

***MCDOWELL COUNTY, NORTH CAROLINA***

Independent Auditors' Report, Financial Statements,  
Management's Discussion and Analysis,  
Supplemental Information and Single Audit Reports  
For the Year Ended June 30, 2019

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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## MCDOWELL COUNTY, NORTH CAROLINA

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### County Officials June 30, 2019

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#### Board of Commissioners

David Walker	Chairperson
Tony G. Brown	Vice Chairperson
Lynn Greene	Member
Brenda Vaughn	Member
Barry McPeters	Member

#### Principal Officers

Ashley Wooten	County Manager
Fred Coats	Attorney
Ricky Buchanan	Sheriff
Tonia Hampton	Register of Deeds
Melissa Adams	Clerk of Court
Alison Bell	County Finance Officer
Lisa Sprouse	Social Services Director
Tammy Wylie	Tax Assessor

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**MCDOWELL COUNTY, NORTH CAROLINA****Table of Contents****June 30, 2019**

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<b><u>Exhibit</u></b>		<b><u>Page(s)</u></b>
	<b>Financial Section:</b>	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-13
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
1	Statement of Net Position	14
2	Statement of Activities	15
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	16
4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
7	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
8	Statement of Net Position - Proprietary Funds	21
9	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
10	Statement of Cash Flows - Proprietary Funds	23-24
11	Statement of Fiduciary Net Position - Fiduciary Fund	25
	Notes to the Financial Statements	26-77

---

**MCDOWELL COUNTY, NORTH CAROLINA**  
**Table of Contents - Continued**  
**June 30, 2019**

---

**Financial Section (continued):**

<u>Schedule</u>		<u>Page(s)</u>
	Required Supplemental Information:	
	Local Governmental Employees' Retirement System:	
1-1	Schedule of County's Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information	78
1-2	Schedule of County's Contributions - Required Supplementary Information	79
	Register of Deeds' Supplemental Pension Fund:	
1-3	Schedule of County's Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information	80
1-4	Schedule of County's Contributions - Required Supplementary Information	81
	Law Enforcement Officers' Special Separation Allowance:	
1-5	Schedule of Changes in Total Pension Liability	82
1-6	Schedule of Total Pension Liability as a Percentage of Covered Payroll	83
	Other Post Employment Benefits (OPEB):	
1-7	Schedule of Changes in the Net OPEB Liability and Related Ratios - Healthcare Benefits Plan	84
	Combining and Individual Fund Statements and Schedules:	
	Governmental Activities:	
2-1	Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund - Budget and Actual	85-94
2-2	Statement of Revenues, Expenditures and Changes in Fund Balances - Revaluation Fund - Budget and Actual	95
	Combining Statement for Non-major Funds:	
2-3	Combining Balance Sheet - Non-major Governmental Funds	96-99
2-4	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	100-103

---

**MCDOWELL COUNTY, NORTH CAROLINA**  
**Table of Contents - Continued**  
**June 30, 2019**

---

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

Special Revenue Funds:

3-1	Fire and Rescue Districts Fund	104-105
3-2	Emergency Telephone System Fund	106
4	Debt Service Fund	107

Capital Projects Funds:

5-1	School Capital Projects Fund	108
5-2	Courthouse Renovation and Addition Capital Project	109
5-3	Kate B. Reynolds Community Paramedic Expansion Project	110
5-4	Stacy Hill Water Line Project	111
5-5	Catawba River Greenway Phase III Project	112
5-6	Ethan Allen Building Reuse Project	113
5-7	Limekiln Creek Restoration Project	114
5-8	Catawba Falls Trail Improvements Project	115
5-9	Crane Resistoflex Building Reuse Project	116
5-10	Baxter Healthcare Project	117

Business-Type Activities:

6-1	Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP) Enterprise Fund - Waste Disposal Fund	118-119
6-2	Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP) Enterprise Fund - Water Fund	120
6-3	Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP) Enterprise Fund - Universal Fund	121
6-4	Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP) Enterprise Fund - Transportation Fund	122
6-5	Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP) Internal Service Fund - Self Insurance Fund	123

---

**MCDOWELL COUNTY, NORTH CAROLINA**  
**Table of Contents - Continued**  
**June 30, 2019**

---

7	Combining Statement of Assets, Liabilities and Net Position Agency Funds	124-126
	Other Schedules:	
8-1	Schedule of Ad Valorem Taxes Receivable	127
8-2	Analysis of Current Tax Levy - County-Wide Levy	128
8-3	Analysis of Current Tax Levy - Secondary Market Disclosures	129
8-4	Ten Largest Taxpayers	130

**Compliance Section:**

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 <u>Government Auditing Standards</u>	131-132
Independent Auditors' Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance Required By The Uniform Guidance And The State Single Audit Implementation Act	133-134
Independent Auditors' Report On Compliance For Each Major State Program And On Internal Control Over Compliance Required By The Uniform Guidance And The State Single Audit Implementation Act	135-136
Schedule of Findings and Responses	137-139
Corrective Action Plan	140
Schedule of Expenditures of Federal and State Awards	141-146

## **FINANCIAL SECTION**

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- **Independent Auditors' Report**
  - **Management's Discussion and Analysis**
  - **Basic Financial Statements**
  - **Notes to the Financial Statements**
  - **Required Supplemental Information**
  - **Combining and Individual Fund Statements and Schedules**
  - **Other Supplementary Financial Data**
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**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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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, 2019, and the related notes to the financial statements, which collectively comprise McDowell County, North Carolina's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of McDowell County Tourism Development Authority, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 the 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 other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, 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, 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, and the Other Postemployment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 4-13, and 78-84 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McDowell County, North Carolina's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2020 on our consideration of McDowell County, North Carolina'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 that 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 the effectiveness of McDowell County, North Carolina's 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, North Carolina's internal control over financial reporting and compliance.

*Lowmick Church & Co., L.L.P.*

Morganton, North Carolina  
January 6, 2020

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## **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, 2019. 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.

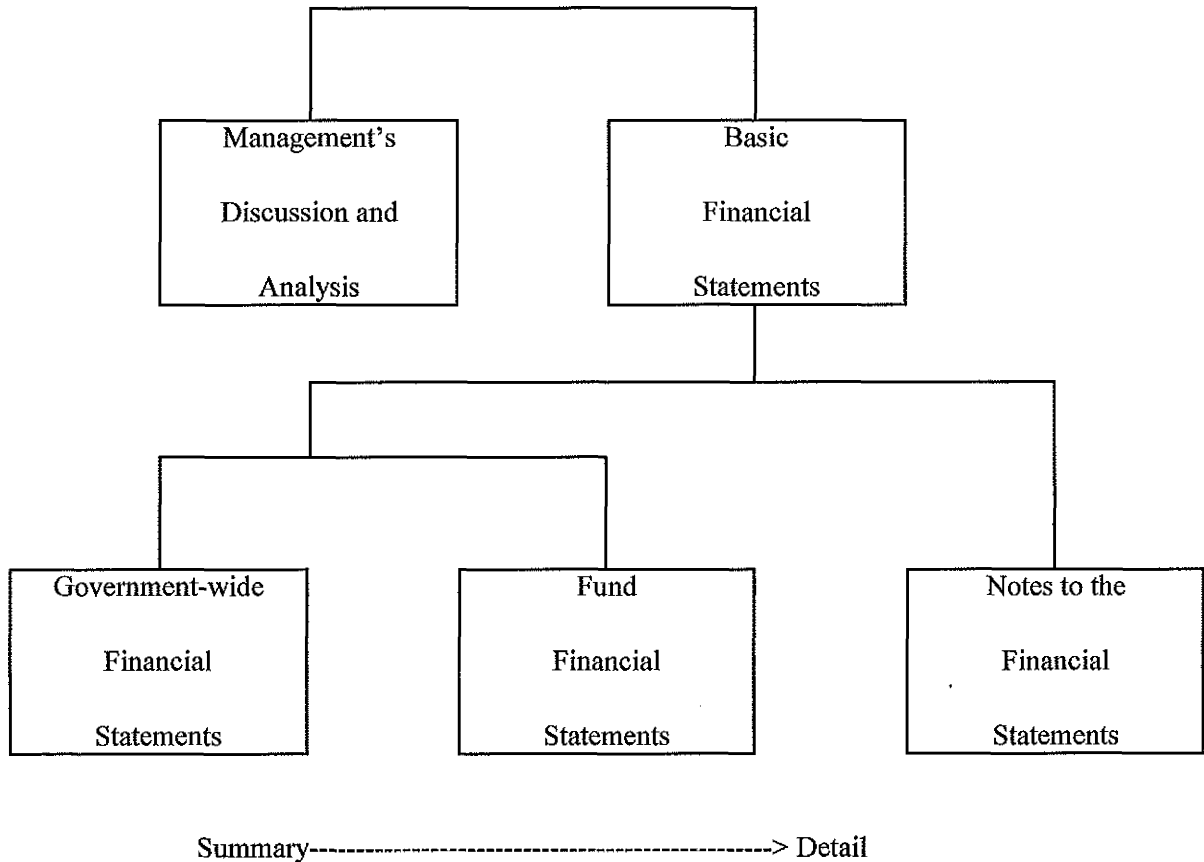
### **Financial Highlights**

- 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 \$40,250,697 (net position).
- The government's total net position increased by \$2,700,166, primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of \$23,641,331, a decrease from the prior year. Of this total amount, 58.2% or \$13,767,820, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,040,296 or 11.1% of total General Fund expenditures and transfers out for the fiscal year. Fund balance available for appropriation represents 15.28% 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 \$3,668,708 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.

