

**McDowell County,
North Carolina**

Year Ended June 30, 2018

Independent Auditors' Report
Financial Statements
and
Supplementary Information

McDowell County, North Carolina

County Officials

June 30, 2018

Board of Commissioners

David Walker
Barry McPeters
Lynn Greene
Brenda Vaughn
Tony Brown

Chairperson
Vice Chairperson
Member
Member
Member

Principal Officers

Ashley Wooten
Ricky Buchanan
Fred Coats
Tonia Hampton
Melissa Adams
Alison Bell
Linda Onufrey
Lisa Sprouse
Tammy Wylie

County Manager
Sheriff
Attorney
Register of Deeds
Clerk of Court
County Finance Officer
Tax Collector
Social Services Director
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, 2018, 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, 2018, 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 on pages 4-13, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County Contributions on pages 80-81, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) and Schedule of County Contributions on pages 82-83, 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 84-85, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 86 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 7, 2018 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 7, 2018

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, 2018. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of McDowell County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,550,531 (net position).
- The government's total net position decreased by \$1,310,339 primarily due to a decrease of \$2,620,961 from restatement due to the implementation of GASB 75 and the resulting net OPEB liability, netted against an increase in net position of \$1,310,622 from 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 \$23,795,266, an increase of \$5,579,795 over the prior year. Of this total amount, 64.9% or \$15,450,874 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,831,691 or 14.3% of total General Fund expenditures for the fiscal year. Fund balance available for appropriation represents 17.86% of total General Fund expenditures reduced by debt-financing and increased by transfers to other funds.
- McDowell County's total debt under installment purchase obligations increased by \$5,257,716 during the current fiscal year, due to new debt borrowings in excess of debt retirement.

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 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 26 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 and healthcare benefits to its employees. Required supplementary information can be found beginning on page 80 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, 2018 and 2017
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 27,593,769	\$ 21,702,418	\$ 700,380	\$ 722,405	\$ 28,294,149	\$ 22,424,823
Capital assets	23,607,253	22,935,720	11,858,044	12,158,020	35,465,297	35,093,740
	51,201,022	44,638,138	12,558,424	12,880,425	63,759,446	57,518,563
Total deferred outflows of resources	2,519,677	3,370,604	44,194	62,831	2,563,871	3,433,435
Long-term liabilities outstanding	24,247,194	17,472,261	2,474,153	2,214,489	26,721,347	19,686,750
Other liabilities	1,535,842	1,956,955	169,829	246,918	1,705,671	2,203,873
	25,783,036	19,429,216	2,643,982	2,461,407	28,427,018	21,890,623
Total deferred inflows of resources	341,389	197,709	4,379	2,796	345,768	200,505
Net position:						
Net investment in capital assets	18,385,176	18,593,167	9,900,239	10,134,370	28,285,415	28,727,537
Restricted	15,457,922	9,462,661	-	-	15,457,922	9,462,661
Unrestricted (deficit)	(6,246,824)	325,989	54,018	344,683	(6,192,806)	670,672
	\$ 27,596,274	\$ 28,381,817	\$ 9,954,257	\$ 10,479,053	\$ 37,550,531	\$ 38,860,870

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,550,531 as of June 30, 2018. The County's net position decreased by \$1,310,339 for the fiscal year ended June 30, 2018. One of the largest portions, 75.33% or \$28,285,415 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, \$15,457,922 or 41.17%, represents resources that are subject to external restrictions on how they may be used.

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

- Obligations under installment purchases increased by \$5,257,716 consisting of new borrowings totaling \$6,947,523 net of debt service payments totaling \$1,689,807.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 99.28%, slightly higher than the statewide average of 98.92%.

Following is a comparative summary of changes in net position.

McDowell County's Changes in Net Position
Years Ended June 30, 2018 and 2017
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 5,470,503	\$ 5,301,113	\$ 2,060,967	\$ 1,991,302	\$ 7,531,470	\$ 7,292,415
Operating grants and contributions	7,687,442	8,983,206	14,631	-	7,702,073	8,983,206
Capital grants and contributions	492,787	710,275	-	-	492,787	710,275
General revenues:						
Property taxes	23,789,446	23,440,162	-	-	23,789,446	23,440,162
Other taxes	10,553,648	10,250,772	-	-	10,553,648	10,250,772
Grants and contributions not restricted to specific programs	285,091	175,049	-	-	285,091	175,049
Other	500,904	580,614	10,884	3,111	511,788	583,725
Total revenues	48,779,821	49,441,191	2,086,482	1,994,413	50,866,303	51,435,604

McDowell County's Changes in Net Position – continued
Years Ended June 30, 2018 and 2017
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Expenses:						
General government	\$ 5,146,827	\$ 5,033,720	\$ -	\$ -	\$ 5,146,827	\$ 5,033,720
Public safety	14,758,032	14,610,668	-	-	14,758,032	14,610,668
Environmental protection	697,912	706,349	-	-	697,912	706,349
Economic and physical development	1,246,135	973,672	-	-	1,246,135	973,672
Human services	11,008,498	12,476,584	-	-	11,008,498	12,476,584
Cultural and recreational	1,249,647	1,172,374	-	-	1,249,647	1,172,374
Education	12,016,312	10,958,876	-	-	12,016,312	10,958,876
Interest on long-term debt	318,272	313,526	-	-	318,272	313,526
Universal	-	-	530,426	573,570	530,426	573,570
Waste disposal	-	-	2,391,511	2,282,740	2,391,511	2,282,740
Water	-	-	192,109	188,746	192,109	188,746
Total expenses	46,441,635	46,245,769	3,114,046	3,045,056	49,555,681	49,290,825
Increase (decrease) in net position before transfers	2,338,186	3,195,422	(1,027,564)	(1,050,643)	1,310,622	2,144,779
Transfers	(481,336)	(2,186,975)	481,336	2,186,975	-	-
Increase (decrease) in net position	1,856,850	1,008,447	(546,228)	1,136,332	1,310,622	2,144,779
Net position, beginning	28,381,817	27,683,049	10,479,053	9,342,721	38,860,870	37,025,770
Restatement	(2,642,393)	(309,679)	21,432	-	(2,620,961)	(309,679)
Net position, beginning, restated	25,739,424	27,373,370	10,500,485	9,342,721	36,239,909	36,716,091
Net position, ending	\$ 27,596,274	\$ 28,381,817	\$ 9,954,257	\$ 10,479,053	\$ 37,550,531	\$ 38,860,870

Governmental activities. Governmental activities decreased the County's net position by \$785,543. Key elements of this decrease are as follows:

- Restatement of \$2,642,393 due to the implementation of GASB 75 and the resulting net OPEB liability.
- Maintenance of the County's high tax collection rate of 99.28%.
- Increase in property tax revenues and sales tax revenue.

Business-type activities. Business-type activities decreased the County's net position by \$524,796. Key elements of this decrease are as follows:

- Transfer of \$450,000 to the Stacy Hill Water Line Project.
- Transfer of \$51,485 to the Universal Water Line Project.

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 \$6,723,736 while total fund balance reached \$11,747,417. 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 17.86% of General Fund expenditures and transfers, while total fund balance represents 27.04% of that same amount.

At June 30, 2018, the governmental funds of McDowell County reported a combined fund balance of \$23,795,266, a 30.63% increase from last year. The primary reason for the increase is the increase in fund balance of the Courthouse Renovation and Addition 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 \$2,125,656 including increases in local option sales taxes, grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$768,524.

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 \$201,157 with a current year decrease of \$36,727. The Water Fund had a balance of \$4,551,790 due to a current year decrease of \$435,694. The Universal Fund had a balance of \$5,200,950 due to a current year decrease of \$73,807.

Capital Asset and Debt Administration

Capital assets. McDowell County's capital assets for its governmental and business-type activities as of June 30, 2018 total \$35,465,297 (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 baler for waste disposal.
- Purchase of vehicles and equipment for public safety.
- Purchase of ambulance.
- Purchase of election equipment.
- Courthouse renovation and addition.
- Waterlines at Stacy Hill Road.

**McDowell County's Capital Assets
(net of depreciation)
June 30, 2018 and 2017
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,547,724	\$ 4,547,724	\$ 752,250	\$ 752,250	\$ 5,299,974	\$ 5,299,974
Land improvements	789,742	811,923	58,752	74,385	848,494	886,308
Buildings	8,643,464	8,980,505	1,811,465	1,852,870	10,454,929	10,833,375
Building improvements	5,525,218	5,674,191	3,768,342	4,012,965	9,293,560	9,687,156
Equipment	1,413,600	1,516,614	318,306	292,474	1,731,906	1,809,088
Infrastructure	-	-	5,058,237	5,166,744	5,058,237	5,166,744
Vehicles	1,136,728	1,138,991	1,282	2,822	1,138,010	1,141,813
Construction in progress	1,550,777	265,772	89,410	3,510	1,640,187	269,282
	\$ 23,607,253	\$ 22,935,720	\$ 11,858,044	\$ 12,158,020	\$ 35,465,297	\$ 35,093,740

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

**McDowell County's Outstanding Debt
June 30, 2018 and 2017
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment purchases payable	\$ 16,007,845	\$ 11,050,240	\$ 2,323,780	\$ 2,023,669	\$ 18,331,625	\$ 13,073,909

McDowell County's total debt increased by \$5,257,716 during the past fiscal year, due to \$6,947,523 in new borrowings, net of principal payments of \$1,689,807.

Installment purchases payable includes a contract related to the construction of the McDowell County Schools in the amount of \$5,666,667. 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 \$124,683. 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 \$187,500 in McDowell House debt is backed by the full faith and credit of McDowell County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for McDowell County is \$289,234,371 at June 30, 2018. Additional information regarding McDowell County's long-term debt can be found in Note B of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The McDowell County economy continues to show gradual improvement. There were no industry closures during the year. The unemployment rate has dropped to 2.5%, which is the lowest in recent memory. The unemployment rate is below the state average and lower than other counties in the region with the exception of Buncombe.

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

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 extension of a water main along Stacy Hill Road in the Nebo community will add approximately eighty customers to the Nebo Water System.

The operation of the Universal Advanced Manufacturing Center (UAMC) and the Universal Complex continues to create economic opportunity. The UAMC is providing numerous training opportunities for local employers and workers. The Universal Complex provides space for four private companies that are employing local individuals, paying taxes, and rent for McDowell County. The County has worked with several local companies over the past year on incentive programs to help grow their workforce.

McDowell County continues to work with the Mission Health System and the McDowell Hospital to improve the healthcare options in the county. The Board of Commissioners approved a limited release of a property reversion clause on the hospital property in order to facilitate the sale of the hospital property to HCA, Inc. Once the sale is completed the hospital property will be taxable, which should create a significant financial windfall for the County budget.

Budget Highlights for the Fiscal Year Ending June 30, 2019

The 2018-2019 McDowell County budget was adopted by the Board of Commissioners with an increase of 3.75 cents for the General Fund property tax rate. McDowell County has a fund balance available for appropriation of \$7,756,525 and a fund balance percentage of 17.86% as of June 30, 2018. The approved budget decreased the General Fund by \$236,345 with growth in the property tax base, sales tax, and several smaller revenue increases and a decrease in Federal and State programs.

Budget Highlights for the Fiscal Year Ending June 30, 2019 - continued

The approved budget will meet the County's debt service obligation. McDowell County did authorize additional debt in 2018-2019 fiscal year in order to finance a portion of the Courthouse Expansion/Renovation. The Board will also consider financing for the Old Fort Elementary replacement.

The budget contains significant accomplishments including the following:

After several years of planning the expansion and renovations at the Courthouse began in fiscal year 2017-2018 and will continue through fiscal year 2019-2020. The expansion will add a large courtroom to the facility as well as much-needed restrooms and court facilities. The County has also faced tremendous pressure from other court agencies that need additional space including the District Attorney, the new Public Defender, Probation and Parole, and Juvenile Justice. The Board authorized the purchase and renovation of vacant building in downtown Marion in order to relocate the Register of Deeds. The vacated space in the courthouse will be occupied by the District Attorney.

As stated earlier, the expansion of water lines remains a priority. The Stacy Hill Road Water Line Project was authorized during fiscal 2017-2018 in order to utilize Environmental Protection Agency grant funds. The project will be complete in fiscal year 2018-2019. The County's consulting engineer continues to study the development of a water treatment plant at Lake James.

Trail and greenway projects continue to be an important part of the recreational offerings for the people of McDowell County. Planning for an expansion to the river greenway started during the year with construction slated to start in calendar year 2019.

Numerous enhancements to the Emergency Services infrastructure continued this year. The Community Care Paramedic Program continued to receive accolades and positive results. The Board has authorized an expansion of the program to serve industries through an innovative grant funded by the Appalachian Regional Commission. The County continues to invest in new vehicles each year to ensure that the vehicles are safe for the employees and patients. County staff has initiated planning for replacement stations in order to move to a four-station operation.

The City of Marion and McDowell County continue to work together on the cleanup of the former Drexel furniture site. The project received additional funding from the state, which should help start the cleanup during fiscal year 2018- 2019.

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, 100 Spaulding Road, Marion, NC 28752.

McDowell County, North Carolina

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	McDowell County Tourism Development Authority
Assets				
Cash and cash equivalents	\$ 14,793,528	\$ 528,024	\$ 15,321,552	\$ 387,981
Taxes receivable - net	464,847	-	464,847	-
Due from other governments	4,306,761	-	4,306,761	62,915
Other receivables - net	1,711,370	128,793	1,840,163	-
Inventories	81,399	-	81,399	-
Restricted cash	6,166,479	43,563	6,210,042	-
Net pension asset	69,385	-	69,385	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	6,098,501	841,660	6,940,161	-
Other capital assets, net of depreciation	17,508,752	11,016,384	28,525,136	11,263
Total capital assets	23,607,253	11,858,044	35,465,297	11,263
Total assets	51,201,022	12,558,424	63,759,446	462,159
Deferred outflows of resources	2,519,677	44,194	2,563,871	12,517
Liabilities				
Accounts payable and accrued liabilities	1,535,842	169,829	1,705,671	22,405
Long-term liabilities				
Due within one year	1,884,933	335,896	2,220,829	-
Due in more than one year	22,362,261	2,138,257	24,500,518	78,375
Total long-term liabilities	24,247,194	2,474,153	26,721,347	78,375
Total liabilities	25,783,036	2,643,982	28,427,018	100,780
Deferred inflows of resources	341,389	4,379	345,768	3,027
Net position				
Net investment in capital assets	18,385,176	9,900,239	28,285,415	11,263
Restricted for:				
Stabilization by State Statute	4,762,596	-	4,762,596	62,915
Register of Deeds	40,560	-	40,560	-
Register of Deeds' pension plan	88,447	-	88,447	-
Education	3,826,411	-	3,826,411	-
Human services	341,110	-	341,110	-
Economic and physical development	29,916	-	29,916	-
Public safety	530,400	-	530,400	-
General government	5,838,482	-	5,838,482	-
Unrestricted (deficit)	(6,246,824)	54,018	(6,192,806)	296,691
Total net position	\$ 27,596,274	\$ 9,954,257	\$ 37,550,531	\$ 370,869

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

McDowell County, North Carolina

Statement of Activities

Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Primary Government						McDowell County Tourism Development Authority
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 5,146,827	\$ 438,258	\$ -	\$ -	\$ (4,708,569)	\$ -	\$ (4,708,569)	
Public safety	14,758,032	4,600,741	859,559	-	(9,297,732)	-	(9,297,732)	
Environmental protection	697,912	1,050	23,200	695	(672,967)	-	(672,967)	
Economic and physical development	1,246,135	37,787	128,360	-	(1,079,988)	-	(1,079,988)	
Human services	11,008,498	331,884	6,465,311	-	(4,211,303)	-	(4,211,303)	
Cultural and recreational	1,249,647	60,783	211,012	43,172	(934,680)	-	(934,680)	
Education	12,016,312	-	-	448,920	(11,567,392)	-	(11,567,392)	
Interest on long-term debt	318,272	-	-	-	(318,272)	-	(318,272)	
Total governmental activities	46,441,635	5,470,503	7,687,442	492,787	(32,790,903)	-	(32,790,903)	
Business-type activities:								
Universal	530,426	504,141	-	-	-	(26,285)	(26,285)	
Waste disposal	2,391,511	1,438,085	14,631	-	-	(938,795)	(938,795)	
Water	192,109	118,741	-	-	-	(73,368)	(73,368)	
Total business-type activities	3,114,046	2,060,967	14,631	-	-	(1,038,448)	(1,038,448)	
Total government	\$ 49,555,681	\$ 7,531,470	\$ 7,702,073	\$ 492,787	\$ (32,790,903)	\$ (1,038,448)	\$ (33,829,351)	
Component unit:								
Tourism development	\$ 503,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (503,031)
	\$ 503,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (503,031)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					23,789,446	-	23,789,446	-
Local option sales tax					9,326,731	-	9,326,731	-
Other taxes and licenses					1,226,917	-	1,226,917	545,016
Grants and contributions not restricted to specific programs					285,091	-	285,091	-
Investment earnings, unrestricted					121,444	10,884	132,328	4,729
Miscellaneous, unrestricted					379,460	-	379,460	510
Transfers					(481,336)	481,336	-	-
Total general revenues and transfers					34,647,753	492,220	35,139,973	550,255
Change in net position					1,856,850	(546,228)	1,310,622	47,224
Net position, beginning, previously reported					28,381,817	10,479,053	38,860,870	380,756
Restatement					(2,642,393)	21,432	(2,620,961)	(57,111)
Net position, beginning, restated					25,739,424	10,500,485	36,239,909	323,645
Net position, ending					\$ 27,596,274	\$ 9,954,257	\$ 37,550,531	\$ 370,869

