, 2017

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenues:</b>				
Sales tax revenue	\$ 21,210	\$ -	\$ 21,210	\$ 21,210
Total revenues	21,210	-	21,210	21,210
<b>Expenditures:</b>				
Construction	3,525,164	2,938,460	586,704	3,525,164
Engineering/architect fees	208,758	169,413	39,345	208,758
Legal	15,333	15,333	-	15,333
Total expenditures	3,749,255	3,123,206	626,049	3,749,255
Revenues under expenditures	(3,728,045)	(3,123,206)	(604,839)	(3,728,045)
<b>Other financing sources:</b>				
Installment purchase obligation issued	2,704,802	2,704,802	-	2,704,802
Transfer from General Fund	1,023,243	846,769	176,474	1,023,243
Total other financing sources	3,728,045	3,551,571	176,474	3,728,045
<b>Revenues over (under) expenditures and other financing sources</b>	\$ -	\$ 428,365	(428,365)	\$ -
<b>Fund balance - beginning of year</b>			428,365	
<b>Fund balance - end of year</b>			\$ -	

**McDowell County, North Carolina**

Enterprise Fund – Universal Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenue:			
Lease revenue	\$ 483,082	\$ 478,333	\$ (4,749)
Total operating revenue	483,082	478,333	(4,749)
Nonoperating revenue:			
Investment earnings	150	657	507
Total nonoperating revenue	150	657	507
Total revenues	483,232	478,990	(4,242)
<b>Expenditures:</b>			
Operating:			
Utilities		33,070	
Contract services		55,637	
Capital outlay		110,447	
Grant match		8,975	
Total operating expenditures	216,195	208,129	8,066
Debt service:			
Interest		91,121	
Debt principal		196,666	
Total debt service expenditures	287,787	287,787	-
Total expenditures	503,982	495,916	8,066
<b>Revenues over (under) expenditures</b>	<b>(20,750)</b>	<b>(16,926)</b>	<b>3,824</b>
<b>Other financing sources (uses):</b>			
Transfer from General Fund	411,987	411,987	-
Transfer to General Fund	(220,237)	(220,237)	-
Transfer to Universal Career Pathways Skill Center Project	(171,000)	(171,000)	-
Total other financing sources (uses)	20,750	20,750	-
<b>Revenues and other financing sources (uses) over expenditures</b>	<b>\$ -</b>	<b>\$ 3,824</b>	<b>\$ 3,824</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other financing sources (uses) over expenditures			\$ 3,824
Capital expenditures			50,229
Depreciation			(324,549)
Debt service principal			196,666
Capital contribution			287,611
Change in net position - GAAP			\$ 213,781

**McDowell County, North Carolina**

Enterprise Fund – Waste Disposal Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Tipping fees	\$ 1,260,000	\$ 1,287,083	\$ 27,083
Recycling revenue	65,000	43,882	(21,118)
Solid waste disposal	15,000	30,290	15,290
Other operating revenue	35,611	43,403	7,792
Total operating revenues	1,375,611	1,404,658	29,047
Nonoperating revenue:			
Investment earnings	100	1,966	1,866
Total nonoperating revenue	100	1,966	1,866
Total revenues	1,375,711	1,406,624	30,913
<b>Expenditures:</b>			
Facility operations:			
Salaries and employee benefits		265,019	
Operating expenses		1,993,874	
Capital outlay		11,592	
Total expenditures	2,322,532	2,270,485	52,047
<b>Revenues under expenditures</b>	<b>(946,821)</b>	<b>(863,861)</b>	<b>82,960</b>
<b>Other financing sources:</b>			
Transfer from General Fund	946,821	946,821	-
Total other financing sources	946,821	946,821	-
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 82,960</b>	<b>\$ 82,960</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other financing sources over expenditures		\$	82,960
Depreciation			(39,616)
Capital expenditures			10,534
Debt service principal			27,674
Increase in deferred outflows of resources – pensions			48,214
Increase in accrued vacation pay			(1,357)
Increase in net pension liability			(58,264)
Increase in OPEB liability			(267)
Decrease in deferred inflows of resources – pensions			827
Change in net position - GAAP		\$	70,705