**Required Components of Annual Financial Report**  
**Figure 1**



### **Basic Financial Statements**

The first two statements (pages 14 and 15) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short-term and long-term information about the County's financial status.

The next statements (pages 16 through 25) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Immediately following the notes, is the **Required Supplemental Financial Data**. This section contains funding information about the County's pension plans and other postemployment benefits.

Additional supplemental information is provided in the **Combining and Individual Fund Statements and Schedules**. This section provides details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

## Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

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 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 and the Transportation Fund to account for activity to provide transit services to its citizens. 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 monies 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, Universal Fund, and transit services provided by the Transportation Fund. 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 benefits provided to employees. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. McDowell County has ten fiduciary funds, 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 the 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 78 of this report.

## Government-Wide Financial Analysis

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

	McDowell County's Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$28,566,440	\$27,593,769	\$ 881,878	\$ 700,380	\$29,448,318	\$28,294,149
Capital assets	<u>28,754,432</u>	<u>23,607,253</u>	<u>13,224,070</u>	<u>11,858,044</u>	<u>41,978,502</u>	<u>35,465,297</u>
Total assets	<u>57,320,872</u>	<u>51,201,022</u>	<u>14,105,948</u>	<u>12,558,424</u>	<u>71,426,821</u>	<u>63,759,446</u>
Deferred outflows of resources	<u>4,073,310</u>	<u>2,519,677</u>	<u>72,974</u>	<u>44,194</u>	<u>4,146,284</u>	<u>2,563,871</u>
Long-term liabilities						
outstanding	29,749,236	24,247,194	2,328,305	2,474,153	32,077,541	26,721,347
Other liabilities	<u>2,463,949</u>	<u>1,535,842</u>	<u>433,682</u>	<u>169,829</u>	<u>2,897,631</u>	<u>1,705,671</u>
Total liabilities	<u>32,213,185</u>	<u>25,783,036</u>	<u>2,761,987</u>	<u>2,643,982</u>	<u>34,975,172</u>	<u>28,427,018</u>
Deferred inflows of resources	<u>343,177</u>	<u>341,389</u>	<u>4,057</u>	<u>4,379</u>	<u>347,234</u>	<u>345,768</u>
Net position:						
Net investment in capital assets	20,874,587	18,385,176	11,080,819	9,900,239	31,955,406	28,285,415
Restricted	13,784,987	15,457,922	-	-	13,784,987	15,457,922
Unrestricted	<u>(5,821,753)</u>	<u>(6,246,824)</u>	<u>332,057</u>	<u>54,018</u>	<u>(5,489,696)</u>	<u>(6,192,806)</u>
Total net position	<u>\$28,837,821</u>	<u>\$27,596,274</u>	<u>\$11,412,876</u>	<u>\$ 9,954,257</u>	<u>\$40,250,697</u>	<u>\$37,550,531</u>

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 \$40,250,697 as of June 30, 2019. The County's net position increased by \$2,700,166 for the fiscal year ended June 30, 2019. One of the largest portions, 79.39%, or \$31,955,406, 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, \$13,784,987, or 34.25%, 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 \$3,668,708 consisting of new borrowings totaling \$5,944,079 net of debt service payments totaling \$2,275,372.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 99.36%, slightly higher than the statewide average of 98.98%.

Following is a comparative summary of changes in net position:

McDowell County, North Carolina						
Changes in Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 6,915,067	\$ 5,470,503	\$ 2,526,163	\$ 2,060,967	\$ 9,441,230	\$ 7,531,470
Operating grants and contributions	7,694,079	7,687,442	-	14,631	7,694,079	7,702,073
Capital grants and contributions	2,983,355	492,787	1,509,625	-	4,492,980	492,787
General revenues:						
Property taxes	26,162,362	23,789,446	-	-	26,162,362	23,789,446
Other taxes	10,986,650	10,553,648	-	-	10,986,650	10,553,648
Grants and contributions not restricted to specific programs	-	285,091	-	-	-	285,091
Other	<u>2,189,571</u>	<u>500,904</u>	<u>13,339</u>	<u>10,884</u>	<u>2,202,910</u>	<u>511,788</u>
Total revenues	<u>56,931,084</u>	<u>48,779,821</u>	<u>4,049,127</u>	<u>2,086,482</u>	<u>60,980,211</u>	<u>50,866,303</u>
Expenses:						
General government	9,056,624	5,146,827	-	-	9,056,624	5,146,827
Public safety	16,578,708	14,758,032	-	-	16,578,708	14,758,032
Environmental protection	1,296,421	697,912	-	-	1,296,421	697,912
Economic and physical development	3,476,347	1,246,135	-	-	3,476,347	1,246,135
Human services	10,608,472	11,008,498	-	-	10,608,472	11,008,498
Cultural and recreational	1,268,579	1,249,647	-	-	1,268,579	1,249,647
Education	10,262,827	12,016,312	-	-	10,262,827	12,016,312
Other	1,292,549	-	-	-	1,292,549	-
Interest on long-term debt	469,745	318,272	-	-	469,745	318,272
Waste disposal	-	-	2,602,535	2,391,511	2,602,535	2,391,511
Water	-	-	221,646	192,109	221,646	192,109
Universal	-	-	570,995	530,426	570,995	530,426
Transportation	-	-	<u>574,594</u>	-	<u>574,594</u>	-
Total expenses	<u>54,310,272</u>	<u>46,441,635</u>	<u>3,969,770</u>	<u>3,114,046</u>	<u>58,280,042</u>	<u>49,555,681</u>
Increase (decrease) in net position before transfers	2,620,812	2,338,186	79,357	(1,027,564)	2,700,169	1,310,622
Transfers	<u>(1,379,263)</u>	<u>(481,336)</u>	<u>1,379,263</u>	<u>481,336</u>	-	-
Increase (decrease) in net position	<u>1,241,549</u>	<u>1,856,850</u>	<u>1,458,619</u>	<u>(546,228)</u>	<u>2,700,169</u>	<u>1,310,622</u>
Net position, beginning	27,596,274	28,381,817	9,954,257	10,479,053	37,550,531	38,860,870
Restatement	-	<u>(2,642,393)</u>	-	<u>21,432</u>	-	<u>(2,620,961)</u>
Net Position, beginning, restated	<u>27,596,274</u>	<u>25,739,424</u>	<u>9,954,257</u>	<u>10,500,485</u>	<u>37,550,531</u>	<u>36,239,909</u>
Net position, ending	<u>\$ 28,837,821</u>	<u>\$ 27,596,274</u>	<u>\$ 11,412,876</u>	<u>\$ 9,954,257</u>	<u>\$ 40,250,697</u>	<u>\$ 37,550,531</u>

**Governmental Activities.** Governmental activities increased the County's net position by \$1,241,549. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 99.36%.
- Increase in property tax revenues, local option sales tax revenue, and capital grants and contributions.

**Business-type Activities.** Business-type activities increased the County's net position by \$1,458,619. Key elements of this increase are as follows:

- Capital contributions of \$1,509,625 to the Water Fund.
- Transfer of \$1,379,263 from the General Fund.

### **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 \$5,688,332, while total fund balance reached \$11,784,671. 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 or greater than 18% of the prior year expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 15.28% of General Fund expenditures reduced by debt-financing and increased by transfers to other funds, while total fund balance represents 26.85% of that same amount.

At June 30, 2019, the governmental funds of McDowell County reported a combined fund balance of \$23,641,331 a .06% decrease from last year. The primary reason for the decrease is the decrease 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 \$2,370,183, including increases in grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of \$743,662.

**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 \$303,950, with a current year increase of \$102,433. The Water Fund had a balance of \$5,984,760 due to a current year increase of \$1,432,970. The Universal Fund had a balance of \$5,136,840 due to a current year decrease of \$64,110. And, the Transportation Fund had a deficit balance of \$12,674 due to a current year decrease of \$12,674.

## Capital Asset and Debt Administration

**Capital Assets.** McDowell County's capital assets for its governmental and business- type activities as of June 30, 2019, total \$41,978,502 (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 front loader for waste collection.
- Purchase of vehicles and equipment for public safety.
- Purchase of vehicles for human services.
- Purchase of medical emergency vehicle.
- Facility renovations for Register of Deeds.
- Purchase of land for EMS station.
- Courthouse renovations and addition.
- Water lines at Stacy Hill Road.
- Catawba River Greenway Phase III.