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

McDowell County, North Carolina

Balance Sheet

Governmental Funds

June 30, 2018

	Major			Nonmajor	
	General Fund	School Capital Projects Fund	Courthouse Renovation and Addition Project	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 8,099,538	\$ 3,964,419	\$ 1,256,887	\$ 774,540	\$ 14,095,384
Restricted cash	468,950	44,892	5,202,634	450,003	6,166,479
Taxes receivable - net	342,183	-	-	45,177	387,360
Accounts receivable - other governments	3,453,658	697,825	-	155,278	4,306,761
Accounts receivable EMS - net	1,287,375	-	-	-	1,287,375
Accounts receivable - other	176,951	-	-	-	176,951
Inventories	81,399	-	-	-	81,399
Due from other funds	100,000	-	-	-	100,000
Total assets	14,010,054	4,707,136	6,459,521	1,424,998	26,601,709
Liabilities					
Accounts payable and accrued liabilities	739,058	182,900	143,900	71,829	1,137,687
Due to other funds	-	-	-	100,000	100,000
Total liabilities	739,058	182,900	143,900	171,829	1,237,687
Deferred inflows of resources	1,523,579	-	-	45,177	1,568,756
Fund balances					
Nonspendable:					
Inventories	81,399	-	-	-	81,399
Restricted:					
Stabilization by State Statute	3,909,493	697,825	-	155,278	4,762,596
Register of Deeds	40,560	-	-	-	40,560
911 Funds	-	-	-	21,872	21,872
School capital	-	3,826,411	-	-	3,826,411
General government	185,845	-	5,202,634	450,003	5,838,482
Public safety	435,358	-	-	73,170	508,528
Human services	341,110	-	-	-	341,110
Economic and physical development	29,916	-	-	-	29,916
Committed:					
Tax revaluation	6,339	-	-	-	6,339
Assigned:					
Subsequent year's expenditures	360,000	-	-	-	360,000
Debt service	-	-	-	9	9
General government	-	-	1,112,987	527,751	1,640,738
Cultural and recreational	-	-	-	110,371	110,371
Public safety	525,706	-	-	-	525,706
Unassigned (deficit)	5,831,691	-	-	(130,462)	5,701,229
Total fund balances	11,747,417	4,524,236	6,315,621	1,207,992	23,795,266
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,010,054	\$ 4,707,136	\$ 6,459,521	\$ 1,424,998	\$ 26,601,709

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

McDowell County, North Carolina

Balance Sheet - continued

Governmental Funds - continued

June 30, 2018

Amounts reported for governmental activities in the Statement of Net Position (page 14) are different because:

Governmental fund balances	\$ 23,795,266
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,607,253
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	87,487
Net pension asset	69,385
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	894,515
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	34,186
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position.	216,802
An internal service fund is used by management to charge the cost of health insurance to individual funds and departments within the funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	699,944
Deferred inflows of resources for taxes and other receivables.	1,495,851
Pension related deferrals	1,267,135
OPEB related deferrals	(161,446)
Net pension liability	(2,804,809)
Net OPEB liability	(3,723,833)
Total pension liability	(921,127)
Some liabilities, including installment purchases payable and accrued interest, are not due and payable in the current period and therefore are not recorded in governmental funds.	(16,960,335)
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	\$ 27,596,274

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

McDowell County, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2018

	Major			Nonmajor	
	General Fund	School Capital Projects Fund	Courthouse Renovation and Addition Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 20,553,025	\$ -	\$ -	\$ 3,269,621	\$ 23,822,646
Local option sales taxes	6,731,904	2,594,827	-	-	9,326,731
Other taxes and licenses	1,226,917	-	-	-	1,226,917
Unrestricted intergovernmental	285,091	-	-	-	285,091
Restricted intergovernmental	6,789,000	448,920	-	527,736	7,765,656
Permits and fees	233,677	-	-	-	233,677
Sales and services	4,961,380	-	-	-	4,961,380
Investment earnings	77,689	43,767	-	(12)	121,444
Miscellaneous	609,106	8,693	-	64,180	681,979
Total revenues	41,467,789	3,096,207	-	3,861,525	48,425,521
Expenditures:					
Current:					
General government	5,138,450	-	-	-	5,138,450
Public safety	10,570,848	-	-	3,743,526	14,314,374
Environmental protection	666,937	-	-	-	666,937
Economic and physical development	1,097,680	-	-	128,360	1,226,040
Human services	10,803,333	-	-	281	10,803,614
Cultural and recreational	1,031,923	-	-	100,000	1,131,923
Miscellaneous	480,050	-	-	-	480,050
Intergovernmental:					
Education	10,025,916	-	-	-	10,025,916
Capital outlay	-	2,134,859	1,098,379	262,333	3,495,571
Debt service	824,917	-	-	765,021	1,589,938
Total expenditures	40,640,054	2,134,859	1,098,379	4,999,521	48,872,813
Revenues over (under) expenditures	827,735	961,348	(1,098,379)	(1,137,996)	(447,292)
Other financing sources (uses):					
Transfers to other funds	(3,569,563)	(719,263)	-	(39,428)	(4,328,254)
Transfers from other funds	39,428	-	1,760,000	2,133,390	3,932,818
Installment purchase obligation issued	768,523	-	5,654,000	-	6,422,523
Total other financing sources (uses)	(2,761,612)	(719,263)	7,414,000	2,093,962	6,027,087
Net change in fund balances	(1,933,877)	242,085	6,315,621	955,966	5,579,795
Fund balances - beginning of year	13,681,294	4,282,151	-	252,026	18,215,471
Fund balances - end of year	\$ 11,747,417	\$ 4,524,236	\$ 6,315,621	\$ 1,207,992	\$ 23,795,266

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

McDowell County, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balances - continued

Governmental Funds

Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$ 5,579,795
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. This also includes deposits on future asset purchases.	690,624
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.	(9,091)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	894,515
Benefit payments and pension administrations costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	34,186
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position.	216,802
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	363,391
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.	(4,957,605)
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.	(1,268,013)
Net income of internal service fund, determined to be a governmental-type activity.	312,246
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	\$ 1,856,850

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Postive (Negative)
Revenues:				
Ad valorem taxes	\$ 20,546,845	\$ 20,546,845	\$ 20,553,025	\$ 6,180
Local option sales taxes	6,448,468	6,772,466	6,731,904	(40,562)
Other taxes and licenses	1,032,231	1,259,731	1,226,917	(32,814)
Unrestricted intergovernmental	135,000	165,000	285,091	120,091
Restricted intergovernmental	7,374,341	8,052,844	6,789,000	(1,263,844)
Permits and fees	196,650	201,150	233,677	32,527
Sales and services	4,184,695	4,557,769	4,961,380	403,611
Investment earnings	25,000	45,103	77,320	32,217
Miscellaneous	87,300	555,278	609,106	53,828
Total revenues	40,030,530	42,156,186	41,467,420	(688,766)
Expenditures:				
Current:				
General government	4,865,946	5,371,725	5,021,715	350,010
Public safety	9,462,512	11,323,277	10,570,848	752,429
Environmental protection	662,956	703,397	666,937	36,460
Economic and physical development	1,211,733	1,180,970	1,097,680	83,290
Human services	11,307,569	12,168,892	10,803,333	1,365,559
Cultural and recreational	1,105,062	1,140,714	1,031,923	108,791
Miscellaneous	111,650	546,427	480,050	66,377
Intergovernmental:				
Education	10,053,022	10,053,022	10,025,916	27,106
Debt service	843,998	840,471	824,917	15,554
Total expenditures	39,624,448	43,328,895	40,523,319	2,805,576
Revenues over (under) expenditures	406,082	(1,172,709)	944,101	2,116,810
Other financing sources (uses):				
Transfers to other funds	(987,721)	(3,680,563)	(3,660,563)	20,000
Transfers from other funds	-	-	39,428	39,428
Installment purchase obligation issued	-	768,524	768,523	(1)
Fund balance appropriated	581,639	4,084,748	-	(4,084,748)
Total other financing sources (uses)	(406,082)	1,172,709	(2,852,612)	(4,025,321)
Net change in fund balance	\$ -	\$ -	(1,908,511)	\$ (1,908,511)
Fund balances - beginning of year			13,649,589	
Fund balances - end of year			11,741,078	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			369	
Expenditures			(116,735)	
Transfer in from General Fund			91,000	
Fund Balance, beginning			31,705	
Fund balance, ending (Page 18)			\$ 11,747,417	

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

McDowell County, North Carolina

Statement of Net Position

Proprietary Funds

June 30, 2018

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Assets					
Current assets:					
Cash	\$ 249,681	\$ 145,627	\$ 132,716	\$ 528,024	\$ 698,144
Receivable - net	26	9,913	118,854	128,793	237,044
Total current assets	249,707	155,540	251,570	656,817	935,188
Noncurrent assets:					
Restricted cash	24,117	19,446	-	43,563	-
Capital assets:					
Land and construction in progress	752,250	89,410	-	841,660	-
Other capital assets, net of depreciation	5,993,508	4,764,575	258,301	11,016,384	-
Total capital assets	6,745,758	4,853,985	258,301	11,858,044	-
Total noncurrent assets	6,769,875	4,873,431	258,301	11,901,607	-
Total assets	7,019,582	5,028,971	509,871	12,558,424	935,188
Deferred outflows of resources	-	-	44,194	44,194	-
Liabilities					
Current liabilities:					
Accounts payable	24,515	7,735	94,016	126,266	235,244
Customer deposits	24,117	19,446	-	43,563	-
Current installments of long-term debt	196,667	112,500	46,729	355,896	-
Total current liabilities	245,299	139,681	140,745	525,725	235,244
Noncurrent liabilities:					
Accrued landfill closure and postclosure care costs	-	-	30,000	30,000	-
Compensated absences payable	-	-	6,268	6,268	-
Net pension liability	-	-	54,324	54,324	-
Net OPEB liability	-	-	59,781	59,781	-
Long-term debt	1,573,333	337,500	57,051	1,967,884	-
Total noncurrent liabilities	1,573,333	337,500	207,424	2,118,257	-
Total liabilities	1,818,632	477,181	348,169	2,643,982	235,244
Deferred inflows of resources	-	-	4,379	4,379	-
Net position					
Net investment in capital assets	4,975,758	4,768,085	156,396	9,900,239	-
Unrestricted (deficit)	225,192	(216,295)	45,121	54,018	699,944
Total net position	\$ 5,200,950	\$ 4,551,790	\$ 201,517	\$ 9,954,257	\$ 699,944

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

McDowell County, North Carolina

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

Proprietary Funds

Year Ended June 30, 2018

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Operating revenues:					
Charges for services	\$ 504,141	\$ 115,501	\$ 1,398,122	\$ 2,017,764	\$ 4,655,780
Other operating revenues	-	3,240	39,963	43,203	-
Total operating revenues	504,141	118,741	1,438,085	2,060,967	4,655,780
Operating expenses:					
Salaries and benefits	-	-	239,335	239,335	3,751,924
Operating expenses	122,658	79,747	2,118,035	2,320,440	591,610
Depreciation	324,139	112,362	33,316	469,817	-
Total operating expenses	446,797	192,109	2,390,686	3,029,592	4,343,534
Operating income (loss)	57,344	(73,368)	(952,601)	(968,625)	312,246
Nonoperating revenues (expenses):					
Investment earnings	2,978	1,774	6,132	10,884	-
Interest expense	(82,644)	-	(985)	(83,629)	-
Loss on disposal	-	-	(825)	(825)	-
Total nonoperating revenues (expenses)	(79,666)	1,774	4,322	(73,570)	-
Income (loss) before contributions and transfers	(22,322)	(71,594)	(948,279)	(1,042,195)	312,246
Capital contributions	-	85,900	14,631	100,531	-
Transfer from General Fund	-	-	896,921	896,921	-
Transfer to Stacy Hill Water Line Project	-	(450,000)	-	(450,000)	-
Transfer to Universal Water Line Project	(51,485)	-	-	(51,485)	-
Change in net position	(73,807)	(435,694)	(36,727)	(546,228)	312,246
Net position - beginning of year	5,274,757	4,987,484	216,812	10,479,053	387,698
Restatement	-	-	21,432	21,432	-
Net position - beginning of year	5,274,757	4,987,484	238,244	10,500,485	387,698
Net position - end of year	\$ 5,200,950	\$ 4,551,790	\$ 201,517	\$ 9,954,257	\$ 699,944

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

McDowell County, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2018

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Cash flows from operating activities:					
Cash received from customers and users of services	\$ 504,115	\$ 119,573	\$ 1,455,890	\$ 2,079,578	\$ 4,614,590
Cash paid for goods and services	(123,837)	(77,867)	(2,198,028)	(2,399,732)	(591,610)
Cash paid to employees for services and for employee benefits	-	-	(238,131)	(238,131)	(3,972,876)
Customer deposits received	-	2,203	-	2,203	-
Net cash provided (used) by operating activities	380,278	43,909	(980,269)	(556,082)	50,104
Cash flows from non-capital financing activities:					
Transfer from General Fund	-	-	896,921	896,921	-
Transfer to General Fund	-	-	-	-	-
Transfer to Stacy Hill Water Line project	-	(450,000)	-	(450,000)	-
Transfer to Universal Water Line Project	(51,485)	-	-	(51,485)	-
Net cash provided (used) by non-capital financing activities	(51,485)	(450,000)	896,921	395,436	-
Cash flows from capital and related financing activities:					
Purchase of property and equipment	(9,767)	-	(75,000)	(84,767)	-
Loan proceeds	-	450,000	75,000	525,000	-
Capital contributions - state grant	-	-	14,631	14,631	-
Repayment of long-term debt	(196,666)	-	(28,222)	(224,888)	-
Interest paid	(82,644)	-	(985)	(83,629)	-
Net cash provided (used) by capital and related financing activities	(289,077)	450,000	(14,576)	146,347	-
Cash flows from investing activities:					
Investment earnings	2,978	1,774	6,132	10,884	-
Net cash provided by investing activities	2,978	1,774	6,132	10,884	-
Net increase (decrease) in cash	42,694	45,683	(91,792)	(3,415)	50,104
Cash - beginning of year	231,104	119,390	224,508	575,002	648,040
Cash - end of year	\$ 273,798	\$ 165,073	\$ 132,716	\$ 571,587	\$ 698,144
Presented on the accompanying statements of net position as:					
Cash	\$ 249,681	\$ 145,627	\$ 132,716	\$ 528,024	\$ 698,144
Restricted cash	24,117	19,446	-	43,563	-
	\$ 273,798	\$ 165,073	\$ 132,716	\$ 571,587	\$ 698,144

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

McDowell County, North Carolina

Statement of Cash Flows - continued

Proprietary Funds

Year Ended June 30, 2018

	Major				
	Enterprise Funds				Internal Service Fund
	Universal Fund	Water Fund	Waste Disposal Fund	Total	Self Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 57,344	\$ (73,368)	\$ (952,601)	\$ (968,625)	\$ 312,246
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	324,139	112,362	33,316	469,817	-
Provision for uncollectible accounts	-	-	30,891	30,891	-
Changes in:					
Accounts receivable	(26)	832	(13,086)	(12,280)	(41,190)
Deferred outflows of resources - pensions	-	-	22,117	22,117	-
Deferred outflows of resources - OPEB	-	-	(3,480)	(3,480)	-
Accounts payable	(1,179)	1,881	(79,993)	(79,291)	(220,952)
Customer deposits	-	2,202	-	2,202	-
Net pension liability	-	-	(19,337)	(19,337)	-
Compensated absences payable	-	-	(143)	(143)	-
Net OPEB liability	-	-	464	464	-
Deferred inflows of resources - pensions	-	-	(1,009)	(1,009)	-
Deferred inflows of resources - OPEB	-	-	2,592	2,592	-
Net cash provided (used) by operating activities	\$ 380,278	\$ 43,909	\$ (980,269)	\$ (556,082)	\$ 50,104
Noncash financing activities:					
Assets acquired through contributed capital	\$ -	\$ 85,900	\$ -	\$ 85,900	\$ -

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

McDowell County, North Carolina

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Agency Funds
<hr/>	
<u>Assets</u>	
Cash and investments	\$ 111,434
Accounts receivable - other governments	36,183
Accounts receivable - other	1,313
<hr/>	
Total assets	148,930
<hr/>	
<u>Liabilities and net position</u>	
Liabilities:	
Miscellaneous liabilities	111,232
Intergovernmental payable	37,698
<hr/>	
Total liabilities	\$ 148,930
<hr/>	

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

McDowell County, North Carolina

Notes to Financial Statements

June 30, 2018

Note A – Summary of Significant Accounting Policies:

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

(1) Reporting Entity

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

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

(2) Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

Note A – Summary of Significant Accounting Policies – continued:

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

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

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

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

The County reports the following major governmental funds:

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

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

Courthouse Renovation and Addition Project Fund. The County uses this fund to account for expenditures related to the construction of an additional courtroom and other space, in addition to various improvements to the courthouse, funded mainly through the issuance of an installment purchase obligation.