**McDowell County, North Carolina**

Enterprise Fund – Water Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Water sales	\$ 83,000	\$ 101,841	\$ 18,841
New customers	1,100	890	(210)
Tap fees	1,900	3,600	1,700
Miscellaneous	1,500	1,980	480
<b>Total operating revenues</b>	<b>87,500</b>	<b>108,311</b>	<b>20,811</b>
Nonoperating revenue:			
Investment earnings	-	488	488
<b>Total nonoperating revenue</b>	<b>-</b>	<b>488</b>	<b>488</b>
<b>Total revenues</b>	<b>87,500</b>	<b>108,799</b>	<b>21,299</b>
<b>Expenditures:</b>			
Operating:			
Water purchase		53,504	
Contract services		6,000	
Maintenance and equipment		21,826	
<b>Total expenditures</b>	<b>87,500</b>	<b>81,330</b>	<b>6,170</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 27,469</b>	<b>\$ 27,469</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues over expenditures			\$ 27,469
Depreciation			(107,416)
Capital contribution			931,793
<b>Change in net position - GAAP</b>			<b>\$ 851,846</b>

**McDowell County, North Carolina**

Internal Service Fund – Self-Insurance Fund

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

Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Employee contributions	\$ 314,000	\$ 316,663	\$ 2,663
Employer contributions	3,269,860	3,269,259	(601)
Stop Loss	650,000	776,691	126,691
Cobra payments	16,000	11,457	(4,543)
<b>Total revenues</b>	<b>4,249,860</b>	<b>4,374,070</b>	<b>124,210</b>
<b>Expenditures:</b>			
Employee benefits:			
Claims	3,689,230	3,687,964	1,266
Life Insurance	18,440	18,440	-
Fees	542,190	526,704	15,486
<b>Total expenditures</b>	<b>4,249,860</b>	<b>4,233,108</b>	<b>16,752</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>140,962</b>	<b>\$ 140,962</b>
<b>Net position, beginning of year</b>		<b>246,736</b>	
<b>Net position, end of year</b>		<b>\$ 387,698</b>	

**McDowell County, North Carolina**

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2017

	Balance June 30, 2016		Additions		Deductions		Balance June 30, 2017
<b><u>Social Services Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 29,456	\$	216,092	\$	210,810	\$	34,738
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 29,456	\$	216,092	\$	210,810	\$	34,738
<b><u>Fines and Forfeitures Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -	\$	232,538	\$	232,538	\$	-
Accounts receivable - other governments	26,636		14,678		26,636		14,678
Total	\$ 26,636	\$	247,216	\$	259,174	\$	14,678
<u>Liabilities</u>							
Due to other governments	\$ 26,636	\$	247,216	\$	259,174	\$	14,678
<b><u>Motor Vehicle Tax Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 1,217	\$	224,102	\$	225,096	\$	223
Accounts receivable - other governments	21,938		22,809		21,938		22,809
Total	\$ 23,155	\$	246,911	\$	247,034	\$	23,032
<u>Liabilities</u>							
Due to other governments	\$ 23,155	\$	246,911	\$	247,034	\$	23,032
<b><u>Inmates Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 11,285	\$	305,688	\$	306,446	\$	10,527
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 11,285	\$	305,688	\$	306,446	\$	10,527
<b><u>Employee Sec 125 Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -	\$	32,656	\$	32,656	\$	-
Accounts receivable - other	5,373		4,235		5,373		4,235
Total	\$ 5,373	\$	36,891	\$	38,029	\$	4,235
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 5,373	\$	36,891	\$	38,029	\$	4,235

**McDowell County, North Carolina**

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – continued

Year Ended June 30, 2017

	Balance June 30, 2016		Additions		Deductions		Balance June 30, 2017
<b><u>Tax Penalty Schools Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 12,858		\$ 12,858		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 12,858		\$ 12,858		\$ -
<b><u>DMV Operations Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ -		\$ 3,864,492		\$ 3,864,492		\$ -
<u>Liabilities</u>							
Due to other governments	\$ -		\$ 3,864,492		\$ 3,864,492		\$ -
<b><u>Rescue Squad Billing Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 962		\$ 196,533		\$ 196,351		\$ 1,144
<u>Liabilities</u>							
Due to other governments	\$ 962		\$ 196,533		\$ 196,351		\$ 1,144
<b><u>Deed of Trust Fee Fund:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 642		\$ 5,844		\$ 5,941		\$ 545
<u>Liabilities</u>							
Due to other governments	\$ 642		\$ 5,844		\$ 5,941		\$ 545
<b><u>Totals - All Agency Funds:</u></b>							
<u>Assets</u>							
Cash and investments	\$ 43,562		\$ 5,090,803		\$ 5,087,188		\$ 47,177
Accounts receivable - other governments	48,574		37,487		48,574		37,487
Accounts receivable - other	5,373		4,235		5,373		4,235
Total	\$ 97,509		\$ 5,132,525		\$ 5,141,135		\$ 88,899
<u>Liabilities</u>							
Miscellaneous liabilities	\$ 46,114		\$ 558,671		\$ 555,285		\$ 49,500
Due to other governments	51,395		4,573,854		4,585,850		39,399
Total	\$ 97,509		\$ 5,132,525		\$ 5,141,135		\$ 88,899