### June 30, 2019 and 2018

Figure 4

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 4,569,066	\$ 4,547,724	\$ 752,250	\$ 752,250	\$ 5,321,316	\$ 5,299,974
Land improvements	771,998	789,742	97,169	58,752	869,167	848,494
Buildings	8,873,028	8,643,464	1,770,060	1,811,465	10,643,088	10,454,929
Building improvements	5,558,033	5,525,218	3,535,874	3,768,342	9,093,907	9,293,560
Equipment	1,195,379	1,413,600	343,514	318,306	1,538,893	1,731,906
Infrastructure	-	-	6,529,626	5,058,237	6,529,626	5,058,237
Vehicles	1,387,640	1,136,728	192,067	1,282	1,579,707	1,138,010
Construction in progress	<u>6,399,289</u>	<u>1,550,777</u>	<u>3,510</u>	<u>89,410</u>	<u>6,402,799</u>	<u>1,640,187</u>
Total	<u>\$28,754,433</u>	<u>\$23,607,253</u>	<u>\$ 13,224,070</u>	<u>\$11,858,044</u>	<u>\$41,978,502</u>	<u>\$35,465,297</u>

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

**McDowell County's Outstanding Debt**  
**June 30, 2019 and 2018**

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Direct placement installment purchases payable	<u>\$19,857,082</u>	<u>\$16,007,845</u>	<u>\$2,143,251</u>	<u>\$2,323,780</u>	<u>\$22,000,333</u>	<u>\$18,331,625</u>

McDowell County's total debt increased by \$3,668,708 during the past fiscal year due to \$5,944,079 in new borrowings, net of principal payments of \$2,275,371.

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, on behalf of the McDowell County Schools, the County financed \$5,000,000 in February 2019 for the construction of Old Fort Elementary School. Included in the installment purchases payable is a contract for the County's participation in the community college's capital improvement project in the amount of \$74,810. 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 \$150,000 in McDowell House debt is backed by the full faith and credit of McDowell County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for McDowell County is \$288,696,697 at June 30, 2019. Additional information regarding McDowell County's long-term debt can be found in Note III of the basic financial statements.

#### **Economic Factors and Next Year's Budgets and Rates**

The McDowell County economy continues to hold steady. The unemployment rate is 4.3% (June 2019), while higher than June 2018, is still a low number. The unemployment rate is below the state average and is in line with other counties in the region.

The County did lose one major manufacturer in 2019, Ethan Allen. Approximately 325 workers lost their jobs when the company decided to consolidate operations at other facilities. The facility will remain in operation as a distribution center with a much smaller workforce.

The Board of Commissioners has authorized incentives for several companies during the year. These incentives will help local employers expand their workforce and increase the property value of their facilities.

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. There has also been some evidence of retail realignment with the closure of several small retailers such as Fred's and Hibbett's Sports. Competition from online retailers, such as Amazon, will continue to create challenges for brick and mortar retailers throughout the County.

Population growth remains steady and in the positive range, with McDowell County being one of the few counties in the region to experience positive net growth over the last ten years. Growth is predicted to continue over the next decennial.

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 Board of Commissioners and the School System initiated the construction of a new Old Fort Elementary during the year. This new facility is poised to accept additional growth that may occur due to Buncombe County spillover.

The extension of public utilities has long been a priority of McDowell County. The extension of a water main along Stacy Hill Road was completed during the year. The County will continue the permitting process for a water intake and treatment plant and will also seek to expand the distribution system.

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

The sale of the Mission Hospital System to HCA, Inc. was completed in December 2018. The real property became taxable for the 2019 tax year. There are 17 counties in North Carolina without a hospital. Fortunately, the County is home to a new facility that offers many services, including a birthing center, which is increasingly rare in rural North Carolina.

Overall, the economy of McDowell County is expected to grow in the next year and beyond due to several factors, but primarily because of the location (proximity to Asheville, as well as Interstate 40 access) as well as significant local public and private investment (water system expansion, new school construction, industrial expansion, new healthcare facilities, etc.).

#### **Budget Highlights for the Fiscal Year Ending June 30, 2020**

The 2019-2020 McDowell County budget was adopted by the Board of Commissioners without an increase to the property tax rate of 58.75 cents per \$100. The budget reflects growth in the property tax base due to the 2019 property revaluation and natural growth which equates to approximately \$2.7 million.

The approved budget will meet the County's debt service obligation. McDowell County did authorize additional debt in the 2019-2020 fiscal year in order to finance \$5 million for the Old Fort Elementary replacement project and public safety and human services' vehicles.

The fiscal year 2019-2020 budget reflects an increase in public education for McDowell County Public Schools by 2.6% to increase the teacher supplement and a 2.5% increase to McDowell Technical Community College.

The County continues to invest in County infrastructure and facilities by allocating funding for the renovation at the courthouse for the public defender office, the Stacy Hill Road water line debt repayment, and the building and grounds and park maintenance due to increased maintenance costs.

The County also continues to invest in economic development by funding several incentive payments for local companies including Baxter Healthcare, Beuchtel Stone, and Toolcraft, and creating a Trail Planning and Maintenance Fund to maintain current trails and to plan for future development.

#### **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

## **BASIC FINANCIAL STATEMENTS**

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**The Basic Financial Statements provide a condensed overview of the financial position and the results of operations of the County as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.**

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# MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 1

## Statement of Net Position June 30, 2019

	Primary Government			Component Unit
				McDowell County
				Tourism
				Development
	Governmental	Business-type	Total	Authority
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>		
Current assets:				
Cash and investments	\$ 14,237,375	\$ 609,229	\$ 14,846,604	\$ 384,322
Taxes receivables (net)	435,166	-	435,166	-
Other receivables (net)	1,796,922	225,726	2,022,648	-
Due from other governments	5,454,398	-	5,454,398	71,816
Inventories	61,914	-	61,914	-
Total current assets	<u>21,985,775</u>	<u>834,956</u>	<u>22,820,730</u>	<u>456,138</u>
Noncurrent assets:				
Restricted cash	6,519,973	46,923	6,566,896	-
Net pension asset	60,692	-	60,692	-
Total noncurrent assets	<u>6,580,665</u>	<u>46,923</u>	<u>6,627,588</u>	<u>-</u>
Capital assets:				
Land, non-depreciable improvements and construction in progress	10,968,355	755,760	11,724,115	-
Other capital assets, net of depreciation	17,786,077	12,468,310	30,254,387	9,168
Total capital assets	<u>28,754,432</u>	<u>13,224,070</u>	<u>41,978,502</u>	<u>9,168</u>
Total assets	<u>57,320,872</u>	<u>14,105,949</u>	<u>71,426,821</u>	<u>465,306</u>
<b>Deferred Outflows of Resources</b>	<u>4,073,310</u>	<u>72,974</u>	<u>4,146,284</u>	<u>24,722</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued expenses	2,463,949	386,759	2,850,708	18,963
Customer deposits	-	46,923	46,923	-
Total current liabilities	<u>2,463,949</u>	<u>433,682</u>	<u>2,897,631</u>	<u>18,963</u>
Long-term liabilities:				
Due within one year	2,294,798	377,744	2,672,542	-
Due in more than one year	27,454,438	1,950,561	29,404,999	64,879
Total noncurrent liabilities	<u>29,749,236</u>	<u>2,328,305</u>	<u>32,077,541</u>	<u>64,879</u>
Total liabilities	<u>32,213,185</u>	<u>2,761,987</u>	<u>34,975,172</u>	<u>83,842</u>
<b>Deferred Inflows of Resources</b>	<u>343,177</u>	<u>4,057</u>	<u>347,234</u>	<u>3,826</u>
<u>Net Position</u>				
Net investment in capital assets	20,874,587	11,080,819	31,955,406	9,168
Restricted for:				
Stabilization by State Statute	6,446,013	-	6,446,013	71,816
Register of Deeds	47,045	-	47,045	-
Register of Deeds' Pension Plan	79,081	-	79,081	-
Education	4,695,696	-	4,695,696	-
Human services	504,874	-	504,874	-
Cultural and recreational	154,573	-	154,573	-
Economic and physical development	39,540	-	39,540	-
Public safety	364,621	-	364,621	-
General government	1,453,544	-	1,453,544	-
Unrestricted	(5,821,753)	332,057	(5,489,696)	321,376
Total net position	<u>\$ 28,837,821</u>	<u>\$ 11,412,876</u>	<u>\$ 40,250,697</u>	<u>\$ 402,360</u>

(The accompanying notes are an integral part of the financial statements.)

# MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 2

## Statement of Activities For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		McDowell County	
					Governmental Activities	Business- type Activities	Tourism Development Authority	
Total								
Primary Government								
Governmental activities:								
General government	\$ 9,056,624	\$ 465,393	\$ 331,119	\$ 367,176	\$ (7,892,936)	\$ -	\$ (7,892,936)	
Public safety	16,578,708	6,015,919	551,908	-	(10,010,881)	-	(10,010,881)	
Economic and physical development	3,476,347	41,637	334,302	-	(3,100,408)	-	(3,100,408)	
Enviromental protection	1,296,421	-	24,270	-	(1,272,151)	-	(1,272,151)	
Human services	10,608,472	211,239	6,330,677	-	(4,066,556)	-	(4,066,556)	
Cultural and recreational	1,268,579	180,879	121,803	697,754	(268,143)	-	(268,143)	
Education	10,262,827	-	-	1,918,425	(8,344,402)	-	(8,344,402)	
Other	1,292,549	-	-	-	(1,292,549)	-	(1,292,549)	
Interest on long-term debt	469,745	-	-	-	(469,745)	-	(469,745)	
Total governmental activities	54,310,272	6,915,067	7,694,079	2,983,355	(36,717,771)	-	(36,717,771)	
Business-type activities:								
Waste disposal	2,602,535	1,500,526	-	-	-	(1,102,009)	(1,102,009)	
Water	221,646	142,126	-	1,509,625	-	1,430,105	1,430,105	
Universal	570,995	506,885	-	-	-	(64,110)	(64,110)	
Transportation	574,594	376,626	-	-	-	(197,968)	(197,968)	
Total business-type activities	3,969,770	2,526,163	-	1,509,625	-	66,018	66,018	
Total primary government	\$ 58,280,042	\$ 9,441,230	\$ 7,694,079	\$ 4,492,980	(36,717,771)	66,018	(36,651,753)	
Component Unit								
McDowell County Tourism Development Authorit	\$ 568,663	\$ -	\$ -	\$ -			\$ (568,663)	
General revenues:								
Taxes:								
Property taxes					26,162,362	-	-	
Local option sales tax					9,606,717	-	-	
Other taxes and licenses					1,379,933	-	591,010	
Permits and fees					370,322	-	-	
Unrestricted investment earnings					234,109	13,339	8,774	
Miscellaneous					1,585,140	-	370	
Transfers					(1,379,263)	1,379,263	-	
Total general revenues, special items and transfers					37,959,320	1,392,602	600,154	
Change in net position					1,241,549	1,458,619	31,491	
Net position, beginning					27,596,274	9,954,257	370,869	
Net position - ending					\$ 28,837,821	\$ 11,412,876	\$ 402,360	

(The accompanying notes are an integral part of the financial statements)

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# MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 3

## Balance Sheet Governmental Funds June 30, 2019

	Major Funds			Non-Major Funds	Total
	General	School	Courthouse	Other	Total
	Fund	Capital	Renovation and	Governmental	Governmental
<u>Assets</u>	<u>Fund</u>	<u>Projects Fund</u>	<u>Addition Project</u>	<u>Funds</u>	<u>Funds</u>
Cash and investments	\$ 7,606,530	\$ 4,604,091	\$ 848,307	\$ 146,786	\$ 13,205,714
Restricted cash	440,258	4,695,696	1,384,019	-	6,519,973
Taxes receivable - net	316,187	-	-	44,932	361,119
Accounts receivable - other government	3,914,032	760,282	-	780,084	5,454,398
Accounts receivable - EMS (net)	1,362,740	-	-	-	1,362,740
Accounts receivable - other	332,992	-	-	-	332,992
Inventories	61,914	-	-	-	61,914
Due from other funds	561,506	-	-	-	561,506
<b>Total assets</b>	<b>\$ 14,596,159</b>	<b>\$ 10,060,069</b>	<b>\$ 2,232,326</b>	<b>\$ 971,802</b>	<b>\$ 27,860,356</b>
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 1,170,298	\$ 386,477	\$ 334,171	\$ 132,691	\$ 2,023,637
Due to other funds	-	-	-	509,268	509,268
<b>Total liabilities</b>	<b>1,170,298</b>	<b>386,477</b>	<b>334,171</b>	<b>641,959</b>	<b>2,532,905</b>
<u>Deferred Inflows of Resources</u>	<u>1,641,191</u>	<u>-</u>	<u>-</u>	<u>44,932</u>	<u>1,686,123</u>
<u>Fund Balances</u>					
Nonspendable:					
Inventories	61,914	-	-	-	61,914
Restricted:					
Stabilization by State Statute	4,905,647	760,282	-	780,084	6,446,013
Register of Deeds	47,045	-	-	-	47,045
School capital	-	4,695,696	-	-	4,695,696
General government	69,525	-	1,384,019	-	1,453,544
Public Safety	364,621	-	-	-	364,621
Human Services	504,874	-	-	-	504,874
Cultural and recreation	103,173	-	-	51,400	154,573
Economic and physical development	39,540	-	-	-	39,540
Committed:					
Tax revaluation	21,850	-	-	-	21,850
Assigned:					
Debt service	-	-	-	9	9
General government	-	4,217,616	514,136	77,809	4,809,561
Public safety	626,186	-	-	-	626,186
Unassigned	5,040,296	-	-	(624,391)	4,415,905
<b>Total fund balances</b>	<b>11,784,671</b>	<b>9,673,594</b>	<b>1,898,155</b>	<b>284,911</b>	<b>23,641,331</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 14,596,159</b>	<b>\$ 10,060,069</b>	<b>\$ 2,232,326</b>	<b>\$ 971,802</b>	<b>\$ 27,860,356</b>

(The accompanying notes are an integral part of the financial statements.)

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**MCDOWELL COUNTY, NORTH CAROLINA****Exhibit 4****Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position  
June 30, 2019**

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Total governmental fund balances	\$ 23,641,331
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,754,432
Other long-term assets, primarily interest receivable from taxes are not available to pay for current period expenditures and are therefore deferred	74,047
Net pension asset	60,692
Deferred outflows of resources related to pensions are not reported in the funds	3,604,432
Deferred outflows of resources related to OPEB are not reported in the funds	468,878
Deferred inflows of resources for taxes and other receivables	1,626,743
Total pension liability	(916,385)
Net pension liability	(4,458,578)
Net OPEB liability	(3,662,036)
Deferred inflows of resources related to pensions are not reported in the funds	(72,627)
Deferred inflows of resources related to OPEB are not reported in the funds	(211,170)
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.	786,081
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(20,858,016)</u>
Net position of governmental activities.	<u>\$ 28,837,821</u>
<i>(The accompanying notes are an integral part of the financial statements.)</i>	

# MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 5

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2019

	Major Funds			Non-Major Funds	Total
	General	School	Courthouse	Other	Total
	Fund	Capital	Renovation and	Governmental	Governmental
		Projects Fund	Addition Project	Funds	Funds
<b>Revenues:</b>					
Ad valorem taxes	\$22,668,123	\$ -	\$ -	\$ 3,533,920	\$ 26,202,043
Local option sales taxes	6,823,165	2,783,552	-	-	9,606,717
Other taxes and licenses	1,379,933	-	-	-	1,379,933
Unrestricted intergovernmental revenues	284,581	-	-	-	284,581
Restricted intergovernmental revenues	6,734,739	1,918,425	-	1,739,689	10,392,853
Permits and fees	370,322	-	-	-	370,322
Sales and services	5,649,443	-	-	-	5,649,443
Investment earnings	144,432	90,307	-	(630)	234,109
Miscellaneous	511,180	25,307	-	2,009,805	2,546,292
Total revenues	<u>44,565,919</u>	<u>4,817,591</u>	<u>-</u>	<u>7,282,785</u>	<u>56,666,295</u>
<b>Expenditures:</b>					
Current:					
General government	5,648,114	-	-	23,600	5,671,714
Public safety	11,406,002	-	-	3,852,116	15,258,118
Environmental protection	1,075,783	-	-	-	1,075,783
Economic and physical development	1,266,923	-	-	2,175,503	3,442,426
Human Services	10,368,851	-	-	-	10,368,851
Cultural and recreational	1,105,890	-	-	-	1,105,890
Miscellaneous	1,292,549	-	-	-	1,292,549
Intergovernmental:					
Education	10,262,827	-	-	-	10,262,827
Capital outlay	-	3,963,165	4,417,466	2,107,452	10,488,083
Debt service	1,469,000	-	-	749,390	2,218,390
Total expenditures	<u>43,895,938</u>	<u>3,963,165</u>	<u>4,417,466</u>	<u>8,908,061</u>	<u>61,184,631</u>
Excess revenues over (under) expenditures	<u>669,981</u>	<u>854,426</u>	<u>(4,417,466)</u>	<u>(1,625,276)</u>	<u>(4,518,336)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers to other funds	(1,449,559)	(705,068)	-	(73,170)	(2,227,797)
Transfers from other funds	73,170	-	-	775,364	848,534
Installment purchase obligations issued	743,662	5,000,000	-	-	5,743,662
Total other financing sources (uses)	<u>(632,727)</u>	<u>4,294,932</u>	<u>-</u>	<u>702,194</u>	<u>4,364,399</u>
Net change in fund balances	37,254	5,149,358	(4,417,466)	(923,082)	(153,937)
Fund balances, beginning	<u>11,747,417</u>	<u>4,524,236</u>	<u>6,315,621</u>	<u>1,207,992</u>	<u>23,795,266</u>
Fund balances, ending	<u>\$ 11,784,671</u>	<u>\$ 9,673,594</u>	<u>\$ 1,898,155</u>	<u>\$ 284,911</u>	<u>\$ 23,641,331</u>

(The accompanying notes are an integral part of the financial statements.)