Note A – Summary of Significant Accounting Policies – continued:

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

The County reports the following major enterprise funds:

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

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

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

The County reports the following fund types:

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; 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; and the Deposit Trust Fund, which accounts for deposits required for approved paving/road work.

Nonmajor Funds. The County maintains various legally budgeted funds. The Fire and Rescue Districts Fund and the Emergency Telephone System Fund are reported as nonmajor special revenue funds. The Debt Service Fund is a nonmajor fund. All capital project funds are reported as nonmajor capital project funds except for the School Capital Projects Fund and the Courthouse Renovation and Addition Project 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:

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

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

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

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

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

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

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

Note A – Summary of Significant Accounting Policies – continued:

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

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

Sales taxes and certain intergovernmental revenues 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:

(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, 2018

Note A – Summary of Significant Accounting Policies – continued:

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

Restricted Cash

The unexpended proceeds from installment purchase obligations issued for the purchase of social service vehicles, public safety vehicles, including an ambulance, and courthouse additions and renovations 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	\$	6,339
General Fund	Unexpended debt proceeds		462,611
Courthouse Renovation and Addition Fund	Unexpended debt proceeds		5,202,634
School Capital Projects Fund	Unexpended Public School Building funds		44,892
Stacy Hill Water Line Project Fund	Unexpended debt proceeds		450,003
Total governmental activities			6,166,479

Business-type activities:

Universal Fund	Customer deposits		24,117
Water Fund	Customer deposits		19,446
Total business-type activities			43,563

Total restricted cash		\$	6,210,042
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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, 2017. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

Note A – Summary of Significant Accounting Policies – continued:

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

Capital Assets

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

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

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

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

Deferred Outflows/Inflows of Resources

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

Note A – Summary of Significant Accounting Policies – continued:

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

Long-Term Obligations

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

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

Compensated Absences

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

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note A – Summary of Significant Accounting Policies – continued:

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

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

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

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

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

Restricted for Public Safety – Portion of fund balance from asset forfeitures, Community Paramedic and fire department 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:

(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 Courthouse Renovation and Addition Project.

Assigned for Cultural and Recreational – Portion of fund balance that has been budgeted by the board for the Catawba River Greenway Phase III 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 Cost Sharing 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), the Register of Deeds’ Supplemental Pension Fund (RODSPF) (collectively, the “state-administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County’s employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$3,801,008 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)	\$ 44,380,513
Less accumulated depreciation	(20,773,260)
Net capital assets	23,607,253
Net pension asset	69,385
Contributions to the pension plan in the current fiscal year	894,515
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.	77,487
Benefit payments and pension administration costs for LEOSSA	34,186
Contributions to OPEB plan in the current fiscal year	216,802
Pension related deferrals	1,267,135
Deposit on building purchase	10,000

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

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.	\$ 699,944
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide.	1,495,851
OPEB related deferrals	(161,446)
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	(16,007,845)
Compensated absences	(789,580)
Other postemployment benefits	(3,723,833)
Net pension liability	(3,725,936)
Accrued interest payable	(85,796)
Other long-term liabilities	(77,114)
Total adjustment	\$ 3,801,008

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 (\$3,722,945) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 2,235,052
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.	(1,554,428)
Cost of disposed capital assets not recorded in fund statements.	(9,091)
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.	(6,422,523)
Deposit on building recorded as an expenditure in the fund statements but capitalized in the government-wide statements.	10,000

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note A – Summary of Significant Accounting Policies – continued:

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

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

Description	Amount
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	\$ 1,464,918
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	894,515
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	34,186
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position.	216,802
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).	(38,184)
Difference in net pension obligation (LEOSSA), accrued in the government-wide statements but not in the fund statements.	(100,809)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.	(46,380)
Difference in other postemployment benefits, accrued in the government-wide statements but not in the fund statements.	139,091
Difference in amounts payable under various inter-local agreements.	51,968
Pension expense	(1,077,844)
OPEB expense	(195,855)
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.	(9,662)
Increase in deferred inflows of resources.	373,053
Net income of internal service fund operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.	312,246
Total adjustment	\$ (3,722,945)

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds:

(1) Assets

Deposits

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

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

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

At June 30, 2018, the County's deposits had a carrying amount of \$14,182,983 and a bank balance of \$14,891,098. Of the bank balance, \$1,151,760 was covered by federal depository insurance, and \$13,364,392 in interest bearing deposits and \$374,946 in non-interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2018, the County had \$7,044 cash on hand.

At June 30, 2018, the Authority's deposits had a carrying amount of \$387,931. The Authority maintains a petty cash fund of \$50.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(1) Assets – continued

Investments

At June 30, 2018, the County’s investment balances were as follows:

Investment Type	Valuation Measurement Method	Fair Value
North Carolina Capital Management Trust: Government Portfolio	Amortized cost	\$ 7,453,001
Total Investments		\$ 7,453,001

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 AAA by Standard & Poor’s as of June 30, 2018.

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, 2018

Note B – 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
2015	\$ 270,302	\$ 66,294	\$ 336,596
2016	295,725	45,872	341,597
2017	300,408	19,536	319,944
2018	326,342	-	326,342
Total	\$ 1,192,777	\$ 131,702	\$ 1,324,479

Receivables

Receivables at the government-wide level at June 30, 2018 were as follows:

	Taxes and Related Accrued Interest	Due from Other Governments	Emergency Medical Service Accounts	Other Accounts	Total
Governmental Activities:					
General	\$ 1,031,719	\$ 3,453,658	\$ 6,961,104	\$ 423,995	\$ 11,870,476
Other Governmental	75,639	853,103	-	-	928,742
Total receivables	1,107,358	4,306,761	6,961,104	423,995	12,799,218
Allowance for doubtful accounts	(642,511)	-	(5,673,729)	-	(6,316,240)
Total - governmental activities	\$ 464,847	\$ 4,306,761	\$ 1,287,375	\$ 423,995	\$ 6,482,978
Business-type Activities:					
Waste disposal	\$ -	\$ -	\$ -	\$ 194,086	\$ 194,086
Water	-	-	-	9,913	9,913
Universal	-	-	-	26	26
Total receivables	-	-	-	204,025	204,025
Allowance for doubtful accounts	-	-	-	(75,232)	(75,232)
Total - business-type activities	\$ -	\$ -	\$ -	\$ 128,793	\$ 128,793

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

Local option sales tax	\$ 2,537,015
State and federal assistance	1,058,510
Other	711,236
Total	\$ 4,306,761

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balances 07/01/17	Increases	Decreases	Balances 06/30/18
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,547,724	\$ -	\$ -	\$ 4,547,724
Construction in progress	265,772	1,285,005	-	1,550,777
Total capital assets not being depreciated	4,813,496	1,285,005	-	6,098,501
Capital assets being depreciated:				
Building improvements	7,106,634	173,964	-	7,280,598
Buildings	19,275,204	-	-	19,275,204
Equipment	4,796,072	279,885	331,375	4,744,582
Land improvements	1,693,191	61,646	-	1,754,837
Vehicles	5,067,293	434,552	275,054	5,226,791
Total capital assets being depreciated	37,938,394	950,047	606,429	38,282,012
Less accumulated depreciation for:				
Building improvements	1,432,443	322,937	-	1,755,380
Buildings	10,294,699	337,041	-	10,631,740
Equipment	3,279,458	373,808	322,284	3,330,982
Land improvements	881,268	83,827	-	965,095
Vehicles	3,928,302	436,815	275,054	4,090,063
Total accumulated depreciation	19,816,170	\$ 1,554,428	\$ 597,338	20,773,260
Total capital assets being depreciated, net	18,122,224			17,508,752
Governmental activity capital assets, net	\$ 22,935,720			\$ 23,607,253

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

General government	\$ 255,347
Public safety	892,476
Economic and physical development	49,066
Environmental protection	79,159
Human services	145,836
Cultural and recreational	132,544
Total depreciation expense	\$ 1,554,428

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/17	Increases	Decreases	Balances 06/30/18
Business-type activities:				
Universal:				
Capital assets not being depreciated:				
Land	\$ 752,250	\$ -	\$ -	\$ 752,250
Total capital assets not being depreciated	752,250	-	-	752,250
Capital assets being depreciated:				
Buildings	2,070,246	-	-	2,070,246
Building Improvements	4,767,707	-	-	4,767,707
Equipment	206,744	-	-	206,744
Infrastructure	293,181	9,767	-	302,948
Land Improvements	40,500	-	-	40,500
Total capital assets being depreciated	7,378,378	9,767	-	7,388,145
Less accumulated depreciation for:				
Buildings	217,376	41,405	-	258,781
Building improvements	754,742	244,623	-	999,365
Equipment	85,694	28,149	-	113,843
Infrastructure	3,374	5,912	-	9,286
Land Improvements	9,312	4,050	-	13,362
Total accumulated depreciation	1,070,498	324,139	-	1,394,637
Total capital assets being depreciated, net - Universal	6,307,880			5,993,508
Total capital assets, net - Universal	7,060,130			6,745,758
Waste Disposal:				
Capital assets being depreciated:				
Buildings	203,914	-	-	203,914
Equipment	380,863	75,000	7,724	448,139
Land improvements	199,869	-	-	199,869
Vehicles	477,765	-	-	477,765
Total capital assets being depreciated	1,262,411	75,000	7,724	1,329,687
Less accumulated depreciation for:				
Buildings	203,914	-	-	203,914
Equipment	209,439	20,193	6,898	222,734
Land improvements	156,672	11,583	-	168,255
Vehicles	474,943	1,540	-	476,483
Total accumulated depreciation	1,044,968	33,316	6,898	1,071,386
Total capital assets being depreciated, net - waste disposal	217,443			258,301

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(1) Assets – continued

Capital Assets – continued

	Balances 07/01/17	Increases	Decreases	Balances 06/30/18
Business-type activities - continued:				
Water:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,510	\$ 85,900	\$ -	\$ 89,410
Total capital assets not being depreciated	3,510	85,900	-	89,410
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	5,606,905	-	-	5,606,905
Computer software	12,733	-	12,733	-
Total capital assets being depreciated	5,620,782	-	12,733	5,608,049
Less accumulated depreciation for:				
Equipment	1,144	-	-	1,144
Infrastructure	729,968	112,362	-	842,330
Computer software	12,733	-	12,733	-
Total accumulated depreciation	743,845	\$ 112,362	\$ 12,733	843,474
Total capital assets being depreciated, net - water	4,876,937			4,764,575
Total capital assets, net - water	4,880,447			4,853,985
Business-type activities capital assets, net	\$ 12,158,020			\$ 11,858,044

Construction Commitments

The government has four active construction projects as of June 30, 2018. At June 30, 2018, the government’s commitments with contractors are as follows:

Project	Spent-to date	Remaining Commitment
East McDowell Middle roof	\$ 84,391	\$ 385,209
Courthouse Renovation & Addition Project	1,074,811	6,089,493
Stacy Hill Water Line Project	-	1,208,030
Catawba River Greenway Phase II Project	59,325	21,075
	\$ 1,218,527	\$ 7,703,807

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities

Payables

Payables at the government-wide level at June 30, 2018 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental activities:					
General	\$ 728,144	\$ 10,915	\$ 85,796	\$ 77,114	\$ 901,969
Other governmental	398,629	235,244	-	-	633,873
	<u>\$ 1,126,773</u>	<u>\$ 246,159</u>	<u>\$ 85,796</u>	<u>\$ 77,114</u>	<u>\$ 1,535,842</u>
Business-type activities:					
Universal	\$ 48,632	\$ -	\$ -	\$ -	\$ 48,632
Waste disposal	27,181	-	-	-	27,181
Water fund	94,016	-	-	-	94,016
	<u>\$ 169,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,829</u>

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description

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

2. Benefits Provided

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

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

2. Benefits Provided – continued

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

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

3. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County’s contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$908,402 for the year ended June 30, 2018.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – 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, 2018, the County reported a liability of \$2,859,134 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County’s proportion was .187%, which was an increase of .004% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,001,618. At June 30, 2018, the County reported deferred outflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 164,713	\$ 80,933
Changes of assumptions	408,324	-
Net difference between projected and actual earnings on pension plan investments	694,201	-
Changes in proportion and differences between County contributions and proportionate share of contributions	36,652	13,190
County contributions subsequent to the measurement date	908,402	-
Total	\$ 2,212,292	\$ 94,123

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

a. Local Governmental Employees’ Retirement System – continued

\$908,402 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, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 180,299
2020	829,597
2021	414,124
2022	(214,254)
2023	-
Thereafter	-

1. Actuarial Assumptions

The total pension liability in the December 31, 2016 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	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Note B – 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
Total	100.0%	

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.

Note B – 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 7.20%. 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current value:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County’s proportionate share of the net pension liability (asset)	\$ 8,583,184	\$ 2,859,134	\$ (1,918,641)

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, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

McDowell County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers 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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
<u>Active plan members</u>	<u>43</u>
<u>Total</u>	<u>48</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, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index. 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, 2018

Note B – 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 \$62,325 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, 2018, the County reported a total pension liability of \$921,127. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$85,956.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,493	\$ -
Changes of assumptions	49,383	11,529
County benefit payments and administrative expenditures paid subsequent to the measurement date	34,186	-
Total	\$ 109,062	\$ 11,529

The County paid \$33,518 in benefit payments and \$668 in administrative expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2019	\$ 14,450
2020	14,450
2021	14,450
2022	14,773
2023	5,224
Thereafter	-

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – 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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 990,998	\$ 921,127	\$ 857,320

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

	2018
Beginning balance	\$ 820,318
Service cost	40,384
Interest on the total pension liability	30,461
Difference between expected and actual experience in the measurement of the total pension liability	31,422
Changes of assumptions or other inputs	60,867
Benefit payments	(62,325)
Ending balance of the total pension liability	\$ 921,127

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.86 percent at June 30, 2016 to 3.16 percent at June 30, 2017.

Change in benefit terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Note B – Detail Notes on All Funds – continued:

(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, 2018 were \$113,667 which consisted of \$95,190 from the County and \$18,477 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, 2018, contributions of \$12,824 were made to the Section 457 plan, which consisted of \$5,368 from the County and \$7,456 from employees. For the year ended June 30, 2018, contributions of \$194,876 were made to the 401(k) plan, which consisted of \$103,371 from the County and \$91,505 from employees.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(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.

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 \$3,373 for the year ended June 30, 2018.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – 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, 2018, the County reported an asset of \$69,385 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension asset was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County’s proportion was .406% which was an increase of .005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$9,300. At June 30, 2018, 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	\$ 1,191	\$ 223
Changes of assumptions	11,707	-
Net difference between projected and actual earnings on pension plan investments	5,898	-
Changes in proportion and differences between County contributions and proportionate share of contributions	66	2,950
County contributions subsequent to the measurement date	3,373	-
Total	\$ 22,235	\$ 3,173

\$3,373 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, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2019	\$ 8,869
2020	4,641
2021	675
2022	1,504
2023	-
Thereafter	-

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

e. Registers of Deeds’ Supplemental Pension Fund – continued

1. Actuarial Assumptions

The total pension liability in the December 31, 2016 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, 2016 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, 2017 is 1.4%.