**McDowell County, North Carolina**

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2017

Year of Levy	Uncollected Balance June 30, 2016	Additions	Collections and Adjustments	Uncollected Balance June 30, 2017
2016	\$ -	\$ 20,340,616	\$ 20,194,785	\$ 145,831
2015	157,458	-	77,626	79,832
2014	105,491	-	33,778	71,713
2013	110,317	-	25,962	84,355
2012	96,856	-	19,182	77,674
2011	79,588	-	15,493	64,095
2010	88,798	-	11,305	77,493
2009	76,818	-	10,396	66,422
2008	70,024	-	10,401	59,623
2007	59,556	-	7,218	52,338
2006	60,026	-	60,026	-
	\$ 904,932	\$ 20,340,616	\$ 20,466,172	779,376
Less allowance for uncollectible ad valorem taxes				(413,012)
Ad Valorem taxes receivable - net				\$ 366,364
<b>Reconciliation with revenues:</b>				
Taxes - Ad Valorem:				
General Fund			\$ 20,444,117	
Releases			25,683	
Discounts			87,057	
Amounts written off for the 2006 levy per the statute of limitations			52,475	
Other adjustments			(16,023)	
				20,593,309
Less interest collected				(127,137)
Total collections and adjustments				\$ 20,466,172

**McDowell County, North Carolina**

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2017

	County-wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 3,469,312,262	\$ .55	\$ 19,081,217	\$ 17,091,014	\$ 1,990,203
Penalties	-		8,976	8,976	-
<b>Total</b>	<b>3,469,312,262</b>		<b>19,090,193</b>	<b>17,099,990</b>	<b>1,990,203</b>
<b>Discoveries:</b>					
Current year taxes	225,291,025	.55	1,239,101	1,239,101	-
Prior year taxes	13,272,425	.55	72,999	72,999	-
Penalties	-		1,662	1,662	-
<b>Total</b>	<b>238,563,450</b>		<b>1,313,762</b>	<b>1,313,762</b>	<b>-</b>
<b>Abatements</b>	<b>(11,516,098)</b>		<b>(63,339)</b>	<b>(63,339)</b>	<b>-</b>
Total property valuation	\$ 3,696,359,614				
<b>Net levy</b>			<b>20,340,616</b>	<b>18,350,413</b>	<b>1,990,203</b>
<b>Uncollected taxes at June 30, 2017</b>			<b>145,831</b>	<b>143,420</b>	<b>2,411</b>
<b>Current year's taxes collected</b>			<b>\$ 20,194,785</b>	<b>\$ 18,206,993</b>	<b>\$ 1,987,792</b>
<b>Current levy collection percentage</b>			<b>99.28%</b>	<b>99.22%</b>	<b>99.88%</b>

**McDowell County, North Carolina**

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2017

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Secondary Market Disclosures

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Assessed Valuation:

Assessment Ratio	<sup>1</sup>		100%
Real Property		\$	2,904,340,386
Personal Property			569,753,258
Public Service Companies	<sup>2</sup>		222,265,970
<hr/>			
Total Assessed Valuation		\$	3,696,359,614
<hr/>			
Tax Rate per \$100		\$	0.55
Levy (includes discoveries and abatements)	<sup>3</sup>	\$	20,340,616

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	\$	3,092,247
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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, 2017