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**MCDOWELL COUNTY, NORTH CAROLINA****Exhibit 6****Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
June 30, 2019**

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

Net changes in fund balances - total governmental funds \$ (153,937)

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 additions exceeded depreciation in the current period. 5,187,179

Cost basis of capital assets sold during the year, not recognized  
on the modified accrual basis (40,000)

Contributions to the pension plan in the current fiscal year are not  
included on the Statement of Activities 963,533

Contributions and pension administration cost for OPEB are deferred outflows of  
resources on the Statement of Net Position 418,625

Benefit payments and administration cost for LEOSSA are deferred outflows of  
resources on the Statement of Net Position 48,892

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds 378,941

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. (3,849,237)

Net income of internal service fund, determined to be a government-type activity 86,137

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  
governmental funds. (1,798,584)

Total changes in net position of governmental activities \$ 1,241,549

*(The accompanying notes are an integral part of the financial statements.)*



# MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 7

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended June 30, 2019

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 22,501,935	\$ 22,567,935	\$ 22,668,123	\$ 100,188
Local option sales taxes	6,486,085	6,486,085	6,823,165	337,080
Other taxes and licenses	964,272	1,330,372	1,379,933	49,561
Unrestricted intergovernmental	135,000	274,000	284,581	10,581
Restricted intergovernmental	7,099,558	7,670,425	6,734,739	(935,686)
Permits and fees	223,750	248,828	370,322	121,494
Sales and services	4,551,345	5,244,008	5,649,443	405,435
Investment earnings	60,000	138,000	142,423	4,423
Miscellaneous	78,800	511,275	511,180	(95)
Total revenues	<u>42,100,745</u>	<u>44,470,928</u>	<u>44,563,910</u>	<u>92,982</u>
<b>Expenditures:</b>				
Current:				
General government	4,824,951	5,778,003	5,507,079	270,924
Public safety	10,276,106	12,312,722	11,406,002	906,720
Environmental protection	814,746	1,136,242	1,075,783	60,459
Economic and physical development	1,224,412	1,325,191	1,266,923	58,268
Human Services	11,191,947	12,234,211	10,368,851	1,865,360
Cultural and recreational	1,153,808	1,247,114	1,105,890	141,224
Miscellaneous	89,900	1,328,781	1,292,549	36,232
Intergovernmental:				
Education	10,281,534	10,281,544	10,262,827	18,717
Debt service	1,458,886	1,469,552	1,469,000	552
Total expenditures	<u>41,316,290</u>	<u>47,113,360</u>	<u>43,754,903</u>	<u>3,358,457</u>
Revenues over (under) expenditures	<u>784,455</u>	<u>(2,642,432)</u>	<u>809,007</u>	<u>3,451,439</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(1,319,455)	(1,604,097)	(1,604,096)	1
Transfers from other funds	-	35,000	73,170	38,170
Installment purchase obligations issued	-	743,662	743,662	-
Appropriated fund balance	535,000	3,467,867	-	(3,467,867)
Total other financing sources (uses)	<u>(784,455)</u>	<u>2,642,432</u>	<u>(787,264)</u>	<u>(3,429,696)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	21,743	<u>\$ 21,743</u>
Fund Balance, Beginning			11,741,078	
Fund Balance, Ending			11,762,821	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			2,009	
Expenditures			(141,035)	
Transfer from the General Fund			154,537	
Fund Balance, Beginning			6,339	
Fund Balance, Ending			<u>\$ 11,784,671</u>	

(The accompanying notes are an integral part of the financial statements.)

**MCDOWELL COUNTY, NORTH CAROLINA**

**Exhibit 8**

**Statement of Net Position  
Proprietary Funds  
June 30, 2019**

	<b>Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Waste Disposal Fund</b>	<b>Water Fund</b>	<b>Universal Fund</b>	<b>Transportation Fund</b>	<b>Total</b>	<b>Self Insurance Fund</b>
<b><u>Assets</u></b>						
Current assets:						
Cash	\$ 263,046	\$ 70,517	\$ 275,666	\$ -	\$ 609,228	\$ 1,031,661
Accounts receivable, net	111,575	13,244	219	100,688	225,726	48,953
Total current assets	374,621	83,760	275,885	100,688	834,955	1,080,614
Noncurrent assets:						
Restricted cash	-	22,806	24,117	-	46,923	-
Capital assets:						
Land and construction in process	-	3,510	752,250	-	755,760	-
Other capital assets, net of depreciation	454,237	6,242,022	5,772,050	-	12,468,310	-
Total capital assets	454,237	6,245,532	6,524,300	-	13,224,070	-
Total non current assets	454,237	6,268,338	6,548,417	-	13,270,993	-
Total assets	828,859	6,352,099	6,824,302	100,688	14,105,948	1,080,614
<b>Deferred Outflows of Resources</b>	72,974	-	-	-	72,974	-
<b><u>Liabilities</u></b>						
Current liabilities:						
Accounts payable/ accrued liabilities	176,355	7,033	90,009	113,362	386,759	294,533
Customer deposits	-	22,806	24,117	-	46,923	-
Current portion of long-term debt	68,577	112,500	196,667	-	377,744	-
Total current liabilities	244,932	142,339	310,793	113,362	811,425	294,533
Noncurrent liabilities:						
Compensated absences payable	9,911	-	-	-	9,911	-
Net pension liability	86,354	-	-	-	86,354	-
Total OPEB liability	58,789	-	-	-	58,789	-
Accrued landfill closure and postclosure care cost	30,000	-	-	-	30,000	-
Noncurrent portion of long-term debt	163,840	225,000	1,376,667	-	1,765,507	-
Total noncurrent liabilities	348,894	225,000	1,376,667	-	1,950,561	-
Total liabilities	593,826	367,339	1,687,460	113,362	2,761,986	294,533
<b>Deferred Inflows of Resources</b>	4,057	-	-	-	4,057	-
<b><u>Net Position</u></b>						
Net investment in capital assets	221,820	5,908,032	4,950,966	-	11,080,819	-
Unrestricted	82,129	76,727	185,874	(12,674)	332,057	786,081
Total net position	\$ 303,950	\$ 5,984,760	\$ 5,136,840	\$ (12,674)	\$ 11,412,876	\$ 786,081

*(The accompanying notes are in integral part of the financial statements.)*

**MCDOWELL COUNTY, NORTH CAROLINA**

**Exhibit 9**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>					<b>Internal Service Fund Self Insurance Fund</b>
	<b>Waste Disposal Fund</b>	<b>Water Fund</b>	<b>Universal Fund</b>	<b>Transportation Fund</b>	<b>Total</b>	
<b>Operating Revenues:</b>						
Charges for services	\$ 1,484,220	\$ 142,126	\$ 501,082	\$ 376,626	\$ 2,504,054	\$ 3,720,651
Other operating revenues	16,306	-	5,804	-	22,109	-
<b>Total operating revenues</b>	<u>1,500,526</u>	<u>142,126</u>	<u>506,885</u>	<u>376,626</u>	<u>2,526,163</u>	<u>3,720,651</u>
<b>Operating Expenses:</b>						
Salaries and benefits	249,613	-	-	446,292	695,905	-
Operating expenses	2,305,524	90,258	157,531	128,302	2,681,615	3,634,514
Depreciation	40,249	118,077	323,690	-	482,016	-
<b>Total operating expenses</b>	<u>2,595,386</u>	<u>208,335</u>	<u>481,221</u>	<u>574,594</u>	<u>3,859,536</u>	<u>3,634,514</u>
<b>Operating income (loss)</b>	<u>(1,094,860)</u>	<u>(66,209)</u>	<u>25,664</u>	<u>(197,969)</u>	<u>(1,333,373)</u>	<u>86,137</u>
<b>Nonoperating Revenues (Expenses):</b>						
Investment earnings	12,419	2,865	-	(1,945)	13,339	-
Interest expense	(7,149)	(13,311)	(89,774)	-	(110,234)	-
<b>Total nonoperating revenues (expense)</b>	<u>5,270</u>	<u>(10,447)</u>	<u>(89,774)</u>	<u>(1,945)</u>	<u>(96,897)</u>	<u>-</u>
<b>Total income (loss) before contributions and transfers</b>	<u>(1,089,590)</u>	<u>(76,656)</u>	<u>(64,110)</u>	<u>(199,914)</u>	<u>(1,430,269)</u>	<u>86,137</u>
Capital contributions	-	1,509,625	-	-	1,509,625	-
Transfer from other funds	1,192,023	-	-	187,240	1,379,263	-
<b>Change in net position</b>	<u>102,433</u>	<u>1,432,970</u>	<u>(64,110)</u>	<u>(12,674)</u>	<u>1,458,619</u>	<u>86,137</u>
Net position, beginning	201,517	4,551,790	5,200,950	-	9,954,257	699,944
<b>Net position, ending</b>	<u>\$ 303,950</u>	<u>\$ 5,984,760</u>	<u>\$ 5,136,840</u>	<u>\$ (12,674)</u>	<u>\$11,412,876</u>	<u>\$ 786,081</u>