Note B – 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 2017 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 3.75%. 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 3.75 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County’s proportionate share of the net pension liability (asset)	\$ (54,536)	\$ (69,385)	\$ (81,873)

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, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

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

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County’s proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	ROD	LEOSSA	Total
Proportionate Share of Net Pension Liability (Asset)	\$ 2,859,134	\$ (69,385)	\$ -	\$ 2,789,749
Proportion of the Net Pension Liability (Asset)	.18715%	(0.406%)	n/a	
Total Pension Liability	\$ -	\$ -	\$ 921,127	\$ 921,127
Pension Expense	\$ 1,001,618	\$ 9,300	\$ 85,956	\$ 1,096,874

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	ROD	LEOSSA	Total
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 164,713	\$ 1,191	\$ 25,493	\$ 191,397
Changes of assumptions	408,324	11,707	49,383	469,414
Net difference between projected and actual earnings on pension plan investments	694,201	5,898	-	700,099
Changes in proportion and differences between County contributions and proportionate share of contributions	36,652	66	-	36,718
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	908,402	3,373	34,186	945,961
<u>Deferred Inflows of Resources</u>				
Difference between expected and actual experience	\$ 80,933	\$ 223	\$ -	\$ 81,156
Changes of assumptions	-	-	11,529	11,529
Changes in proportion and differences between County contributions and proportionate share of contributions	13,190	2,950	-	16,140

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

g. Other Postemployment Benefits

Plan Description and Benefits Provided. 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 June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	18
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	121
Total	139

Total OPEB Liability

The County's total OPEB liability of \$3,783,614 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases:	
General employees	3.5% - 7.75%
Law enforcement officers	3.5% - 7.35%
Discount rate	3.56 percent
Healthcare cost trend rate	7.5% for 2017 decreasing to an ultimate rate of 5.0% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal bond Index published weekly by The Bond Buyer.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

g. Other Postemployment Benefits – continued

Changes in the Total OPEB Liability

Balance at July 1, 2018	\$	3,924,938
Changes for the year		
Service cost		113,747
Interest		115,633
Change of benefit terms		-
Differences between expected and actual experience		(7,977)
Changes of assumptions or other inputs		(194,840)
Benefit payments		(167,887)
Net changes		(141,324)
Balance at June 30, 2018	\$	3,783,614

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability, incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 4,146,818	\$ 3,783,614	\$ 3,458,387

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

g. Other Postemployment Benefits – continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease	Discount Rate	1% Increase
Total pension liability	\$ 3,396,090	\$ 3,783,614	\$ 4,237,057

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$190,601. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,452)
Changes of assumptions	-	(157,586)
Benefit payments and administrative costs made subsequent to the measurement date	220,282	-
Total	\$ 220,282	\$ (164,038)

\$220,282 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Year ended June 30:	
2019	\$ (38,779)
2020	(38,779)
2021	(38,779)
2022	(38,779)
2023	(8,922)
Thereafter	-

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

h. 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, 2018, the County made contributions to the State for death benefits of \$11,461. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.14% of covered payroll, respectively.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Pension Plan Obligations – continued

h. 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	\$ 191,397	\$ 87,608
Pensions – difference between projected and actual investment earnings	700,099	-
Pensions – change in proportion and difference between employer contributions and proportionate share of contributions	36,718	16,140
Pensions – change in assumptions	469,414	169,115
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	911,775	-
Benefit payments for the OPEB plan paid subsequent to measurement date	220,282	-
Benefit payments/administrative costs paid subsequent to measurement date (LEOSSA)	34,186	-
Prepaid taxes not yet earned	-	72,905
Total	\$ 2,563,871	\$ 345,768
Prepaid taxes not yet earned (General)	\$ -	\$ 72,905
Taxes receivable, net (General)	-	342,183
Taxes receivable, net (Special Revenue)	-	45,177
Other receivables (General)	-	105,083
EMS receivables (General)	-	1,003,408
Total	\$ -	\$ 1,568,756

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Risk Management

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

The County carries flood insurance on two County properties located in designated flood plain areas, the Old Fort library and the McDowell House. Coverage is purchased from a commercial carrier in the amount of \$500,000 for the Old Fort library building and \$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, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Risk Management – continued

The McDowell County Health Care Benefit Plan is a self-funded program. It provides coverage to employees, retirees, covered dependents and eligible former employees. The total cost of health care coverage including premiums for stop-loss coverage, administrative fees and claims paid, less amounts withheld from employees and reimbursed under stop-loss coverage, totaled \$4,189,611 for the year ended June 30, 2018. The County purchases specific stop-loss coverage to limit its annual loss per person to \$90,000. The cost for health care excess coverage premiums in fiscal year 2017-2018 was \$411,541. 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. \$ 5,666,667

McDowell Technical Community College

- Installment purchase contract, executed in September 2005 for \$748,100, due in 30 semiannual principal payments of \$24,936 plus interest at 3.55%, for improvements to MTCC campus. 124,683
-
- \$ 5,791,350**
-

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – 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, 2018, including interest, are as follows:

Year Ending June 30	Principal	Interest
2019	\$ 616,540	\$ 142,385
2020	616,540	126,419
2021	591,603	110,454
2022	566,667	95,816
2023	566,667	81,621
2024-2028	2,833,333	195,181
2029-2033	-	-
Total principal payments	\$ 5,791,350	
Total interest payments		\$ 751,876

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 vehicle purchased. \$ 97,095
- Installment purchase contract, executed in April 2017 for \$389,978, payable in 8 semiannual installments of \$50,942 including interest at 1.95%, secured by vehicles purchased. 295,339
- 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. 321,888
- 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 G. 187,500
- Installment purchase contract, executed in December 2008 for \$1,056,000, payable in 30 semiannual principal payments of \$35,200 plus interest at 4.19%, for improvements to Baldwin Avenue property. 387,200

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

- Installment purchase contract, executed in April 2016 for \$371,140, payable in 8 semiannual installments of \$48,494, including interest at 1.99%, secured by vehicles purchased. \$ 187,758
- Installment purchase contract, executed in October 2015 for \$118,863, payable in 8 semiannual installments of \$15,500, including interest at 1.87%, secured by equipment purchased. 45,631
- Installment purchase contract, executed in May 2018 for \$380,935, payable in 8 semiannual installments of \$50,776, including interest at 2.90%, secured by vehicles and equipment purchased. 380,935
- Installment purchase contract, executed in August 2017 for \$171,022, payable in 8 semiannual installments of \$22,449, including interest at 2.20%, secured by vehicle purchased. 150,453
- Installment purchase contract, executed in March 2018 for \$135,014, payable in 8 semiannual installments of \$18,110, including interest at 3.19%, secured by election equipment purchased. 135,014
- Installment purchase contract, executed in February 2018 for \$81,552, payable in 8 semiannual installments of \$10,834, including interest at 2.70%, secured by DSS vehicles purchased. 81,552
- 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. 8,868
- 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. 83,707
- 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. 2,163,842

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Installment Purchases – Other – continued

Governmental Activities – continued

- Installment purchase contract, executed in April 2018 for \$5,654,000, payable in 30 semi-annual installments of \$188,467, plus interest at 3.60%, secured by real property. \$ 5,654,000
 - 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. 2,655
-
- \$ 10,183,437**

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. \$ 28,780
 - 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. 885,000
 - Installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semiannual installments of \$49,167, plus interest at 5.23%, secured by real property. 885,000
 - Installment purchase contract, executed in June 2018 for \$450,000, payable in 8 semiannual installments of \$56,250, plus interest at 3.01%, secured by real property. 450,000
 - Installment purchase contract, executed in May 2018 for \$75,000, payable in 8 semiannual installments of \$9,997, including interest of 2.90%, secured by a baler. 75,000
-
- \$ 2,323,780**

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – 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
2019	\$ 1,268,393	\$ 320,154
2020	1,166,206	283,953
2021	1,044,810	249,619
2022	907,723	217,584
2023	729,531	188,946
2024-2028	2,821,467	638,763
2029-2033	2,245,307	198,393
Total principal payments	\$ 10,183,437	
Total interest payments		\$ 2,097,412

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2019	\$ 355,895	\$ 89,338
2020	327,639	76,525
2021	328,178	64,123
2022	328,734	51,705
2023	196,667	40,263
2024-2028	786,667	76,287
Total principal payments	\$ 2,323,780	
Total interest payments		\$ 398,241

Debt Related to Capital Activities

Of the total Governmental Activities debt listed, \$10,183,437 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$6,115,248.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Long-Term Obligations – Summary

At June 30, 2018, McDowell County had a legal debt margin of \$298,234,371. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Restated			Balance	Current Portion
	Balance	Increases	Decreases	Balance	of Balance
	07/01/17			06/30/18	
Governmental activities:					
Installment purchases, including					
amortized call premium	\$ 11,050,240	\$ 6,422,523	\$ 1,464,918	\$ 16,007,845	\$ 1,884,933
Total pension liability (LEOSSA)	820,318	100,809	-	921,127	-
Compensated absences	743,200	542,495	496,115	789,580	-
Net pension liability (LGRS)	3,803,207	-	998,398	2,804,809	-
Net OPEB liability	3,862,924	-	139,091	3,723,833	-
Total governmental activities	\$ 20,279,889	\$ 7,065,827	\$ 3,098,522	\$ 24,247,194	\$ 1,884,933
Business-type activities:					
Universal Fund					
Installment purchases	\$ 1,966,667	\$ -	\$ 196,667	\$ 1,770,000	\$ 196,667
Total Universal Fund	1,966,667	-	196,667	1,770,000	196,667
Water Fund					
Installment purchases	-	450,000	-	450,000	112,500
Total Water Fund	-	450,000	-	450,000	112,500
Waste Disposal Fund					
Installment purchases	57,002	75,000	28,222	103,780	46,729
Compensated absences	6,411	5,082	5,225	6,268	-
Net pension liability (LGRS)	73,661	-	19,337	54,324	-
Net OPEB liability	62,014	-	2,233	59,781	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
Total Waste Disposal Fund	229,088	80,082	55,017	254,153	46,729
Total business-type activities	\$ 2,195,755	\$ 530,082	\$ 251,684	\$ 2,474,153	\$ 355,896

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

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, 2018

Note B – Detail Notes on All Funds – continued:

(2) Liabilities – continued

Healthcare Benefits

The calculation of unpaid healthcare claims liability reported in the Self-Insurance Fund is based on management’s experience and actual claims incurred prior to June 30, 2018 and reported for subsequent reimbursement.

(3) Interfund Balances and Activity

At June 30, 2018, interfund balances and activity are as follows:

Receivable To	Payable From	Amount
General Fund	Catawba Falls Trail Improvements Project	\$ 100,000
		\$ 100,000

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, 2019.

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.	\$ 896,921
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.	719,263
Transfer from the Lake James EPA Project to the General Fund.	14,714
Transfer from the General Fund to the Stacy Hill Water Line Project to provide resources for the project.	613,654
Transfer from the General Fund to the Catawba River Greenway Phase III Project to provide resources for the project.	243,632
Transfer from the General Fund to the Emergency Telephone System Fund to cover disallowed costs by the 911 Board.	3,872
Transfer from the Universal Fund to the Universal Water Line Project.	51,485
Transfer from the General Fund to the Universal Water Line Project.	51,484
Transfer from the Harmony Grove Road/I-40 Interchange Water Line Project to the General Fund.	24,714
Transfer from the Water Fund to the Stacy Hill Water Line Project to provide resources for the project.	450,000
Transfer from the General Fund to the Courthouse Renovation and Addition Project to provide resources for the project.	1,760,000
	\$ 4,829,739

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note B – Detail Notes on All Funds – continued:

(4) Transfers

Transfers at the government-wide level for the year ended June 30, 2018 included \$85,900 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 on Stacy Hill Road. The expenditures incurred for the improvements were originally accounted for in the Stacy Hill Water Line Project, which is a governmental fund.

(5) Fund Balance

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

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

Total fund balance - General Fund	\$	11,747,417
Less: Inventories		81,399
Stabilization by State Statute		3,909,493
Appropriated fund balance in 2019 budget		360,000
PEG channel		65,719
Register of deeds		40,560
Asset forfeiture		95,280
Social services		287,507
Senior Center		53,603
Cooperative extension		29,916
Tax revaluation		6,339
Jail		525,706
EMS		109,161
Fire		230,917
Library		119,244
Clerk of court		882
Remaining fund balance	\$	5,831,691

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, 2018

Note C – Joint Ventures:

McDowell Technical Community College

The County, in conjunction with the State of North Carolina and the McDowell County Board of Education, participates in a joint venture to operate the McDowell Technical Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the Community College. The president of the Community College's student government serves as an ex-officio nonvoting member of the Community College's board of trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The last general obligation bond issue for this purpose was retired during the June 30, 2000 fiscal year. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,032,260 and \$50,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2018. 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 \$55,627 for the year ended June 30, 2018. 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, 2018. 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 \$88,836 for the year ended June 30, 2018.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note C – Joint Ventures – continued:

McDowell House

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

Note D – Jointly Governed Organizations:

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, 2018, 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, 2018, the County contributed \$335,124 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, 2018, the County contributed \$176,933 to the general operations of MEDA, including personnel costs.

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note D – Jointly Governed Organizations – continued:

The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and Development Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid \$24,161 in annual allocation to the Commission during the fiscal year ended June 30, 2018.

Note E – Related Party Transactions:

For the year ended June 30, 2018, one County commissioner is employed by McDowell County Schools and McDowell Technical Community College and one County Commissioner is a reserve deputy for the McDowell County Sheriff's Department.

Note F – Benefit Payments Issued by the State:

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

	Federal	State
Temporary Assistance for Needy Families	\$ 247,373	\$ -
Medicaid	53,036,288	27,279,398
NC Health Choice	1,317,932	9,627
State/County Special Assistance to Adults	-	462,855
Foster Care Adoption Assistance	550,538	136,130
CWS Adoption Subsidy	-	219,519
Total	\$ 55,152,131	\$ 28,107,529

Note G – Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs

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

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note G – Summary Disclosure of Significant Contingencies – continued:

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, 2018, payments of \$52,546 were made under the economic development incentive agreements described above. Potential future installment payments of three active agreements amount to \$81,500 for the year ending June 30, 2019. Two active agreements are in place that provide for reduced rent payments by two companies 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 B 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 \$294,000 for the year ended June 30, 2018. Future minimum lease payments under non-cancelable operating leases are as follows:

Year Ending June 30,	Amount
2019	\$ 283,456
2020	114,375
2021	56,591
2022	42,310
2023	24,668
Total	\$ 521,400

McDowell County, North Carolina

Notes to Financial Statements – continued

June 30, 2018

Note H – Cafeteria Plan:

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

Note I – Concentration of Credit Risk:

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

The Waste Disposal Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 67% of waste disposal revenue. Sales to this customer amounted to \$774,109 for the year ended June 30, 2018, with an account receivable balance of \$68,247 at June 30, 2018.

Note J – Use of Estimates:

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

Note K – Change in Accounting Principles/Restatement:

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ended December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$2,642,393 and increased \$21,432 for the business-type activities.

Note M – Subsequent Events:

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through December 7, 2018; the date of the financial statements is December 7, 2018.