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Taxpayer	Type of Business	2017 Assessed Valuation	Percentage of Total Assessed Valuation
Baxter Healthcare	IV Solution	\$ 212,084,326	5.74%
Duke Energy	Utility	179,613,224	4.86%
CSX Transportation	Railroad	53,783,770	1.46%
IAC/Collins & Aikman Group	Manufacturing	34,919,689	0.94%
Rutherford EMC	Utility	33,725,353	0.91%
Baldor Electric Company	Manufacturing	30,817,282	0.83%
Norfolk Southern	Railroad	27,803,504	0.75%
Rock-Tenn Packaging	Manufacturing	26,489,884	0.72%
Columbia Carolina	Manufacturing	20,639,028	0.56%
Coats America/American Tread	Manufacturing	16,536,980	0.45%
Total		\$ 636,413,040	17.22%

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**McDowell County, North Carolina**

Compliance Section

Year Ended June 30, 2017



**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, 2017, 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 4, 2017. 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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 and 2017-003 that we consider to be significant deficiencies.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003.

#### McDowell County's Response to Findings

McDowell County's responses to the findings identified in our audit are 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 4, 2017



**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, 2017. 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, 2017.

### 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 4, 2017



**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, 2017. 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, 2017.

### 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 4, 2017



**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2017

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Dollar threshold to distinguish  
between Type A and Type B Programs \$ 1,742,975

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Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_X\_\_\_ no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? \_\_\_\_\_ 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

**Section II. Financial Statement Findings**

**Finding: 2017-001: 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, 2017, disbursements testing resulted in 3 (out of 40) instances in which the finance officer signature was missing on the invoice. Two of the invoices were EFT transactions that were part of separate batches in which the finance officer signature was missing on all the invoices in the batch. One batch contained 69 invoices totaling \$105,735 and the other batch contained 22 invoices totaling \$4,352. Also, journal entry testing resulted in 2 (out of 40) instances in which the journal entry recorded included incorrect coding.

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

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2016-001.

Recommendation: Management should consider the addition of personnel to facilitate the appropriate segregation of duties in order to facilitate more monitoring and follow up functions.

Views of responsible officials and planned corrective action: The County agrees with the finding. The finance department intends to shift the processing of routine transactions to the appropriate staff level in order to allow for proper oversight functions by the finance officer.

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2017

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

**Finding: 2017-002: 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 Water Line Project has a deficit fund balance of \$102,969 at June 30, 2017.

Effect: Expenditures were spent in excess of budget appropriations.

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

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2016-002.

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 County did not know grantor requirements were not met until after June 30, 2017, resulting in a funding shortage. The finance officer will continue with training for project managers with an emphasis on monitoring project status.

**McDowell County, North Carolina**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2017

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

**Finding: 2017-003: Monitoring and Non-Compliance with North Carolina General Statutes**

Criteria: The County is required to contribute to the Supplemental Retirement Income Plan for Law Enforcement Officers (Plan). 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.

Condition: Certain law enforcement officers hired after October 2013 were inadvertently excluded from the calculation of this benefit.

Effect: The statutorily required contributions to the Plan were not timely made.

Cause: After a change of personnel in human resources, new law enforcement hires were not properly identified in the payroll system.

Recommendation: Human resources management should review the detailed computation of the required Plan contribution each month, agreeing participants to active law enforcement employees.

Views of responsible officials and planned corrective action: The County agrees with the finding. Arrears contributions of \$51,756 have been accrued, and the Plan administrator is calculating lost earnings and any other amounts required to make each officer’s account whole. The Finance Officer will increase training for human resources personnel, and a monitoring step will be added to the monthly closing process.

**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, 2017

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**Section II: Financial Statement Findings**

Finding 2017-001: Monitoring

*Name of contact person:* Alison Bell, 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 2017-002: Noncompliance with North Carolina General Statutes

*Name of contact person:* Alison Bell, 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.

Finding 2017-003: Monitoring and Noncompliance with North Carolina General Statutes

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

*Corrective Action:* Human resources personnel will repeat training for correct entry of new hires and will regularly compare law enforcement Plan participants to active employees.

*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, 2017

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**Finding:** 2015-001 and 2016-001: Communication and Monitoring.

Status: Duties are separated as much as possible. The finding is repeated in 2016 as 2016-001 and in 2017 as 2017-001.

**Finding:** 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 or 2017.

**Finding:** 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 or 2017.

**Finding:** 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 or 2017.

**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 or 2017.

**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 or 2017.

**Finding:** 2016-002: Deficit Fund Balance.

Status: The County continues to train project managers with an emphasis on monitoring project status. Finding is repeated in 2017 as 2017-002.