*(The accompanying notes are in integral part of the financial statements.)*

**MCDOWELL COUNTY, NORTH CAROLINA**

**Exhibit 10**  
**Page 1 of 2**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Waste Disposal Fund</b>	<b>Water Fund</b>	<b>Universal Fund</b>	<b>Transportation Fund</b>	<b>Total</b>	<b>Self Insurance Fund</b>
<b>Cash Flows From Operating Activities:</b>						
Cash received from customers	\$ 1,507,805	\$ 138,795	\$ 506,692	\$ 275,938	\$ 2,429,230	\$ 3,908,742
Cash paid for goods and services	(2,223,185)	(90,960)	(92,037)	(14,940)	(2,421,122)	(3,575,225)
Cash paid to or on behalf of employees	(244,035)	-	-	(446,292)	(690,327)	-
Customer deposits received	-	3,360	-	-	3,360	-
Net cash provided (used) by operating activities	<u>(959,415)</u>	<u>51,195</u>	<u>414,655</u>	<u>(185,294)</u>	<u>(678,859)</u>	<u>333,517</u>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Capital contributions	-	1,509,625	-	-	1,509,625	-
Transfers from other funds	<u>1,192,023</u>	<u>-</u>	<u>-</u>	<u>187,240</u>	<u>1,379,263</u>	<u>-</u>
Net cash provided (used) by noncapital activities	<u>1,192,023</u>	<u>1,509,625</u>	<u>-</u>	<u>187,240</u>	<u>2,888,888</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchase of property and equipment	(236,185)	(1,509,625)	(102,233)	-	(1,848,043)	-
Proceeds of long-term debt	200,418	-	-	-	200,418	-
Repayment of long-term debt	(71,781)	(112,500)	(196,666)	-	(380,947)	-
Interest paid	<u>(7,149)</u>	<u>(13,311)</u>	<u>(89,774)</u>	<u>-</u>	<u>(110,234)</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>(114,697)</u>	<u>(1,635,436)</u>	<u>(388,673)</u>	<u>-</u>	<u>(2,138,806)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>						
Investment earnings	<u>12,419</u>	<u>2,865</u>	<u>-</u>	<u>(1,945)</u>	<u>13,339</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>12,419</u>	<u>2,865</u>	<u>-</u>	<u>(1,945)</u>	<u>13,339</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	130,330	(71,751)	25,982	-	84,562	333,517
Cash and cash equivalents at beginning of year	<u>132,716</u>	<u>165,073</u>	<u>273,798</u>	<u>-</u>	<u>571,587</u>	<u>698,144</u>
Cash and cash equivalents at end of year	<u>\$ 263,046</u>	<u>\$ 93,323</u>	<u>\$ 299,783</u>	<u>\$ -</u>	<u>\$ 656,151</u>	<u>\$ 1,031,661</u>

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

Exhibit 10, cont.  
Page 2 of 2

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Waste Disposal Fund</b>	<b>Water Fund</b>	<b>Universal Fund</b>	<b>Transportation Fund</b>	<b>Total</b>	<b>Self Insurance Fund</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ (1,094,860)	\$ (66,209)	\$ 25,664	\$ (197,969)	\$ (1,333,373)	\$ 86,137
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	40,249	118,077	323,690	-	482,016	-
Provision for uncollectible accounts	48,223	-	-	-	48,223	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(40,944)	(3,331)	(193)	(100,688)	(145,156)	188,091
(Increase) decrease in deferred outflows of resources - pensions	(24,732)	-	-	-	(24,732)	-
(Increase) decrease in deferred outflows of resources - OPEB	(4,048)	-	-	-	(4,048)	-
Increase (decrease) in deferred inflows of resources- pensions	(1,121)	-	-	-	(1,121)	-
Increase (decrease) in deferred inflows of resources - OPEB	799	-	-	-	799	-
Increase (decrease) in net pension liability	32,030	-	-	-	32,030	-
Increase (decrease) in accounts payable	82,339	(702)	65,494	113,362	260,493	59,289
Increase (decrease) in customer deposits	-	3,360	-	-	3,360	-
Increase (decrease) in compensated absences payable	3,643	-	-	-	3,643	-
Increase (decrease) in OPEB liability	(992)	-	-	-	(992)	-
Total adjustments	<u>135,446</u>	<u>117,404</u>	<u>388,991</u>	<u>12,674</u>	<u>654,515</u>	<u>247,380</u>
Net cash provided (used) by operating activities	<u>\$ (959,415)</u>	<u>\$ 51,195</u>	<u>\$ 414,655</u>	<u>\$ (185,294)</u>	<u>\$ (678,859)</u>	<u>\$ 333,517</u>

*(The accompanying notes are an integral part of the financial statements.)*

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**MCDOWELL COUNTY, NORTH CAROLINA****Exhibit 11****Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2019**

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**Agency  
Fund****Assets**

Cash and cash equivalents	\$ 164,986
Accounts receivable - other governments	249,139
Accounts receivable - other	<u>1,947</u>
Total assets	<u>416,071</u>

**Liabilities and Net Position**

Liabilities:	
Intergovernmental payable	258,038
Miscellaneous liabilities	<u>145,404</u>
Total liabilities	<u>403,442</u>
Net position	<u>\$ 12,630</u>

*(The accompanying notes are an integral part of the financial statements.)*

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## **NOTES TO THE FINANCIAL STATEMENTS**

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**These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.**

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### I. 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:

##### A. 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).

<u>Component Unit</u>	<u>Reporting Method</u>	<u>Criteria for Inclusion</u>	<u>Separate Financial Statements</u>
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 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.	McDowell County Tourism Development Authority 25 West Main St. Old Fort, NC 28762

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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**B. 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 the business-type activities of the County. Governmental activities are generally 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.

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 non-major 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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

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### Notes to the Financial Statements For the Year Ended June 30, 2019

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**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.

The County reports the following major enterprise funds:

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

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

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

**Transportation Fund** - This fund accounts for activity related to the operation of a transit system within McDowell 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 the 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; the Deposit Trust Fund, which accounts for deposits required for approved paving/road work and the Sales Tax Fund, which accounts for sales tax revenues that are received by the County for various municipalities and special districts within the County.

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

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue, because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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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.

#### **C. 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, 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 Projects Funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level within each department for all annually budgeted funds and at the object level for the multi-year funds.

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

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### **D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity**

##### **1. 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 and loan 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, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

##### **2. 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### 3. 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 153-A-150.

##### Governmental activities:

General Fund	Tax revaluation	\$ 21,850
General Fund	Unexpended debt proceeds	418,408
Courthouse Renovation and Addition Fund	Unexpended debt proceeds	1,384,019
School Capital Projects Fund	Unexpended Public School Building Funds	4,444,598
School Capital Projects Fund	ADM Account	<u>251,098</u>
Total governmental activities		<u>6,519,972</u>

##### Business-type activities:

Universal Fund	Customer deposits	24,117
Water Fund	Customer deposits	<u>22,806</u>
Total business-type activities		<u>46,923</u>

Total restricted cash		<u>\$ 6,566,896</u>
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#### 4. 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, 2018. 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.

#### 5. 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.

#### 6. 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 are allocated to expense as consumed.



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**MCDOWELL COUNTY, NORTH CAROLINA**

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**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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**7. 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. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 direct placement 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 the 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

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MCDOWELL COUNTY, NORTH CAROLINA

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Notes to the Financial Statements  
For the Year Ended June 30, 2019

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8. 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.

9. 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.

10. 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.

11. Net Position/Fund Balances

**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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### 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:

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

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

**Restricted for Stabilization by State Statute** - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute".

*Appropriated fund balance in any fund shall not exceed the sum of cash and investments, minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

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

**Restricted for General Government** - Portion of fund balance that is restricted by revenue source for the 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.

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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Restricted for Human Services - Portion of fund balance that is restricted by revenue source for social services and Senior Center purposes.

Restricted for Cultural and Recreational - Portion of fund balance that has been budgeted by the Board for the Limekiln Creek Restoration Project and for Library expenditures.

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 purposes imposed by majority vote of McDowell County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

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

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

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 Courthouse Renovation and Addition Project, School Capital Projects, and the Stacy Hill Waterline 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.

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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**12. 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 (LERS), 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 for all plans are reported at fair value.