McDowell County, North Carolina

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

Local Government Employees' Retirement System

Last Five Fiscal Years*

	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.187%	0.183%	0.181%	0.178%	0.168%
County's proportionate share of the net pension liability (asset) \$	\$ 2,859,134	\$ 3,876,869	\$ 810,342	\$ (1,050,472)	\$ 2,031,072
County's covered-employee payroll	\$ 11,813,800	\$ 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	24.20%	34.68%	7.45%	-9.96%	19.85%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	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 Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 908,402	\$ 825,323	\$ 740,011	\$ 746,980	\$ 722,743
Contributions in relation to the contractually required contribution	908,402	825,323	740,011	746,980	722,743
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 11,813,800	\$ 11,180,150	\$ 10,878,319	\$ 10,543,704	\$ 10,231,851
Contributions as a percentage of covered-employee payroll	7.69%	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 Five Fiscal Years*

	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.406%	0.401%	0.380%	0.384%	0.374%
County's proportionate share of the net pension liability (asset) \$	\$ (69,385)	\$ (74,915)	\$ (88,019)	\$ (87,139)	\$ (79,985)
County's covered-employee payroll	\$ 49,409	\$ 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	-140.43%	-157.09%	-189.21%	-189.67%	-178.48%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	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 Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 3,373	\$ 3,532	\$ 3,274	\$ 3,039	\$ 3,139
Contributions in relation to the contractually required contribution	3,373	3,532	3,274	3,039	3,139
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 49,409	\$ 47,688	\$ 46,518	\$ 45,942	\$ 44,814
Contributions as a percentage of covered-employee payroll	6.83%	7.41%	7.04%	6.61%	7.00%

McDowell County, North Carolina

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

For the Year Ended June 30, 2018

	2018	2017
Beginning balance	\$ 820,318	\$ 822,362
Service cost	40,384	39,984
Interest on the total pension liability	30,461	28,413
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	31,422	-
Changes of assumptions or other inputs	60,867	(17,455)
Benefit payments	(62,325)	(52,986)
Other changes	-	-
Ending balance of the total pension liability	\$ 921,127	\$ 820,318

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, 2018

	2018	2017
Total pension liability	\$ 921,127	\$ 820,318
Covered payroll	1,818,304	1,747,623
Total pension liability as a percentage of covered payroll	50.66%	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

Schedule of Changes in the Total OPEB Liability and Related Ratios

For the Year Ended June 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 113,747
Interest	115,633
Changes of benefit terms	-
Differences between expected and actual experience	(7,977)
Changes of assumptions	(194,840)
Benefit payments	(167,887)
Net change in total OPEB liability	(141,324)
Total OPEB liability - beginning	3,924,938
Total OPEB liability - ending	\$ 3,783,614
Covered payroll	\$ 4,901,134
Total OPEB liability as a percentage of covered payroll	77.20%

Notes to schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Ad valorem taxes:			
Current year property taxes	\$ 20,321,900	\$ 20,453,836	\$ 131,936
Discount	(102,555)	(102,489)	66
Delinquent tax	200,000	109,609	(90,391)
Tax interest	115,000	92,069	(22,931)
Tax penalties	12,500	-	(12,500)
	<u>20,546,845</u>	<u>20,553,025</u>	<u>6,180</u>
Local option sales tax:			
Article 39 one percent	3,521,336	3,537,335	15,999
Article 40 one-half percent	2,440,130	2,391,921	(48,209)
Article 42 one-half percent	305,000	249,822	(55,178)
Article 44 one-half percent	506,000	552,826	46,826
	<u>6,772,466</u>	<u>6,731,904</u>	<u>(40,562)</u>
Other taxes and licenses:			
Deed stamp excise tax	175,172	138,370	(36,802)
Real estate transfer tax	267,500	306,867	39,367
Scrap tire disposal tax	70,000	70,476	476
Occupancy tax	565,100	545,016	(20,084)
Cable franchise	181,459	165,958	(15,501)
Dog tax	500	230	(270)
	<u>1,259,731</u>	<u>1,226,917</u>	<u>(32,814)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes	165,000	285,091	120,091
Restricted intergovernmental:			
State and federal grants:			
DSS	6,768,094	5,631,956	(1,136,138)
State aid library	105,232	109,512	4,280
Senior Center - aging	499,350	395,828	(103,522)
Soil and water reimbursement	27,000	23,200	(3,800)
Veterans service	1,500	2,175	675
Juvenile Crime Prevention	129,005	129,005	-
EMA reimbursement	36,000	38,642	2,642
Other	387,663	353,402	(34,261)
Court facility fees	70,000	75,541	5,541
Officer fees	21,000	21,137	137
ABC profits for law enforcement	8,000	8,602	602
	<u>8,052,844</u>	<u>6,789,000</u>	<u>(1,263,844)</u>

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building inspections	\$ 117,500	\$ 156,751	\$ 39,251
Sign revenue	1,750	320	(1,430)
Homeowners' recovery	2,500	890	(1,610)
Register of deeds:			
Acknowledgement and oath	11,900	11,440	(460)
Copies	42,000	41,693	(307)
Flood plain fees	18,000	15,526	(2,474)
Cultural resources	7,500	7,057	(443)
	201,150	233,677	32,527
Sales and services:			
NCDMV notary	50,000	37,010	(12,990)
NCDMV reimbursement	88,000	90,758	2,758
NCDMV tax collection fee	40,000	44,705	4,705
NCDMV fee reimb city/town	26,000	27,682	1,682
Tax mapping	300	68	(232)
Library fines	15,000	8,161	(6,839)
Library donations	500	15,048	14,548
Library copies	4,000	5,878	1,878
Library fax fees	2,250	2,381	131
Rental - dialysis clinic	45,743	50,538	4,795
Rent - senior center building	67,680	45,120	(22,560)
Rent - Mental health building	26,556	25,277	(1,279)
Rent - Baldwin Ave - Isothermal	7,021	7,021	-
Tower rental	32,234	37,108	4,874
Rent - Baldwin Avenue - ESC	25,456	25,456	-
City of Marion reimbursement	93,000	103,778	10,778
Adoption fees	17,500	25,125	7,625
Canteen fees	105,000	122,089	17,089
Sheriff - process fees	60,000	43,319	(16,681)
Sheriff permits	5,000	6,970	1,970
Jail phone reimbursement	63,000	75,463	12,463
Sheriff - concealed weapons permit	60,000	82,645	22,645
Sheriff - employee fund	5,500	2,746	(2,754)
Soil and water rent	1,200	-	(1,200)
Jail lease revenue	492,750	882,009	389,259
Jail fees	30,000	46,246	16,246
EMS collections	2,653,019	2,192,981	(460,038)
EMS Medicaid	160,000	170,388	10,388
Rescue Squad billing	36,150	42,357	6,207
Sheriff - in school cop match	53,000	95,504	42,504

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Sales and services - continued:			
Recreation program fees	\$ 90,850	\$ 44,358	\$ (46,492)
Other	201,060	603,191	402,131
	4,557,769	4,961,380	403,611
Investment earnings	45,103	77,320	32,217
Miscellaneous:			
Auction proceeds	1,000	8,864	7,864
Paper execution fees	20,000	2,378	(17,622)
Civil license revocation	3,800	2,345	(1,455)
Miscellaneous	6,500	2,466	(4,034)
4-H donations	20,000	18,639	(1,361)
Cooperative extension donations	1,000	4,039	3,039
Other	502,978	570,375	67,397
	555,278	609,106	53,828
Total revenues	42,156,186	41,467,420	(688,766)
Expenditures:			
General government:			
Board of commissioners:			
Salaries and employee benefits	186,929	185,562	1,367
Operating expenditures	48,150	41,448	6,702
	235,079	227,010	8,069
Human resources:			
Operating expenditures	307,458	307,116	342
	307,458	307,116	342
County administration:			
Salaries and employee benefits	402,282	399,289	2,993
Operating expenditures	24,450	22,612	1,838
Capital expenditures	26,653	26,652	1
	453,385	448,553	4,832
Finance:			
Salaries and employee benefits	436,348	434,923	1,425
Operating expenditures	198,802	188,640	10,162
	635,150	623,563	11,587

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	\$ 338,224	\$ 337,706	\$ 518
Operating expenditures	115,000	94,209	20,791
	453,224	431,915	21,309
Tax - collections:			
Salaries and employee benefits	211,888	211,547	341
Operating expenditures	76,660	52,146	24,514
	288,548	263,693	24,855
Legal	24,126	23,792	334
Board of elections:			
Salaries and employee benefits	138,320	132,720	5,600
Operating expenditures	133,333	97,020	36,313
Capital expenditures	137,514	136,334	1,180
	409,167	366,074	43,093
Register of deeds:			
Salaries and employee benefits	241,470	204,352	37,118
Operating expenditures	253,980	220,523	33,457
Capital expenditures	1,500	910	590
	496,950	425,785	71,165
Clerk of court:			
Operating expenditures	8,472	7,589	883
Capital expenditures	1,268	1,268	-
	9,740	8,857	883
Garage:			
Salaries and employee benefits	208,110	206,626	1,484
Operating expenditures	22,400	20,570	1,830
Capital expenditures	9,400	8,239	1,161
	239,910	235,435	4,475
Facility maintenance:			
Salaries and employee benefits	545,133	541,632	3,501
Operating expenditures	871,126	782,697	88,429
Capital expenditures	67,000	11,106	55,894
	1,483,259	1,335,435	147,824

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Information technology			
Salaries and employee benefits	\$ 51,308	\$ 51,092	\$ 216
Operating expenditures	1,700	25	1,675
Capital expenditures	2,900	600	2,300
	55,908	51,717	4,191
DMV operations:			
Salaries and employee benefits	146,821	144,623	2,198
Operating expenditures	133,000	128,147	4,853
	279,821	272,770	7,051
Total general government	5,371,725	5,021,715	350,010
Public safety:			
Sheriff:			
Salaries and employee benefits	2,941,690	2,923,751	17,939
Operating expenditures	566,305	528,995	37,310
Capital expenditures	286,981	71,591	215,390
	3,794,976	3,524,337	270,639
Jail:			
Salaries and employee benefits	1,028,352	1,022,355	5,997
Operating expenditures	959,000	892,544	66,456
Capital expenditures	71,000	58,829	12,171
	2,058,352	1,973,728	84,624
EMS:			
Salaries and employee benefits	2,242,774	2,201,694	41,080
Operating expenditures	516,078	491,969	24,109
Capital expenditures	490,728	283,372	207,356
	3,249,580	2,977,035	272,545
Emergency management:			
Salaries and employee benefits	187,044	179,865	7,179
Operating expenditures	154,099	132,723	21,376
Capital expenditures	10,473	10,473	-
	351,616	323,061	28,555
Community Paramedic			
Salaries and employee benefits	42,936	31,843	11,093
Operating expenditures	57,993	50,204	7,789
	100,929	82,047	18,882

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Forest service	\$ 75,365	\$ 59,602	\$ 15,763
Emergency communication:			
Salaries and employee benefits	810,792	807,031	3,761
Operating expenditures	53,525	44,657	8,868
Capital expenditures	2,000	-	2,000
	866,317	851,688	14,629
Animal control:			
Salaries and employee benefits	89,213	88,818	395
Operating expenditures	87,750	58,012	29,738
Capital expenditures	3,000	2,203	797
	179,963	149,033	30,930
Building inspections:			
Salaries and employee benefits	268,052	265,081	2,971
Operating expenditures	37,120	27,503	9,617
Capital expenditures	23,007	21,506	1,501
	328,179	314,090	14,089
Medical examiner	34,000	33,850	150
Rescue squad billing	284,000	282,377	1,623
Total public safety	11,323,277	10,570,848	752,429
Environmental protection:			
Waste collections:			
Salaries and employee benefits	360,965	359,298	1,667
Operating expenditures	140,090	120,412	19,678
Capital expenditures	18,500	13,751	4,749
	519,555	493,461	26,094
Soil and water district technician:			
Salaries and employee benefits	40,689	37,101	3,588
Operating expenditures	9,545	7,142	2,403
	50,234	44,243	5,991
Soil and water conservation:			
Salaries and employee benefits	45,308	45,007	301
Operating expenditures	24,750	20,817	3,933
	70,058	65,824	4,234

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Watershed commission	\$ 11,550	\$ 11,550	\$ -
Water and sewer	52,000	51,859	141
Total environmental protection	703,397	666,937	36,460
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
	12,563	12,563	-
Cooperative extension:			
Salaries and employee benefits	45,365	45,016	349
Operating expenditures	209,770	183,966	25,804
Capital expenditures	33,474	32,074	1,400
	288,609	261,056	27,553
Isothermal planning commission:			
Isothermal operating expenditures	24,961	24,161	800
Planning board	1,804	874	930
	26,765	25,035	1,730
McDowell Economic Development Association:			
Salaries and employee benefits	68,993	68,882	111
Operating expenditures	105,986	101,051	4,935
Capital expenditures	7,000	7,000	-
	181,979	176,933	5,046
Economic and industrial development	112,807	89,390	23,417
Incubator	6,200	4,038	2,162
Tourism Development Authority	552,047	528,665	23,382
Total economic and physical development	1,180,970	1,097,680	83,290

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Human services:			
Health department	\$ 335,124	\$ 335,124	\$ -
Mental health	67,856	67,856	-
Alcohol and substance abuse	5,696	5,695	1
Juvenile Crime Prevention Council	141,678	141,497	181
Social services:			
Administration:			
Salaries and employee benefits	5,863,413	5,812,840	50,573
Operating expenditures	1,902,933	1,032,728	870,205
Capital expenditures	135,499	84,711	50,788
	7,901,845	6,930,279	971,566
Foster care	1,220,000	1,114,729	105,271
Adoption assistance	275,000	235,139	39,861
Crisis energy program	227,017	220,693	6,324
TANF - county participation	115,342	113,669	1,673
Medicaid - County participation	2,000	723	1,277
Special assistance	600,000	456,588	143,412
Aid to blind	2,000	1,772	228
General assistance	7,500	5,868	1,632
Total social services	10,350,704	9,079,460	1,271,244
Senior Center:			
Salaries and employee benefits	606,696	601,770	4,926
Operating expenditures	601,329	517,654	83,675
Capital expenditures	7,500	3,561	3,939
	1,215,525	1,122,985	92,540

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Juvenile Placement:			
Operating expenditures	\$ 35,000	\$ 34,038	\$ 962
	35,000	34,038	962
Transportation	17,309	16,678	631
Total human services	12,168,892	10,803,333	1,365,559
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	225,883	212,520	13,363
Operating expenditures	120,350	108,924	11,426
Capital expenditures	20,500	15,863	4,637
	366,733	337,307	29,426
Recreation - programs:	73,850	53,861	19,989
Library:			
Salaries and employee benefits	519,481	507,497	11,984
Operating expenditures	170,650	133,258	37,392
Capital expenditures	10,000	-	10,000
	700,131	640,755	59,376
Total cultural and recreational	1,140,714	1,031,923	108,791
Miscellaneous:			
Carson House	20,000	20,000	-
City of Marion hold harmless	140,000	133,757	6,243
Family services	25,900	25,900	-
MACA	18,500	18,500	-
American Cancer Society	1,000	-	1,000
Freedom Ministries	4,500	4,500	-
McDowell Mission	12,000	12,000	-
Champion rent	18,946	18,946	-
July 4th Marion	500	-	500
July 4th Old Fort	500	500	-
Health coalition	10,000	10,000	-
Other	294,581	235,947	58,634
	546,427	480,050	66,377

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Education:			
Public schools:			
Current expense	\$ 8,774,408	\$ 8,747,303	\$ 27,105
Capital outlay	51,890	51,890	-
McDowell Technical College:			
Current expense	1,032,260	1,032,260	-
Capital outlay	50,000	50,000	-
Building payments	144,464	144,463	1
	10,053,022	10,025,916	27,106
Debt service:			
Building inspections	8,272	8,195	77
Emergency medical services	250,832	240,020	10,812
Waste collections	94,805	94,805	-
Sheriff	157,417	156,543	874
Debt service fund	317,927	317,927	-
Other	11,218	7,427	3,791
	840,471	824,917	15,554
Total expenditures	43,328,895	40,523,319	2,805,576
Revenue over (under) expenditures	(1,172,709)	944,101	2,116,810
Other financing sources (uses):			
Installment purchase obligation issued	768,524	768,523	(1)
Transfers to:			
Special Revenue Funds:			
Emergency Telephone System	(3,872)	(3,872)	-
Capital Project Funds:			
Catawba River Greenway Phase III	(243,632)	(243,632)	-
Stacy Hill Water Line	(613,654)	(613,654)	-
Lake James EPA	(20,000)	-	20,000
Courthouse Renovation and Addition	(1,760,000)	(1,760,000)	-
Universal Water Line	(51,484)	(51,484)	-
Enterprise Funds:			
Waste Disposal Fund	(896,921)	(896,921)	-
Revaluation Fund	(91,000)	(91,000)	-
Transfers from:			
Capital Project Funds:			
Lake James EPA	-	14,714	14,714
Harmony Grove Road / I-40 Interchange Water Line	-	24,714	24,714
Fund balance appropriated	4,084,748	-	(4,084,748)
Total other financing sources (uses)	1,172,709	(2,852,612)	(4,025,321)

McDowell County, North Carolina

General Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues and other financing sources under expenditures and other financing uses	\$ -	\$ (1,908,511)	\$ (1,908,511)
Fund balance - beginning of year		13,649,589	
Fund balance - end of year		\$ 11,741,078	

McDowell County, North Carolina

Revaluation Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 369	\$ 369
Total revenues	-	369	369
Expenditures:			
General government:			
Capital expenditures	122,000	116,735	5,265
Total expenditures	122,000	116,735	5,265
Revenues over (under) expenditures	(122,000)	(116,366)	5,634
Other financing sources (uses):			
Transfer from General Fund	91,000	91,000	-
Total other financing sources (uses)	91,000	91,000	-
Revenues and other financing sources over (under) expenditures	(31,000)	(25,366)	5,634
Fund balance appropriated	31,000	-	(31,000)
Revenues, other financing sources, and fund balance appropriated under expenditures	\$ -	(25,366)	\$ (25,366)
Fund balance - beginning of year		31,705	
Fund balance - end of year		\$ 6,339	

Note: Since the Revaluation Fund is legally budgeted, the fund is consolidated into the General Fund for reporting purposes on pages 18 and 20.

McDowell County, North Carolina

Combining Statement for Nonmajor Funds

Year Ended June 30, 2018

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.
- 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.
- 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.
- 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.
- Stacy Hill Water Line Project – The County uses this fund to account for expenditures related to the expansion of water to the Stacy Hill Road area of the water system in McDowell County, funded by the U.S. Environmental Protection Agency and debt issuance.
- Catawba River Greenway Phase III Project – The County uses this fund to account for expenditures related to phase III of the Catawba River Greenway project, funded primarily by the NC Parks and Recreation Trust Fund, NC Department of Environmental Quality Financial Assistance and local funds.