**McDowell County, North Carolina**

**Schedule of Expenditures of Federal and State Awards**

**Year Ended June 30, 2017**

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
<b>Federal Awards:</b>					
<b>U.S. Department of Agriculture:</b>					
Passed through North Carolina Department of Health and Human Services, Division of Social Services:					
Food and Nutrition Services Program	10.561		\$ 435,301	\$ -	-
Total U.S. Department of Agriculture			435,301	-	-
<b>U.S. Department of Housing and Urban Development:</b>					
Passed through North Carolina Department of Commerce:					
Community Development Block Grants:					
Commerce Fellows	14.228	11-D-2694	3,292	-	-
Total U.S. Department of Housing and Urban Development			3,292	-	-
<b>U.S. Department of Justice:</b>					
Passed through North Carolina Department of Crime Control and Public Safety, Governor's Crime Commission:					
Equipment/Software Grant	16.738	PROJ011901	16,084	-	-
Total U.S. Department of Justice			16,084	-	-
<b>Appalachian Regional Commission:</b>					
Passed through North Carolina Department of Commerce:					
Harmony Grove Road Water Line	23.001	NC-18023	532,703	-	-
Universal Building Water Line	23.001	NC-18332	140,500	-	-
Total Appalachian Regional Commission			673,203	-	-
<b>U.S. Department of Homeland Security:</b>					
Passed through North Carolina Department of Public Safety:					
Emergency Performance Grant	97.042	2016-EP 0000-501	38,854	-	-
Total U.S. Department of Homeland Security			38,854	-	-
<b>U.S. Environmental Protection Agency:</b>					
Direct federal:					
Congressional Mandated Projects	66.202		659	-	-
Total U.S. Environmental Protection Agency			659	-	-
<b>U.S. Department of Health and Human Services:</b>					
<i>Health Care Financing Administration:</i>					
Passed through North Carolina Department of Health and Human Services:					
Division of Medical Assistance (Medicaid):					
Direct Benefit Payments:					
Medical Assistance Program	93.778		* 49,351,688	26,314,969	-
Division of Social Services:					
Medicaid Administration	93.778		* 1,286,825	82,951	-
Adult Care Home Case Management	93.778		* 23,460	9,948	-
			50,661,973	26,407,868	-

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2017

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
<b>U.S. Department of Health and Human Services - continued:</b>					
<i>Health Care Financing Administration - continued:</i>					
Passed through North Carolina Department of Health and Human Services - continued:					
Division of Medical Assistance:					
Direct Benefit Payments:					
State Children's Insurance Program –					
NC Health Choice	93.767		\$ 1,186,665	\$ 8,866	\$ -
Division of Social Services:					
State Children's Insurance Program –					
NC Health Choice - Administration	93.767		41,985	59	-
			1,228,650	8,925	-
Passed through North Carolina Department of Insurance:					
SHIIP	93.324		5,263	-	-
			5,263	-	-
			51,895,886	26,416,793	-
<i>Division of Aging and Adult Services:</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		-	10,878	-
Part C – Nutrition Services	93.045		200,753	46,402	-
Part D – In-Home Services	93.044		15,270	76,576	-
NSIP Supplement	93.053		54,379	-	-
Aging Cluster			270,402	133,856	-
Passed through North Carolina Department of Health and Human Services:					
Division of Aging and Adult Services:					
Family Caregiver Support Program	93.052		469	31	-
			469	31	-
<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 Child Development:					
Child Care and Development Fund – Discretionary	93.575		35,420	-	35,420
Child Care and Development Fund – TANF	93.575		406,555	-	406,555
Child Care and Development Fund – Mandatory	93.596		156,547	-	156,547
Child Care and Development Fund – Matching	93.596		273,495	110,022	383,517
Child Care Development Fund Cluster			872,017	110,022	982,039