**E. 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 \$5,196,490 consists of several elements as follows:

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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<u>Description</u>	<u>Amount</u>
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)	\$ 50,837,062
Less accumulated depreciation	<u>(22,082,629)</u>
Net capital assets	28,754,432
Net pension asset	60,692
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.	74,047
Deferred Outflows of Resources related to pensions and OPEB are not reported in the fund statements	4,073,310
Liabilities for deferred inflows of resources reported in the fund statements, but not in the government-wide.	1,626,743
Deferred inflows of resources related to pensions are not reported in the fund statements	(283,797)
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.	786,081
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	(19,857,082)
Compensated absences	(855,156)
Other post-employment benefits	(3,662,038)
Net pension liability	(4,458,578)
Total pension liability	(916,385)
Other long-term liabilities	<u>(145,780)</u>
Total adjustment	<u>\$ 5,196,490</u>

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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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 changes in fund balances — total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,395,486 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	\$ 6,789,166
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.	(1,601,987)
Cost of disposed capital assets not recorded in fund statements.	(40,000)
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.	(5,743,661)
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.	1,894,424
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	963,533
Benefit payments and administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position.	48,892
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position.	418,625
Interest expense accrued in the government-wide statements	(145,779)

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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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 net pension obligation (LEOSSA), accrued in the government-wide statements, but not in the fund statements. \$ 4,742

Difference in compensated absences, accrued in the government-wide statements, but not in the fund statements. (65,574)

Difference in other postemployment benefits, accrued in the government-wide statements, but not in the fund statements. 61,797

Pension expense (1,402,884)

OPEB expense (188,466)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in fund statements:

Decrease in long-term receivables, including interest receivable on delinquent taxes receivables. (29,681)

Increase in deferred inflows of resources. 346,202

Net income of internal service fund operated as a proprietary fund, but reported as a governmental type activity in the government-wide statements. 86,137

Total adjustment \$ 1,395,486



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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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**II. Stewardship, Compliance and Accountability**

**A. Significant Violations of Finance Related Legal and Contractual Provisions**

1. Excess of Expenditures Over Appropriations

Under State statutes, actual expenditures cannot exceed budgetary appropriations at any level for which the budget is formally approved. During the year ended June 30, 2019, expenditures exceeded budgetary appropriations as follows:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Tourism Development Authority	<u>\$572,047</u>	<u>\$573,280</u>	<u>\$1,233</u>

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

2. Deficit Fund Balances of Individual Funds

The following individual fund has a deficit fund balance at June 30, 2019: Transportation Fund (\$12,674). The deficit fund balance is expected to be recovered through revenues in the June 30, 2020 fiscal year.

**III. Detail Notes on All Funds**

**A. Assets**

1. 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.

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**MCDOWELL COUNTY, NORTH CAROLINA**

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**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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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, 2019, the County's deposits had a carrying amount of \$13,392,245 and a bank balance of \$14,248,576. Of the bank balance, \$1,082,830 was covered by federal depository insurance, and \$12,194,926 in interest bearing deposits and \$970,820 in non-interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2019, the County had \$8,049 cash on hand.

At June 30, 2019, the Authority's deposits had a carrying amount of \$384,272. The Authority maintains a petty cash fund of \$50.

**2. Investments**

At June 30, 2019, the County's investment balances were as follows:

<b><u>Investments by Type</u></b>	<b><u>Valuation Measurement Method</u></b>	<b><u>Fair Value at 6/30/2019</u></b>	<b><u>Less Than 6 Months Maturity</u></b>	<b><u>Rating</u></b>
N. C. Capital Management Trust: - Government Portfolio	Fair Value Level 1	\$7,927,095	N/A	AAAm
N. C. Capital Management Trust - Term Portfolio*	Fair Value Level 1	<u>251,098</u>	.11 years	Unrated
Total		<u>\$8,178,193</u>		

\*As of June 30, 2019, the NCCMT Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

**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 within 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 and Poor's as of June 30, 2019.

**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 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.

### 3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forest land 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.

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.

<u>Year Levied</u>	<u>Taxes</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 283,641	\$ 71,715	\$ 355,356
2017	288,006	46,851	334,857
2018	312,525	22,676	335,201
2019	<u>432,360</u>	<u>-</u>	<u>432,360</u>
Total	<u>\$1,316,532</u>	<u>\$141,242</u>	<u>\$1,457,774</u>

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**MCDOWELL COUNTY, NORTH CAROLINA**

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**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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4. Receivables

Receivables at the government-wide level at June 30, 2019 were as follows:

	<b><u>Taxes and Related Accrued Interest</u></b>	<b><u>Due from Other Governments</u></b>	<b><u>Emergency Medical Service Accounts</u></b>	<b><u>Other Accounts</u></b>	<b><u>Total</u></b>
<b>Governmental Activities:</b>					
General	\$ 752,874	\$3,914,032	\$5,886,787	\$434,182	\$10,987,875
Other governmental	88,451	1,540,366	-	-	1,628,817
Total receivables	841,325	5,454,398	5,886,787	434,182	12,616,692
Allowance for doubtful accounts	(406,159)	-	(4,524,047)	-	(4,930,206)
Total-governmental activities	<u>\$ 435,166</u>	<u>\$5,454,398</u>	<u>\$1,362,740</u>	<u>\$434,182</u>	<u>\$ 7,686,486</u>
<b>Business-type Activities:</b>					
Waste disposal	\$ -	\$ -	\$ -	\$159,798	\$ 159,798
Water	-	-	-	13,244	13,244
Universal	-	-	-	219	219
Transportation	-	-	-	100,688	100,688
Total receivables	-	-	-	273,949	273,949
Allowance for doubtful accounts	-	-	-	(48,223)	(48,223)
Total-business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$225,726</u>	<u>\$ 225,726</u>

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

Local option sales tax	\$2,894,606
State and federal assistance	1,840,417
Other	719,375
Total	<u>\$5,454,398</u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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**5. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,547,724	\$ 61,342	\$ 40,000	\$ 4,569,066
Construction in progress	<u>1,550,777</u>	<u>4,848,512</u>	-	<u>6,399,289</u>
Total capital assets not being depreciated	<u>6,098,501</u>	<u>4,909,854</u>	<u>40,000</u>	<u>10,968,355</u>
Capital assets being depreciated:				
Building improvements	7,280,598	366,165	-	7,646,763
Buildings	19,275,204	571,505	-	19,846,709
Equipment	4,744,582	162,948	141,525	4,766,004
Land improvements	1,754,837	61,732	-	1,816,569
Vehicles	<u>5,226,791</u>	<u>716,962</u>	<u>151,092</u>	<u>5,792,662</u>
Total capital assets being depreciated	<u>38,282,012</u>	<u>1,879,312</u>	<u>292,617</u>	<u>39,868,707</u>
Less accumulated depreciation for:				
Building improvements	1,755,380	333,351	-	2,088,730
Buildings	10,631,740	341,942	-	10,973,681
Equipment	3,330,982	381,169	141,525	3,570,625
Land improvements	965,095	79,476	-	1,044,571
Vehicles	<u>4,090,063</u>	<u>466,049</u>	<u>151,092</u>	<u>4,405,022</u>
Total accumulated depreciation	<u>20,773,260</u>	<u>1,601,987</u>	<u>292,617</u>	<u>22,082,629</u>
Total capital assets being depreciated, net	<u>17,508,752</u>			<u>17,786,077</u>
Governmental activity capital assets, net	<u>\$23,607,253</u>			<u>\$28,754,432</u>

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

General government	\$ 280,359
Public safety	890,063
Economic and physical development	33,875
Environmental protection	87,079
Human services	169,881
Cultural and recreational	<u>140,730</u>
Total depreciation expense	<u>\$1,601,987</u>

# MCDOWELL COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2019

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Universal:				
Capital assets not being depreciated:				
Land	\$ 752,250	\$ -	\$ -	\$ 752,250
Total capital assets not being depreciated	<u>752,250</u>	<u>-</u>	<u>-</u>	<u>752,250</u>
Capital assets being depreciated:				
Buildings	2,070,246	-	-	2,070,246
Building improvements	4,767,707	10,108	-	4,777,814
Equipment	206,744	43,125	-	249,869
Infrastructure	302,948	-	-	302,948
Land improvements	40,500	49,000	-	89,500
Total capital assets being depreciated	<u>7,388,145</u>	<u>102,233</u>	<u>-</u>	<u>7,490,377</u>
Less accumulated depreciation for:				
Buildings	258,781	41,405	-	300,186
Building improvements	999,365	242,576	-	1,241,940
Equipment	113,843	29,600	-	143,444
Infrastructure	9,286	6,059	-	15,345
Land improvements	13,362	4,050	-	17,413
Total accumulated depreciation	<u>1,394,637</u>	<u>323,690</u>	<u>-</u>	<u>1,718,327</u>
Total capital assets being depreciated, net - Universal	<u>5,993,508</u>			<u>5,772,050</u>
Total capital assets, net - Universal	<u>6,745,758</u>			<u>6,524,300</u>
Waste Disposal:				
Capital assets being depreciated:				
Buildings	203,914	-	-	203,914
Equipment	448,139	35,767	-	483,906
Land improvements	199,869	-	-	199,869
Vehicles	477,765	200,418	-	678,183
Total capital assets being depreciated	<u>1,329,687</u>	<u>236,185</u>	<u>-</u>	<u>1,565,872</u>
Less accumulated depreciation for:				
Buildings	203,914	-	-	203,914
Equipment	222,734	24,083	-	246,817
Land improvements	168,255	6,532	-	174,787
Vehicles	476,483	9,634	-	486,116
Total accumulated depreciation	<u>1,071,386</u>	<u>40,249</u>	<u>-</u>	<u>1,111,635</u>
Total capital assets being depreciated, net - Waste	<u>258,301</u>			<u>454,237</u>