McDowell County, North Carolina

Combining Statement for Nonmajor Funds – continued

Year Ended June 30, 2018

- Ethan Allen Building Reuse Project – The County uses this fund to account for expenditures related to the refurbishment of the boiler room of the manufacturing building, funded by the NC Department of Commerce Building Reuse Program, along with Company contribution funds.
- Limekiln Creek Restoration Project – The County uses this fund to account for expenditures related to stream restoration on Limekiln Creek, while providing an outdoor environmental learning center and trail system to educate the youth of McDowell County, funded by the NC Clean Water Management Trust Fund.
- 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.
- Catawba Falls Trail Improvements Project – The County uses this fund to account for expenditures related to improvements for the Catawba Falls Trail, funded by the U.S. Department of Agriculture.

McDowell County, North Carolina

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service
Assets			
Cash and investments	\$ 15,166	\$ 21,914	\$ 9
Restricted cash	-	-	-
Taxes receivable - net	45,177	-	-
Accounts receivable - other governments	30,462	24,816	-
Total assets	\$ 90,805	\$ 46,730	\$ 9
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 45,628	\$ 42	\$ -
Due to other funds	-	-	-
Total liabilities	45,628	42	-
Deferred inflows of resources:			
Taxes receivable	45,177	-	-
Total deferred inflows of resources	45,177	-	-
Fund balances:			
Restricted:			
Stabilization by the State Statue	30,462	24,816	-
911 Funds	-	21,872	-
General government	-	-	-
Public safety	-	-	-
Assigned:			
Debt service	-	-	9
General government	-	-	-
Cultural and recreational	-	-	-
Unassigned (deficit)	(30,462)	-	-
Total fund balances	-	46,688	9
Total liabilities, deferred inflows of resources, and fund balances	\$ 90,805	\$ 46,730	\$ 9

McDowell County, North Carolina

Combining Balance Sheet - continued

Nonmajor Governmental Funds

June 30, 2018

	Capital Project Funds		
	Trail Project	Community Food and Health Hub Project	Harmony Grove Road/I-40 Interchange Water Line Project
Assets			
Cash and investments	\$ -	\$ -	\$ -
Restricted cash	-	-	-
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	-
Total assets	\$ -	\$ -	\$ -
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Taxes receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Stabilization by the State Statue	-	-	-
911 Funds	-	-	-
General government	-	-	-
Public safety	-	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	-
Cultural and recreational	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ -	\$ -

McDowell County, North Carolina

Combining Balance Sheet - continued

Nonmajor Governmental Funds

June 30, 2018

	Capital Project Funds		
	Kate B. Reynolds Community Paramedic Expansion Project	Universal Water Line Project	Stacy Hill Water Line Project
Assets			
Cash and investments	\$ 75,130	\$ -	\$ 527,751
Restricted cash	-	-	450,003
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	-
Total assets	\$ 75,130	\$ -	\$ 977,754
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,960	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	1,960	-	-
Deferred inflows of resources:			
Taxes receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Stabilization by the State Statue	-	-	-
911 Funds	-	-	-
General government	-	-	450,003
Public safety	73,170	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	527,751
Cultural and recreational	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances	73,170	-	977,754
Total liabilities, deferred inflows of resources, and fund balances	\$ 75,130	\$ -	\$ 977,754

McDowell County, North Carolina

Combining Balance Sheet - continued

Nonmajor Governmental Funds

June 30, 2018

	Capital Project funds		
	Catawba River Greenway Phase III Project	Ethan Allen Building Reuse Project	Limekiln Creek Restoration Project
Assets			
Cash and investments	\$ 134,570	\$ -	\$ -
Restricted cash	-	-	-
Taxes receivable - net	-	-	-
Accounts receivable - other governments	-	-	-
Total assets	\$ 134,570	\$ -	\$ -
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 24,199	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	24,199	-	-
Deferred inflows of resources:			
Taxes receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Stabilization by the State Statue	-	-	-
911 Funds	-	-	-
General government	-	-	-
Public safety	-	-	-
Assigned:			
Debt service	-	-	-
General government	-	-	-
Cultural and recreational	110,371	-	-
Unassigned (deficit)	-	-	-
Total fund balances	110,371	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 134,570	\$ -	\$ -

McDowell County, North Carolina

Combining Balance Sheet - continued

Nonmajor Governmental Funds

June 30, 2018

				Capital Project funds	
	Lake James EPA Project		Catawba Falls Trail Improvements Project	Totals June 30, 2018	
Assets					
Cash and investments	\$	-	\$	-	\$ 774,540
Restricted cash		-		-	450,003
Taxes receivable - net		-		-	45,177
Accounts receivable - other governments		-	100,000		155,278
Total assets	\$	-	\$	100,000	\$ 1,424,998
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$	-	\$	-	\$ 71,829
Due to other funds		-	100,000		100,000
Total liabilities			100,000		171,829
Deferred inflows of resources:					
Taxes receivable		-		-	45,177
Total deferred inflows of resources		-		-	45,177
Fund balances:					
Restricted:					
Stabilization by the State Statue		-	100,000		155,278
911 Funds		-	-		21,872
General government		-	-		450,003
Public safety		-	-		73,170
Assigned:					
Debt service		-	-		9
General government		-	-		527,751
Cultural and recreational		-	-		110,371
Unassigned (deficit)		-	(100,000)		(130,462)
Total fund balances		-	-		1,207,992
Total liabilities, deferred inflows of resources, and fund balances	\$	-	\$	100,000	\$ 1,424,998

McDowell County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue Funds		Debt Service Fund
	Fire and Rescue Districts	Emergency Telephone System	Debt Service
Revenues:			
Ad valorem taxes	\$ 3,269,621	\$ -	\$ -
Restricted intergovernmental revenue	-	297,798	45,758
Investment earnings	-	(12)	-
Miscellaneous revenue	-	-	-
Total revenues	3,269,621	297,786	45,758
Expenditures:			
General government	-	-	-
Economic and physical development	-	-	-
Human resources	-	-	-
Public safety	3,269,621	320,600	-
Environmental protection	-	-	-
Cultural and recreational	-	-	-
Education	-	-	-
Debt Service	-	-	765,021
Capital outlay	-	-	-
Total expenditures	3,269,621	320,600	765,021
Revenues over (under) expenditures	-	(22,814)	(719,263)
Other financing sources (uses):			
Transfer in from General Fund	-	3,872	-
Transfer to General Fund	-	-	-
Transfer in from Capital Project Fund	-	-	719,263
Transfer in from Univeral Fund	-	-	-
Transfer in from Water Fund	-	-	-
Total other financing sources	-	3,872	719,263
Increase (decrease) in fund balances	-	(18,942)	-
Fund balances - beginning of year	-	65,630	9
Fund balances - end of year	\$ -	\$ 46,688	\$ 9

McDowell County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - continued

Nonmajor Governmental Funds

Year Ended June 30, 2018

	Capital Project Funds		
	Trail Project	Community Food and Health Hub Project	Harmony Grove Road/I-40 Interchange Water Line Project
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	-
Investment earnings	-	-	-
Miscellaneous revenue	(23,172)	-	-
Total revenues	(23,172)	-	-
Expenditures:			
General government	-	-	-
Economic and physical development	-	-	-
Human resources	-	281	-
Public safety	-	-	-
Environmental protection	-	-	-
Cultural and recreational	-	-	-
Education	-	-	-
Debt Service	-	-	-
Capital outlay	-	-	-
Total expenditures	-	281	-
Revenues over (under) expenditures	(23,172)	(281)	-
Other financing sources (uses):			
Transfer in from General Fund	-	-	-
Transfer to General Fund	-	-	(24,714)
Transfer in from Capital Project Fund	-	-	-
Transfer in from Univeral Fund	-	-	-
Transfer in from Water Fund	-	-	-
Total other financing sources (uses)	-	-	(24,714)
Increase (decrease) in fund balances	(23,172)	(281)	(24,714)
Fund balances - beginning of year	23,172	281	24,714
Fund balances - end of year	\$ -	\$ -	\$ -

McDowell County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - continued

Nonmajor Governmental Funds

Year Ended June 30, 2018

	Capital Project Funds		
	Kate B. Reynolds Community Paramedic Expansion Project	Universal Water Line Project	Stacy Hill Water Line Project
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	-	-	-
Investment earnings	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	-	-	-
Expenditures:			
General government	-	-	-
Economic and physical development	-	-	-
Human resources	-	-	-
Public safety	153,305	-	-
Environmental protection	-	-	-
Cultural and recreational	-	-	-
Education	-	-	-
Debt Service	-	-	-
Capital outlay	-	-	85,900
Total expenditures	153,305	-	85,900
Revenues over (under) expenditures	(153,305)	-	(85,900)
Other financing sources (uses):			
Transfer in from General Fund	-	51,484	613,654
Transfer to General Fund	-	-	-
Transfer in from Capital Project Fund	-	-	-
Transfer in from Univeral Fund	-	51,485	-
Transfer in from Water Fund	-	-	450,000
Total other financing sources	-	102,969	1,063,654
Increase (decrease) in fund balances	(153,305)	102,969	977,754
Fund balances - beginning of year	226,475	(102,969)	-
Fund balances - end of year	\$ 73,170	\$ -	\$ 977,754

McDowell County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - continued

Nonmajor Governmental Funds

Year Ended June 30, 2018

	Capital Project funds		
	Catawba River Greenway Phase III Project	Ethan Allen Building Reuse Project	Limekiln Creek Restoration Project
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Restricted intergovernmental revenue	20,000	64,180	-
Investment earnings	-	-	-
Miscellaneous revenue	23,172	64,180	-
Total revenues	\$ 43,172	\$ 128,360	\$ -
Expenditures:			
General government	-	-	-
Economic and physical development	-	128,360	-
Human resources	-	-	-
Public safety	-	-	-
Environmental protection	-	-	-
Cultural and recreational	-	-	-
Education	-	-	-
Debt Service	-	-	-
Capital outlay	176,433	-	-
Total expenditures	176,433	128,360	-
Revenues over (under) expenditures	(133,261)	-	-
Other financing sources (uses):			
Transfer in from General Fund	243,632	-	-
Transfer to General Fund	-	-	-
Transfer in from Capital Project Fund	-	-	-
Transfer in from Univeral Fund	-	-	-
Transfer in from Water Fund	-	-	-
Total other financing sources	243,632	-	-
Increase (decrease) in fund balances	110,371	-	-
Fund balances - beginning of year	-	-	-
Fund balances - end of year	\$ 110,371	\$ -	\$ -

McDowell County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - continued

Nonmajor Governmental Funds

Year Ended June 30, 2018

	Capital Project funds			
	Lake James EPA Project	Catawba Falls Trail Improvements Project	Totals	
			June 30, 2018	
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ 3,269,621	
Restricted intergovernmental revenue	-	100,000	527,736	
Investment earnings	-	-	(12)	
Miscellaneous revenue	-	-	64,180	
Total revenues	\$ -	\$ 100,000	\$ 3,861,525	
Expenditures:				
General government	-	-	-	
Economic and physical development	-	-	128,360	
Human resources	-	-	281	
Public safety	-	-	3,743,526	
Environmental protection	-	-	-	
Cultural and recreational	-	100,000	100,000	
Education	-	-	-	
Debt Service	-	-	765,021	
Capital outlay	-	-	262,333	
Total expenditures	-	100,000	4,999,521	
Revenues over (under) expenditures	-	-	(1,137,996)	
Other financing sources (uses):				
Transfer in from General Fund	-	-	912,642	
Transfer to General Fund	(14,714)	-	(39,428)	
Transfer in from Capital Project Fund	-	-	719,263	
Transfer in from Univeral Fund	-	-	51,485	
Transfer in from Water Fund	-	-	450,000	
Total other financing sources	(14,714)	-	2,093,962	
Increase (decrease) in fund balances	(14,714)	-	955,966	
Fund balances - beginning of year	14,714	-	252,026	
Fund balances - end of year	\$ -	\$ -	\$ 1,207,992	

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Fire districts:			
Ashford/North Cove	\$ 203,251	\$ 194,110	\$ (9,141)
Crooked Creek	204,066	178,440	(25,626)
Dysartsville	193,770	183,062	(10,708)
Glenwood	179,340	168,424	(10,916)
Nebo	333,588	312,490	(21,098)
Old Fort Area	121,288	114,400	(6,888)
Pleasant Gardens	257,181	221,842	(35,339)
Sugar Hill	179,671	151,955	(27,716)
Woodlawn/Sevier	161,566	141,859	(19,707)
Hankins/North Fork	83,096	78,698	(4,398)
Long Town	37,662	36,341	(1,321)
Parkway/Woodlawn	30,268	30,180	(88)
Old Fort - Inside	49,736	45,830	(3,906)
Marion Area	284,649	274,732	(9,917)
Fire Commission	791,853	743,496	(48,357)
Apple Mountain	2,368	2,102	(266)
Rescue District:			
McDowell County Rescue	417,097	391,660	(25,437)
Total Revenues	3,530,450	3,269,621	(260,829)
Expenditures:			
Public Safety:			
Fire District Allocations			
Ashford/North Cove	203,251	194,110	9,141
Crooked Creek	204,066	178,758	25,308
Dysartsville	193,770	183,051	10,719
Glenwood	179,340	168,420	10,920
Nebo	333,588	312,487	21,101
Old Fort Area	121,288	114,400	6,888
Pleasant Gardens	257,181	221,847	35,334
Sugar Hill	179,671	151,928	27,743
Woodlawn/Sevier	161,566	141,852	19,714
Hankins/North Fork	83,096	78,706	4,390
Long Town	37,662	36,341	1,321
Parkway/Woodlawn	30,268	30,179	89
Old Fort - Inside	49,736	45,832	3,904
Marion Area	284,649	274,711	9,938
Fire Commission	791,853	743,237	48,616
Apple Mountain	2,368	2,102	266
Rescue district allocation:			
McDowell County Rescue	417,097	391,660	25,437
Total expenditures	3,530,450	3,269,621	260,829
Revenues over expenditures	\$ -	-	\$ -
Fund balance - beginning of year			-
Fund balance - end of year		\$ -	-

McDowell County, North Carolina

Emergency Telephone System Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenue	\$ 297,798	\$ 297,798	\$ -
Investment earnings	-	(12)	(12)
Total Revenues	297,798	297,786	(12)
Expenditures:			
Public safety:			
Telephone equipment	179,872	173,015	6,857
Travel/training	3,000	2,499	501
Telephone	55,850	53,266	2,584
Software maintenance	20,300	16,872	3,428
Hardware maintenance	26,000	17,597	8,403
911 addressing	2,000	1,288	712
Selective routing and ALL provisioning	4,500	4,472	28
Voice logging recorder	200	196	4
Radio dispatch console	100	98	2
Software messaging switch	60	-	60
Software CAD	17,710	17,686	24
Software dispatch protocol	10,230	10,230	-
911 functions	23,598	23,381	217
Total expenditures	343,420	320,600	22,820
Revenues over (under) expenditures	(45,622)	(22,814)	22,808
Other financing sources:			
Transfer from General Fund	3,872	3,872	-
Appropriated fund balance	41,750	-	(41,750)
Total other financing sources	45,622	3,872	(41,750)
Revenues and other financing sources under expenditures	\$ -	(18,942)	\$ (18,942)
Fund balance - beginning of year		65,630	
Fund balance - end of year		\$ 46,688	

McDowell County, North Carolina

Debt Service Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenue	\$ 45,760	\$ 45,758	\$ (2)
Total Revenues	45,760	45,758	(2)
Expenditures:			
Debt service	765,024	765,021	3
Total expenditures	765,024	765,021	3
Revenues under expenditures	(719,264)	(719,263)	1
Other financing sources:			
Transfer from School Capital Projects Fund	719,264	719,263	(1)
Total other financing sources	719,264	719,263	(1)
Revenues and other financing sources under expenditures	\$ -	-	\$ -
Fund balance - beginning of year		9	
Fund balance - end of year		\$ 9	