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2017

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
<b>U.S. Department of Health and Human Services – continued:</b>					
<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		\$ 15,454	\$ 7,717	\$ 23,171
Temporary Assistance for Needy Families	93.558		131,813	-	131,813
Smart Start	N/A		-	358	358
Smart Start Quality TANF MOE	N/A		-	160,360	160,360
State Funding	N/A		-	157,157	157,157
Smart Start TANF Maintenance of Effort	N/A		-	75,234	75,234
Subsidized Child Care Cluster			1,019,284	510,848	1,530,132
Division of Social Services:					
Child Care Development Fund – Administration	93.596		80,000	-	80,000
Division of Child Development:					
Smart Start	N/A		-	35,000	35,000
			80,000	35,000	115,000
Division of Social Services:					
<i>Foster Care and Adoption Cluster:</i>					
Title IV-E – Foster Care:					
Administrative	93.658		356,044	34,964	-
Benefit Payments	93.658		423,090	119,358	-
Adoption Training	93.659		2,139	-	-
Adoption	93.659		2,768	-	-
Optional Adoption Training	93.659		3,395	-	-
Adoption Assistance – Direct Benefit Payments	93.659		485,111	123,922	-
Child Protective Services	N/A		-	157,862	-
Foster Care and Adoption Cluster			1,272,547	436,106	-
Low-Income Home Energy Assistance and Crisis					
Intervention Block Grant:					
Administration	93.568		32,885	-	-
Energy Assistance Payments	93.568		198,789	-	-
Crisis Intervention Program	93.568		196,607	-	-
Low-Income Home Energy Assistance			428,281	-	-
Passed through North Carolina Department of Health and Human Services:					
Work First/Temporary Assistance for Needy Families (TANF):					
Direct Benefit Payments	93.558		251,771	-	-
Work First Benefits	93.558		495,745	-	-
Administration	93.558		203,877	449	-
Administration – Adoption Foster Care (TANF Share)	93.558		32,607	-	-
TANF Cluster			984,000	449	-
LINKS	93.674		12,145	1,803	-
Social Services Block Grant	93.667		650,938	15,710	-
Family Preservation	93.556		25,919	-	-

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2017

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
<b>U.S. Department of Health and Human Services – continued:</b>					
Passed through North Carolina Department of Health and Human Services – continued:					
Child Welfare Services:					
Permanency Planning	93.645		\$ 6,324	\$ -	-
Child Support Enforcement	93.563		277,466	-	-
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Passed through Vaya Health Local Management Entity					
Community Paramedicine Behavioral Health Crisis	93.959		4,055	-	-
Community Paramedicine Behavioral Health Crisis	93.958		4,055	-	-
			8,110	-	-
Total U.S. Department of Health and Human Services			56,931,771	27,550,596	1,645,132
Total Federal awards			58,099,164	27,550,596	1,645,132
<b>State Awards:</b>					
<b>North Carolina Department of Health and Human Services:</b>					
Division of Social Services:					
Soil Conservation			-	22,411	-
Child Welfare Services:					
Direct Benefit Payments:					
Adoption Subsidy			-	211,191	-
Child Protective Services			-	144,378	-
Division of Aging:					
Direct Benefit Payments:					
State/County Special Assistance to Adults			-	455,971	-
Division of Health Service Regulation, NC Office of Emergency Management Services:					
Community Paramedic			-	53,499	-
Total North Carolina Department of Health and Human Services			-	887,450	-
<b>North Carolina Department of Transportation:</b>					
Elderly and Handicapped Transportation Assistance					
Program (EDTAP)		DOT-16CL	-	69,948	25,575
ROAP Employment		DOT-16CL	-	12,048	-
Total North Carolina Department of Transportation			-	81,996	25,575
<b>North Carolina Department of Public Safety:</b>					
Division of Emergency Management:					
Hazardous Materials Emergency Response Grant			-	1,000	-
Division of Youth Services:					
Juvenile Crime Prevention Council			-	152,433	152,433
Total North Carolina Department of Public Safety			-	153,433	152,433

**McDowell County, North Carolina**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2017

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
<b>State Awards:</b>					
<b>North Carolina Department of Cultural Resources:</b>					
State Aid to Libraries:					
Administration and Library Development			\$ -	\$ 105,533	\$ -
<b>North Carolina Department of Administration:</b>					
Division of Veterans Affairs:					
N.C. General Statute 165-6(9)			-	1,526	-
<b>North Carolina Department of Environmental Quality:</b>					
Division of Water Resources:					
Water Resources Development Project			-	31,320	-
<b>North Carolina Department of Public Instruction:</b>					
Public School Building Capital Fund – Lottery Proceeds			-	172,394	172,394
Total State awards			-	1,433,652	350,402
Total Federal and State awards			\$ 58,099,164	\$ 28,984,248	\$ 1,995,534

\* 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, 2017. 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.

**Note 3: Cluster of Programs**

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