McDowell County, North Carolina

School Capital Projects Fund

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

From Inception and for the Year Ended June 30, 2018

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Lottery funds	\$ 448,920	\$ -	\$ 448,920	\$ 448,920	\$ -
Local option sales tax	3,812,102	4,469,350	2,594,827	7,064,177	3,252,075
Investment earnings	2,000	24,078	43,767	67,845	65,845
Miscellaneous	-	377,446	8,693	386,139	386,139
Total revenues	4,263,022	4,870,874	3,096,207	7,967,081	3,704,059
Expenditures:					
Capital outlay:					
Glenwood roof	448,920	-	448,920	448,920	-
System console	332,827	-	309,175	309,175	23,652
Field House roof	149,941	-	138,522	138,522	11,419
Field House HVAC	70,059	-	70,059	70,059	-
McDowell High School addition phase II	1,673,158	588,451	1,083,792	1,672,243	915
McDowell High School security	63,000	-	-	-	63,000
East McDowell Middle roof Improvement	469,600 336,253	- 271	84,391 -	84,391 271	385,209 335,982
Total expenditures	3,543,758	588,722	2,134,859	2,723,581	820,177
Revenues over expenditures	719,264	4,282,152	961,348	5,243,500	4,524,236
Other financing uses:					
Transfer to Debt Service Fund	(719,264)	-	(719,263)	(719,263)	1
Total other financing uses	(719,264)	-	(719,263)	(719,263)	1
Revenues over expenditures and other financing uses	\$ -	\$ 4,282,152	242,085	\$ 4,524,237	\$ 4,524,237
Fund balance - beginning of year			4,282,151		
Fund balance - end of year			\$ 4,524,236		

McDowell County, North Carolina

Courthouse Renovation and Addition Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Expenditures:					
Courtroom addition	\$ 6,335,300	\$ -	\$ 588,855	\$ 588,855	\$ 5,746,445
Engineering/architect	549,790	-	491,909	491,909	57,881
Legal	20,000	-	17,615	17,615	2,385
Furniture	220,910	-	-	-	220,910
Contingency	288,000	-	-	-	288,000
Total expenditures	7,414,000	-	1,098,379	1,098,379	6,315,621
Revenues under expenditures	(7,414,000)	-	(1,098,379)	(1,098,379)	6,315,621
Other financing sources:					
Transfer from General Fund	1,760,000	-	1,760,000	1,760,000	-
Installment purchase obligation issued	5,654,000	-	5,654,000	5,654,000	-
Total other financing sources	7,414,000	-	7,414,000	7,414,000	-
Revenues under expenditures and other financing sources	\$ -	\$ -	6,315,621	\$ 6,315,621	\$ 6,315,621
Fund balance - beginning of year	-				
Fund balance - end of year	\$ 6,315,621				

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, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Donations	\$ 17,000	\$ 24,349	\$ (23,172)	\$ 1,177	\$ (15,823)
Total revenues	17,000	24,349	(23,172)	1,177	(15,823)
Expenditures:					
Improvements	57,000	41,177	-	41,177	15,823
Total expenditures	57,000	41,177	-	41,177	15,823
Revenues over (under) expenditures	(40,000)	(16,828)	(23,172)	(40,000)	-
Other financing sources:					
Transfer from General Fund	40,000	40,000	-	40,000	-
Total other financing sources	40,000	40,000	-	40,000	-
Revenues over (under) expenditures and other financing sources	\$ -	\$ 23,172	(23,172)	\$ -	\$ -
Fund balance - beginning of year			23,172		
Fund balance - end of year			\$ -		

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, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Private grants	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
Total revenues	40,000	40,000	-	40,000	-
Expenditures:					
Consulting fees	36,000	36,000	-	36,000	-
Meeting	2,243	2,242	1	2,243	-
Travel and supplies	1,757	1,477	280	1,757	-
Total expenditures	40,000	39,719	281	40,000	-
Revenues over (under) expenditures	\$ -	\$ 281	(281)	\$ -	\$ -
Fund balance - beginning of year			281		
Fund balance - end of year			\$ -		

McDowell County, North Carolina

Harmony Grove Road/I-40 Interchange Water Line Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
Appalachian Regional Commission	\$ 532,703	\$ 532,703	\$ -	\$ 532,703	\$ -
NC Commerce	100,000	-	-	-	(100,000)
US Forest Service	63,597	63,597	-	63,597	-
Miscellaneous	-	20,328	-	20,328	20,328
Total revenues	696,300	616,628	-	616,628	(79,672)
Expenditures:					
Construction cost	866,300	794,514	-	794,514	71,786
Preliminary engineering	8,000	8,000	-	8,000	-
Engineering design	40,200	39,000	-	39,000	1,200
Bidding and award	13,200	13,200	-	13,200	-
Construction administration	37,000	37,000	-	37,000	-
Grant administration	50,000	40,000	-	40,000	10,000
Legal/environmental	21,600	200	-	200	21,400
Total expenditures	1,036,300	931,914	-	931,914	104,386
Revenues under expenditures	(340,000)	(315,286)	-	(315,286)	24,714
Other financing sources (uses):					
Transfer from General Fund	364,714	340,000	-	340,000	(24,714)
Transfer to General Fund	(24,714)	-	(24,714)	(24,714)	-
Total other financing sources (uses)	340,000	340,000	(24,714)	315,286	(24,714)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 24,714	(24,714)	\$ -	\$ -
Fund balance - beginning of year			24,714		
Fund balance - end of year			\$ -		

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, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Private grant - expansion funds	\$ 226,475	\$ 226,475	\$ -	\$ 226,475	\$ -
Total revenues	226,475	226,475	-	226,475	-
Expenditures:					
Salary & fringe	155,406	-	114,663	114,663	40,743
Travel	12,000	-	8,245	8,245	3,755
Equipment	15,000	-	11,185	11,185	3,815
Rent/utilities/phone	3,500	-	2,060	2,060	1,440
Office supplies	2,000	-	708	708	1,292
Uniforms/safety equipment	2,500	-	2,466	2,466	34
Discretionary spending	36,069	-	13,978	13,978	22,091
Total expenditures	226,475	-	153,305	153,305	73,170
Revenues over (under) expenditures	\$ -	\$ 226,475	(153,305)	\$ 73,170	\$ 73,170
Fund balance - beginning of year			226,475		
Fund balance - end of year			\$ 73,170		

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, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
Appalachian Regional Commission	\$ 140,500	\$ 140,500	\$ -	\$ 140,500	\$ -
Miscellaneous	3,642	3,642	-	3,642	-
Total revenues	144,142	144,142	-	144,142	-
Expenditures:					
Construction	203,336	203,336	-	203,336	-
Preliminary engineering	5,000	5,000	-	5,000	-
Design and permitting	27,000	27,000	-	27,000	-
Construction administration	24,362	24,362	-	24,362	-
Legal/administration	27,913	27,913	-	27,913	-
Total expenditures	287,611	287,611	-	287,611	-
Revenues over (under) expenditures	(143,469)	(143,469)	-	(143,469)	-
Other financing sources:					
Transfer from General Fund	91,984	40,500	51,484	91,984	-
Transfer from Univeral Fund	51,485	-	51,485	51,485	-
		-			
Total other financing sources	143,469	40,500	102,969	143,469	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (102,969)	102,969	\$ -	-
Fund balance - beginning of year			(102,969)		
Fund balance - end of year			\$ -		

McDowell County, North Carolina

Stacy Hill Water Line Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
EPA	\$ 367,176	\$ -	\$ -	\$ -	\$ (367,176)
Total revenues	367,176	-	-	-	(367,176)
Expenditures:					
Construction	1,208,030	-	-	-	1,208,030
Design	88,100	-	74,000	74,000	14,100
Construction administration	83,100	-	-	-	83,100
Bidding and award	30,800	-	11,900	11,900	18,900
Administration/legal	20,800	-	-	-	20,800
Total expenditures	1,430,830	-	85,900	85,900	1,344,930
Revenues over (under) expenditures	(1,063,654)	-	(85,900)	(85,900)	977,754
Other financing sources:					
Transfer from General Fund	613,654	-	613,654	613,654	-
Transfer from Water Fund	450,000	-	450,000	450,000	-
Total other financing sources	1,063,654	-	1,063,654	1,063,654	-
Revenues over expenditures and other financing sources	\$ -	\$ -	977,754	\$ 977,754	\$ 977,754
Fund balance - beginning of year				-	
Fund balance - end of year			\$ 977,754		

McDowell County, North Carolina

Catawba River Greenway Phase III Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
City of Marion	\$ 15,000	\$ -	\$ 20,000	\$ 20,000	\$ 5,000
NC Wildlife	11,500	-	-	-	(11,500)
PARTF grant	250,000	-	-	-	(250,000)
Division of Water Resources grant	500,000	-	-	-	(500,000)
Donations	23,172	-	23,172	23,172	-
Total revenues	799,672	-	43,172	43,172	(756,500)
Expenditures:					
Construction	740,507	-	-	-	740,507
Construction management	250,797	-	137,669	137,669	113,128
Grant writer	50,000	-	37,500	37,500	12,500
Planning/easements	2,000	-	1,264	1,264	736
Total expenditures	1,043,304	-	176,433	176,433	866,871
Revenues under expenditures	(243,632)	-	(133,261)	(133,261)	110,371
Other financing sources:					
Transfer from General Fund	243,632	-	243,632	243,632	-
Total other financing sources	243,632	-	243,632	243,632	-
Revenues over expenditures and other financing sources	\$ -	\$ -	110,371	\$ 110,371	\$ 110,371
Fund balance - beginning of year	-				
Fund balance - end of year	\$ 110,371				

McDowell County, North Carolina

Ethan Allen Building Reuse Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
NC Commerce	\$ 195,463	\$ -	\$ 64,180	\$ 64,180	\$ (131,283)
Ethan Allen	175,916	-	44,634	44,634	(131,282)
Miscellaneous	19,546	-	19,546	19,546	-
Total revenues	390,925	-	128,360	128,360	(262,565)
Expenditures:					
Construction	104,783	-	104,783	104,783	-
Electrical	195,642	-	4,160	4,160	191,482
HVAC	7,000	-	-	-	7,000
Boiler	69,300	-	10,217	10,217	59,083
Control system	3,000	-	-	-	3,000
Sprinkler system	2,000	-	-	-	2,000
Boiler removal	9,200	-	9,200	9,200	-
Total expenditures	390,925	-	128,360	128,360	262,565
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	-
Fund balance - beginning of year					-
Fund balance - end of year			\$ -		

McDowell County, North Carolina

Limekiln Creek Restoration Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
Clean Water Management Trust	\$ 222,500	\$ -	\$ -	\$ -	(222,500)
NC Department of Agriculture					
Community Cost Share	8,303	-	-	-	(8,303)
McDowell County Schools	75,000	-	-	-	(75,000)
McDowell Soil and Water in-kind	11,400	-	-	-	(11,400)
Donated easements	4,512	-	-	-	(4,512)
Total revenues	321,715	-	-	-	(321,715)
Expenditures:					
Restorations	305,803	-	-	-	305,803
Easements	4,512	-	-	-	4,512
In-kind	11,400	-	-	-	11,400
Total expenditures	321,715	-	-	-	321,715
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	-
Fund balance - beginning of year				-	
Fund balance - end of year			\$ -	-	

McDowell County, North Carolina

Lake James EPA Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
EPA	\$ 485,000	\$ 117,824	\$ -	\$ 117,824	\$ (367,176)
Total revenues	485,000	117,824	-	117,824	(367,176)
Expenditures:					
Architectural	836,818	210,358	-	210,358	626,460
Property purchase	203,918	199,024	-	199,024	4,894
Administration	45,000	16,250	-	16,250	28,750
Debt service	95,423	95,423	-	95,423	-
Total expenditures	1,181,159	521,055	-	521,055	660,104
Revenues under expenditures	(696,159)	(403,231)	-	(403,231)	292,928
Other financing sources (uses):					
Short-term debt issued	95,423	95,400	-	95,400	(23)
Transfer from General Fund	615,450	322,545	-	322,545	(292,905)
Transfer to General Fund	(14,714)	-	(14,714)	(14,714)	-
Total other financing sources (uses)	696,159	417,945	(14,714)	403,231	(292,928)
Revenues under expenditures and other financing sources (uses)	\$ -	\$ 14,714	(14,714)	\$ -	-
Fund balance - beginning of year			14,714		
Fund balance - end of year			\$ -		

McDowell County, North Carolina

Catawba Falls Trail Improvements Project

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

From Inception and for the Year Ended June 30, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenue:					
NC Recreational Trail Program grant	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -
Total revenues	100,000	-	100,000	100,000	-
Expenditures:					
Trail construction	100,000	-	100,000	100,000	-
Total expenditures	100,000	-	100,000	100,000	-
Revenues over expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance - beginning of year					-
Fund balance - end of year					\$ -

McDowell County, North Carolina

Enterprise Fund - Universal Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenue:			
Lease revenue	\$ 501,167	\$ 504,141	\$ 2,974
Total operating revenue	501,167	504,141	2,974
Nonoperating revenue:			
Investment earnings	300	2,978	2,678
Total nonoperating revenue	300	2,978	2,678
Total revenues	501,467	507,119	5,652
Expenditures:			
Operating:			
Utilities		14,690	
Contract services		49,167	
Capital outlay		46,380	
Grant match		6,008	
Economic Incentive		16,180	
Total operating expenditures	170,670	132,425	38,245
Debt service:			
Interest		82,644	
Debt principal		196,666	
Total debt service expenditures	279,311	279,310	1
Total expenditures	449,981	411,735	38,246
Revenues over (under) expenditures	51,486	95,384	43,898
Other financing sources:			
Transfer to Universal Water Line Project	(51,486)	(51,485)	1
Total other financing uses	(51,486)	(51,485)	1
Revenues and other financing sources (uses) over expenditures	\$ -	\$ 43,899	\$ 43,899
Reconciliation from budgeting basis (modified accrual) to full accrual:			
Revenues and other financing sources (uses) over expenditures			\$ 43,899
Capital expenditures			9,767
Depreciation			(324,139)
Debt service principal			196,666
Change in net position - GAAP			\$ (73,807)

McDowell County, North Carolina

Enterprise Fund - Waste Disposal Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenue:			
Charges for services:			
Tipping fees	\$ 1,397,889	\$ 1,314,758	\$ (83,131)
Recycling revenue	68,500	53,070	(15,430)
Solid waste disposal	15,000	30,294	15,294
Other operating revenue	42,900	39,963	(2,937)
Total operating revenue	1,524,289	1,438,085	(86,204)
Nonoperating revenue:			
Recycling grant	15,020	14,631	(389)
Investment earnings	6,249	6,132	(117)
Total nonoperating revenue	21,269	20,763	(506)
Total revenues	1,545,558	1,458,848	(86,710)
Expenditures:			
Facility operations:			
Salaries and employee benefits		259,562	
Operating expenses		2,130,550	
Capital outlay		91,692	
Total expenditures	2,689,879	2,481,804	208,075
Revenues under expenditures	(1,144,321)	(1,022,956)	121,365
Other financing sources:			
Transfer from General Fund	896,921	896,921	-
Installment purchase obligation issued	247,400	75,000	(172,400)
Total other financing sources	1,144,321	971,921	(172,400)
Revenues and other financing sources under expenditures	\$ -	\$ (51,035)	\$ (51,035)
Reconciliation from budgeting basis (modified accrual) to full accrual:			
Revenues and other financing sources under expenditures			\$ (51,035)
Depreciation			(33,316)
Loss on disposal			(825)
Installment purchase obligation issued			(75,000)
Capital expenditures			75,000
Debt service principal			28,222
Increase in deferred outflows of resources - pensions			3,480
Decrease in deferred outflows of resources - OPEB			(22,117)
Decrease in accrued vacation pay			143
Decrease in net pension liability			19,337
Decrease in net OPEB liability			20,967
Decrease in deferred inflows of resources - pensions			1,009
Increase in deferred inflows of resources - OPEB			(2,592)
Change in net position - GAAP			\$ (36,727)

McDowell County, North Carolina

Enterprise Fund - Water Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenue:			
Charges for services:			
Water sales	\$ 96,000	\$ 110,101	\$ 14,101
New customers	1,100	-	(1,100)
Tap fees	1,900	5,400	3,500
Miscellaneous	1,500	3,240	1,740
Total operating revenue	100,500	118,741	18,241
Nonoperating revenue:			
Investment earnings	-	1,774	1,774
Total nonoperating revenue	-	1,774	1,774
Total revenues	100,500	120,515	20,015
Expenditures:			
Operating:			
Water purchase		57,053	
Maintenance and equipment		22,694	
Total expenditures	100,500	79,747	20,753
Revenues over expenditures	-	40,768	40,768
Other financing sources (uses):			
Installment purchase obligation issued	450,000	450,000	-
Transfer to Stacey Hill Water Line Project	(450,000)	(450,000)	-
Total other financing sources	-	-	-
Revenues and other financing sources (uses) over expenditures	\$ -	\$ 40,768	\$ 40,768
Reconciliation from budgeting basis (modified accrual) to full accrual:			
Revenues and other financing sources (uses) over expenditures			\$ 40,768
Installment purchase obligation issued			(450,000)
Depreciation			(112,362)
Capital contribution			85,900
Change in net position - GAAP			\$ (435,694)

McDowell County, North Carolina

Internal Service Fund - Self-Insurance Fund

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

Year Ended June 30, 2018

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenue:			
Charges for services:			
Employee contributions	\$ 335,000	\$ 336,601	\$ 1,601
Employer contributions	3,400,640	3,390,440	(10,200)
Stop loss	1,054,643	909,880	(144,763)
Cobra payments	16,000	18,859	2,859
Total revenues	4,806,283	4,655,780	(150,503)
Expenditures:			
Employee benefits:			
Claims	4,184,783	3,732,510	452,273
Life insurance	19,600	19,414	186
Fees	601,900	591,610	10,290
Total expenditures	4,806,283	4,343,534	462,749
Revenues over expenditures	\$ -	312,246	\$ 312,246
Net position, beginning of year		387,698	
Net position, end of year		\$ 699,944	

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Social Services Fund:</u>				
<u>Assets</u>				
Cash	\$ 34,738	\$ 154,572	\$ 160,429	\$ 28,881
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 34,738	\$ 154,572	\$ 160,429	\$ 28,881
<u>Fines and Forfeitures Fund:</u>				
<u>Assets</u>				
Cash	\$ -	\$ 214,897	\$ 214,897	\$ -
Accounts receivable - other governments	14,678	14,796	14,678	14,796
Total	\$ 14,678	\$ 229,693	\$ 229,575	\$ 14,796
<u>Liabilities</u>				
Due to other governments	\$ 14,678	\$ 229,693	\$ 229,575	\$ 14,796
<u>Motor Vehicle Tax Fund:</u>				
<u>Assets</u>				
Cash	\$ 223	\$ 219,275	\$ 219,471	\$ 27
Accounts receivable - other governments	22,809	21,387	22,809	21,387
Total	\$ 23,032	\$ 240,662	\$ 242,280	\$ 21,414
<u>Liabilities</u>				
Due to other governments	\$ 23,032	\$ 240,662	\$ 242,280	\$ 21,414
<u>Inmates Fund:</u>				
<u>Assets</u>				
Cash	\$ 10,527	\$ 359,377	\$ 360,046	\$ 9,858
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 10,527	\$ 359,377	\$ 360,046	\$ 9,858
<u>Employee Sec 125 Fund:</u>				
<u>Assets</u>				
Cash	\$ -	\$ 40,457	\$ 40,457	\$ -
Accounts receivable - other	4,235	1,313	4,235	1,313
Total	\$ 4,235	\$ 41,770	\$ 44,692	\$ 1,313
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 4,235	\$ 41,770	\$ 44,692	\$ 1,313

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities - continued

Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Tax Penalty Schools Fund:</u>				
<u>Assets</u>				
Cash	\$ -	\$ 27,105	\$ 27,105	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 27,105	\$ 27,105	\$ -
<u>DMV Operations Fund:</u>				
<u>Assets</u>				
Cash	\$ -	\$ 3,526,442	\$ 3,526,442	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 3,526,442	\$ 3,526,442	\$ -
<u>Rescue Squad Billing Fund:</u>				
<u>Assets</u>				
Cash	\$ 1,144	\$ 272,775	\$ 272,948	\$ 971
<u>Liabilities</u>				
Due to other governments	\$ 1,144	\$ 272,775	\$ 272,948	\$ 971
<u>Deed of Trust Fee Fund:</u>				
<u>Assets</u>				
Cash	\$ 545	\$ 5,643	\$ 5,671	\$ 517
<u>Liabilities</u>				
Due to other governments	\$ 545	\$ 5,643	\$ 5,671	\$ 517
<u>Deposit Trust Fund:</u>				
<u>Assets</u>				
Cash	\$ -	\$ 71,180	\$ -	\$ 71,180
<u>Liabilities</u>				
Miscellaneous liabilities	\$ -	\$ 71,180	\$ -	\$ 71,180
<u>Totals - All Agency Funds:</u>				
<u>Assets</u>				
Cash	\$ 47,177	\$ 4,891,723	\$ 4,827,466	\$ 111,434
Accounts receivable - other governments	37,487	36,183	37,487	36,183
Accounts receivable - other	4,235	1,313	4,235	1,313
Total	\$ 88,899	\$ 4,929,219	\$ 4,869,188	\$ 148,930
<u>Liabilities</u>				
Miscellaneous liabilities	\$ 49,500	\$ 626,899	\$ 565,167	\$ 111,232
Due to other governments	39,399	4,302,320	4,304,021	37,698
Total	\$ 88,899	\$ 4,929,219	\$ 4,869,188	\$ 148,930

McDowell County, North Carolina

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2018

Year of Levy	Uncollected Balance June 30, 2017	Additions	Collections and Adjustments	Uncollected Balance June 30, 2018
2017	\$ -	\$ 20,598,666	\$ 20,451,083	\$ 147,583
2016	143,420	-	60,935	82,485
2015	79,832	-	19,310	60,522
2014	71,713	-	12,018	59,695
2013	84,355	-	12,326	72,029
2012	77,674	-	10,772	66,902
2011	64,095	-	5,492	58,603
2010	77,493	-	7,172	70,321
2009	66,422	-	5,550	60,872
2008	59,623	-	4,175	55,448
2007	52,338	-	52,338	-
	\$ 776,965	\$ 20,598,666	\$ 20,641,171	734,460
Less allowance for uncollectable ad valorem taxes				(392,277)
Ad Valorem taxes receivable - net				\$ 342,183
Reconciliation with revenues:				
Taxes - Ad Valorem:				
General Fund				\$ 20,553,025
Releases				28,086
Discounts				102,489
Amounts written off for the 2007 levy per the statute of limitations				48,631
Others adjustments				1,009
				20,733,240
Less interest collected				(92,069)
Total collections and adjustments				\$ 20,641,171

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2018

	County-wide		Total Levy			
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
Original Levy:						
Property taxed at current year's rate	\$ 3,514,709,683	0.55	\$ 19,330,903	\$ 17,328,421	\$ 2,002,482	
Penalties	-		12,976	12,976	-	
Total	3,514,709,683		19,343,879	17,341,397	2,002,482	
Discoveries:						
Current year taxes	395,281,388	.55	2,174,049	2,174,049	-	
Prior year taxes	11,599,996	.55	63,800	63,800	-	
Penalties	-		2,761	2,761	-	
Total	406,881,384		2,240,610	2,240,610	-	
Abatements	(179,240,456)		(985,823)	(985,823)	-	
Total property valuation	\$ 3,742,350,611					
Net levy			20,598,666	18,596,184	2,002,482	
Uncollected taxes at June 30, 2018			147,583	145,282	2,301	
Current year's taxes collected			\$ 20,451,083	\$ 18,450,902	\$ 2,000,181	
Current levy collection percentage			99.28%	99.22%	99.89%	

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2018

Secondary Market Disclosures

Assessed Valuation

1 Assessment Ratio	100%
Real Property	\$ 2,732,151,004
Personal Property	782,980,011
2 Public Service Companies	227,219,596
Total Assessed Valuation	\$ 3,742,350,611
Tax Rate per \$100	0.55
3 Levy (includes discoveries and abatements)	\$ 20,598,666

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

Fire Protection and Rescue Districts	\$ 2,954,751
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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, 2018

Taxpayer	Type of Business	2018 Assessed Valuation	Percentage of Total Assessed Valuation
Duke Energy	Utility	\$ 319,504,855	8.54%
Baxter Healthcare	IV Solution	212,385,658	5.68%
CSX	Railroad	96,183,082	2.57%
IAC/Collins & Aikman Group	Manufacturing	34,848,001	0.93%
Baldor Electric Company	Manufacturing	31,968,391	0.85%
Rock-Tenn Packaging	Manufacturing	24,183,115	0.65%
Columbia Carolina	Manufacturing	20,261,876	0.54%
Norfolk Southern	Railroad	27,455,971	0.73%
Rutherford EMC	Utility	35,837,993	0.96%
Coats American / American Thread	Manufacturing	16,313,405	0.44%
Total		\$ 818,942,347	21.89%

McDowell County, North Carolina

Compliance Section

Year Ended June 30, 2018



**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, 2018, 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 7, 2018. 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. The 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. 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 7, 2018



**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, 2018. 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 federal and State statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 a 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 7, 2018



**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, 2018. 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 State statutes, regulations, and the terms and conditions of its State awards 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, 2018.

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 7, 2018

McDowell County, North Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA #	Name of Federal Program or Cluster
93.778	Medical Assistance Program (Title XIX – Medicaid) Cluster
93.558	Temporary Assistance For Needy Families (TANF) Cluster
93.658 and 93.659	Foster Care Title IV-E and Adoption Cluster

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2018

Dollar threshold to distinguish
between Type A and Type B Programs \$ 750,000

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) Cluster – State Appropriations
Foster Care Title IV-E and Adoption Cluster
Public School Building Capital Fund - Lottery Proceeds

McDowell County, North Carolina

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2018

Section II. Financial Statement Findings

None reported

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, 2018

Finding: 2016-002: Non-compliance with North Carolina General Statutes – Deficit Fund Balance.

Status: Finding reported in 2017 as 2017-002. Corrected in 2018.

Finding: 2017-001: Monitoring.

Status: Corrected.

Finding: 2017-002: Non-compliance with North Carolina General Statutes – Deficit Fund Balance.

Status: Corrected.

Finding: 2017-003: Monitoring and Non-Compliance with North Carolina General Statutes – Law Enforcement Officers Excluded from Benefit.

Status: Corrected

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2018

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards:					
U.S. Department of Agriculture:					
Passed through North Carolina Department of Health and Human Services, Division of Social Services:					
<u>SNAP Cluster:</u>					
Food and Nutrition Services Program	10.561		\$ 418,087	\$ -	-
Total SNAP Cluster			418,087	-	-
Total U.S. Department of Agriculture			418,087	-	-
U.S. Department of Justice:					
Passed through North Carolina Department of Crime Control and Public Safety, Governor's Crime Commission:					
2016 Project Cellerbrite	16.738	PROJ011901	7,951	-	-
Office of Justice Programs:					
Equitable Sharing	16.922		173,293	-	-
Justice Assistance Grant Bullet Proof Vest Program	16.607		8,573	-	-
Total U.S. Department of Justice			189,817	-	-
U.S. Department of Transportation:					
Passed through North Carolina Department of Natural and Cultural Resources, Division of Parks and Recreation:					
<u>Highway Planning and Construction Cluster:</u>					
Recreational Trail Program	20.219		100,000	-	-
Total Highway Planning and Construction Cluster			100,000	-	-
Total U.S. Department of Transportation			100,000	-	-
U.S. Department of Homeland Security:					
Passed through North Carolina Department of Public Safety:					
Emergency Performance Grant	97.042	EMA-2017 EP-00005	38,642	-	-
Total U.S. Department of Homeland Security			38,642	-	-
U.S. Department of Health and Human Services:					
<i>Health Care Financing Administration:</i>					
Passed through North Carolina Department of Health and Human Services:					
Division of Medical Assistance:					
<u>Medicaid Cluster:</u>					
Medical Assistance Program-Administration	93.778		* 1,173,562	-	-
Medical Assistance Program-Adult Care					
Home Case Management	93.778		* 22,043	9,644	-
Total Medicaid Cluster			1,195,605	9,644	-
Division of Medical Assistance (NC Health Choice):					
State Children's Insurance Program –					
NC Health Choice – Administration	93.767		37,473	18	-
Total NC Health Choice			37,473	18	-
Passed through North Carolina Department of Insurance:					
SHIIP	93.324		5,505	-	-
Total SHIIP			5,505	-	-
Total Health Care Financing Administration			1,238,583	9,662	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2018

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
U.S. Department of Health and Human Services – continued:					
<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	93.044		\$ 17,337	\$ 83,003	\$ -
Part C – Nutrition Services	93.045		166,540	63,600	-
NSIP Supplement	93.053		52,217	-	-
Aging Cluster			236,094	146,603	-
Passed through North Carolina Department of Health and Human Services:					
Division of Aging and Adult Services:					
Senior Center General Purpose	N/A		-	10,938	-
Family Caregiver Support Program	93.052		23	337	-
Disease Prevention and Health Promotion Services	93.043		1,731	102	-
Total Division of Aging and Adult Services			1,754	11,377	-
<u>Subsidized Child Care Cluster:</u>					
Passed through North Carolina Department of Health and Human Services:					
<i>Administration for Children and Families:</i>					
<i>Child Care Development Fund Cluster:</i>					
Division of Social Services:					
Child Care Development Fund – Administration					
Division of Child Development:	93.596		66,667	-	66,667
Division of Child Development:					
Child Care and Development Fund – Discretionary	93.575		(14,280)	-	(14,280)
Child Care and Development Fund – TANF	93.575		(13,711)	-	(13,711)
Child Care and Development Fund – Mandatory	93.596		(1,072)	-	(1,072)
Child Care and Development Fund – Matching	93.596		33,490	16,585	50,075
Child Care Development Fund Cluster			71,094	16,585	87,679
Temporary Assistance for Needy Families	93.558		(2,279)	-	(2,279)
Smart Start Quality TANF MOE	N/A		-	14,668	14,668
Smart Start TANF Maintenance of Effort	N/A		-	(782)	(782)
Smart Start	N/A		-	29,166	29,166
Subsidized Child Care Cluster			68,815	59,637	128,452

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2018

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
U.S. Department of Health and Human Services – continued:					
Division of Social Services:					
Foster Care and Adoption Cluster:					
Title IV-E – Foster Care:					
Administrative	93.658		* \$ 368,261	\$ 36,091	\$ -
Direct Benefit Payments	93.658		* 474,506	131,284	-
Adoption Training	93.659		* 1,460	-	-
Adoption	93.659		* 4,865	-	-
Optional Adoption Training	93.659		* 2,866	-	-
Child Protective Services	N/A		*	118,750	-
Foster Care and Adoption Cluster			851,958	286,125	-
Low-Income Home Energy Assistance and Crisis					
Intervention Block Grant:					
Administration	93.568		32,194	-	-
Energy Assistance Payments	93.568		219,700	-	-
Crisis Intervention Program	93.568		205,984	-	-
Low-Income Home Energy Assistance			457,878	-	-
Passed through North Carolina Department of Health and Human Services:					
Work First/Temporary Assistance for Needy Families (TANF) Cluster:					
Special Children Adoption	93.558		* 116,400	-	-
Work First Benefits	93.558		* 406,178	-	-
Administration	93.558		* 217,124	-	-
Administration – Adoption Foster Care (TANF Share)	93.558		* 147,831	-	-
TANF Cluster			887,533	-	-
LINKS	93.674		31,281	3,762	-
Social Services Block Grant	93.667		672,887	-	-
Family Preservation	93.556		20,940	-	-
Child Welfare Services:					
Permanency Planning	93.645		6,295	-	-
Child Support Enforcement	93.563		302,588	-	-
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Passed through Vaya Health Local Management Entity					
Community Paramedicine Behavioral Health Crisis	93.959		2,543	-	-
Community Paramedicine Behavioral Health Crisis	93.958		2,543	-	-
Total Community Paramedicine			5,086	-	-
Total U.S. Department of Health and Human Services			4,781,692	517,166	128,452
Total Federal awards			5,528,238	517,166	128,452

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2018

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
State Awards:					
North Carolina Department of Health and Human Services:					
Division of Social Services:					
Soil Conservation			\$ -	\$ 23,200	\$ -
Child Welfare Services:					
Child Protective Services			-	158,395	-
Division of Health Service Regulation, NC Office of Emergency Management Services:					
Community Paramedic			-	70,000	-
Total North Carolina Department of Health and Human Services			-	251,595	-
North Carolina Department of Transportation:					
Elderly and Handicapped Transportation Assistance Program (EDTAP)		DOT-16CL	-	69,947	25,575
ROAP Employment		DOT-16CL	-	12,047	-
Total North Carolina Department of Transportation			-	81,994	25,575
North Carolina Department of Public Safety:					
Division of Emergency Management:					
Hazardous Materials Emergency Response Grant			-	1,000	-
Division of Youth Services:					
Juvenile Crime Prevention Council			-	129,005	152,433
Total North Carolina Department of Public Safety			-	130,005	152,433
North Carolina Department of Cultural Resources:					
State Aid to Libraries:					
Administration and Library Development			-	109,512	-
North Carolina Department of Administration:					
Division of Veterans Affairs:					
N.C. General Statute 165-6(9)			-	2,176	-
North Carolina Department of Commerce:					
Rural Economic Development Center:					
Building Reuse			-	64,180	-
North Carolina Department of Environmental Quality:					
Division of Environmental Assistance:					
Recycling Grant			-	14,631	-
North Carolina Department of Public Instruction:					
Public School Building Capital Fund – Lottery Proceeds			*	448,920	448,920
Total State awards			-	1,103,013	626,928
Total Federal and State awards			\$ 5,528,238	\$ 1,620,179	\$ 755,380

* Indicates major program

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2018

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, 2018. 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.

Note 3: Indirect Cost Rate

McDowell County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: 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.