# MCDOWELL COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2019

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water:				
Capital assets not being depreciated:				
Construction in progress	\$ 89,410	\$ -	\$85,900	\$ 3,510
Total capital assets not being depreciated	<u>89,410</u>	<u>-</u>	<u>85,900</u>	<u>3,510</u>
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	5,606,905	1,595,525	-	7,202,430
Total capital assets being depreciated	<u>5,608,049</u>	<u>1,595,525</u>	<u>-</u>	<u>7,203,574</u>
Less accumulated depreciation for:				
Equipment	1,144	-	-	1,144
Infrastructure	842,330	118,077	-	960,407
Total accumulated depreciation	<u>843,474</u>	<u>118,077</u>	<u>-</u>	<u>961,551</u>
Total capital assets being depreciated, net - water	<u>4,764,575</u>			<u>6,242,023</u>
Total capital assets, net - water	<u>4,853,985</u>			<u>6,245,533</u>
Business-type activities capital assets, net	<u>\$11,858,044</u>			<u>\$13,224,070</u>

### 6. Construction Commitments

The government has three active construction projects as of June 30, 2019. At June 30, 2019, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
Old Fort Elementary	\$2,065,646	\$16,236,654
Courthouse Renovation and Addition Project	4,556,315	2,066,985
Catawba River Greenway Phase III Project	550,210	114,591
	<u>\$7,172,171</u>	<u>\$18,418,230</u>

### B. Liabilities

#### 1. Payables

Payables at the government-wide level at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$1,160,109	\$ 10,190	\$ 145,779	\$ -	\$ 1,316,078
Other governmental	853,339	294,533	-	-	1,147,872
Total governmental activities	<u>\$2,013,448</u>	<u>\$304,723</u>	<u>\$ 145,779</u>	<u>\$ -</u>	<u>\$ 2,463,949</u>
Business-type activities:					
Waste disposal	\$ 174,599	\$ -	\$ 1,756	\$ -	\$ 176,355
Water	29,227	-	612	-	29,839
Universal	98,521	-	15,606	-	114,127
Transportation	61,125	-	-	52,237	113,362
Total business-type activities	<u>\$ 363,472</u>	<u>\$ -</u>	<u>\$ 17,974</u>	<u>\$52,237</u>	<u>\$ 433,683</u>

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### 2. Pension Plan Obligations

##### a. Local Government Employees' Retirement System

*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, and one appointed by the State House of Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*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. 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 to retire 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 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.



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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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*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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$978,504 for the year ended June 30, 2019.

*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, 2019, the County reported a liability of \$4,544,933 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the County's proportion was 1.92%, which was an increase of .005% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

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**MCDOWELL COUNTY, NORTH CAROLINA**

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**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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For the year ended June 30, 2019, the County recognized pension expense of \$1,303,644. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 701,175	\$23,529
Change of assumptions	1,206,050	-
Net difference between projected and actual earnings on pension plan investments	623,884	-
Changes in proportion, and differences between, the County contributions and proportionate share of contributions	4,319	11,578
County contributions subsequent to the measurement date	<u>978,504</u>	<u>-</u>
Total	<b><u>\$3,513,932</u></b>	<b><u>\$35,107</u></b>

\$978,504 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30:</b>	
2020	\$ 1,210,823
2021	785,607
2022	142,293
2023	361,598
2024	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 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 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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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, 2017 valuation were based on the results of an actuarial experience study as of 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. 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

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.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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*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 7.00 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 one-percentage-point lower (6.00 percent), or one-percentage-point higher (8.00 percent) than the current value:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	<u>\$10,917,322</u>	<u>\$4,544,933</u>	<u>\$(779,936)</u>

*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.

b. Law Enforcement Officers' Special Separation Allowance

*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 0.85 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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>42</u>
Total	<u>48</u>

*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 in accordance 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 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.

*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 \$77,757 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, 2019, the County reported a total pension liability of \$916,385. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$86,551.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 46,991	\$ -
Changes of assumptions	37,899	34,411
County benefit payments and administrative expenditures paid subsequent to the measurement date	<u>48,892</u>	<u>-</u>
Total	<u>\$133,782</u>	<u>\$34,411</u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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The County paid \$48,187 in benefit payments and \$705 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2020	\$14,823
2021	14,823
2022	15,146
2023	5,597
2024	90
Thereafter	-

*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 3.64 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 (2.64 percent), or 1-percentage-point higher (4.64 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	<u>\$984,519</u>	<u>\$916,385</u>	<u>\$854,188</u>

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

Beginning balance	\$ 921,127
Service cost	43,181
Interest on the total pension liability	27,879
Difference between expected and actual experience in the measurement of the total pension liability	33,896
Changes of assumptions or other inputs	(31,941)
Benefit payments	<u>(77,757)</u>
Ending balance of the total pension liability	<u>\$ 916,385</u>

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.16 percent at June 30, 2017 to 3.64 percent at June 30, 2018.

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

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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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 as of December 31, 2014.

#### c. Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of the 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.

**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, 2019 were \$169,340 which consisted of \$143,878 from the County and \$25,462 from the law enforcement officers.

#### d. Deferred Compensation Plan

The County also 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 of \$16.67 per pay period. For the year ended June 30, 2019, contributions of \$14,278 were made to the Section 457 plan, which consisted of \$8,368 from the County and \$5,910 from employees. For the year ended June 30, 2019, contributions of \$282,020 were made to the 401(k) plan, which consisted of \$182,527 from the County and \$99,493 from employees.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### c. Registers of Deeds' Supplemental Pension Fund

*Plan Description.* McDowell County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of the 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 Senate, and one appointed by the State House of Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*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.

*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 \$3,322 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$60,692 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension asset was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was .366%, which was an decrease of .04% from its proportion measured as of June 30, 2017.



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**MCDOWELL COUNTY, NORTH CAROLINA****Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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For the year ended June 30, 2019, the County recognized pension expense of \$12,689. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 535	\$2,770
Change of assumptions	2,854	-
Net difference between projected and actual earnings on pension plan investments	9,674	-
Changes in proportion, and differences between, the County contributions and proportionate share of contributions	5,779	1,005
County contributions subsequent to the measurement date	<u>3,322</u>	<u>-</u>
Total	<u>\$22,164</u>	<u>\$3,775</u>

\$3,322 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2020	\$7,095
2021	3,618
2022	2,851
2023	1,503
2024	-
Thereafter	-

**Actuarial Assumptions.** The total pension liability in the December 31, 2017 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

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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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, 2017 valuation were based on the results of an actuarial experience study as of 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, 2019 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*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.

*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)	<u>\$(47,852)</u>	<u>\$(60,692)</u>	<u>\$(71,520)</u>

*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.

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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**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, 2018, 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 December 31, 2018, with an actuarial valuation date of December 31, 2017. 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:

	<u><b>LGERS</b></u>	<u><b>ROD</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
Proportionate Share of Net Pension Liability (Asset)	\$4,544,933	\$ (60,692)	\$ -	\$4,484,241
Proportion of the Net Pension Liability (Asset)	.192%	(0.366)%	n/a	
Total Pension Liability	\$ -	\$ -	\$916,385	\$ 916,385
Pension Expense	\$1,303,644	\$ 12,689	\$ 86,551	\$1,402,884

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u><b>LGERS</b></u>	<u><b>ROD</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 701,175	\$ 535	\$46,991	\$ 748,701
Changes of assumptions	1,206,050	2,854	37,899	1,246,803
Net difference between projected and actual earnings on pension plan investments	623,884	9,674	-	633,558
Changes in proportion, and differences between, County contributions and proportionate share of contributions	4,319	5,779	-	10,098
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	978,504	3,322	48,892	1,030,718
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	23,529	2,770	-	26,299
Changes of assumptions	-	-	34,411	34,411
Changes in proportion, and differences between, County contributions and proportionate share of contributions	11,578	1,005	-	12,583

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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g. Other Post-employment Benefits

Health Care 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 (the System), with a hire date prior to March 1, 2009 and have 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, 2018, 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	<u>121</u>
Total	<u>139</u>

**Total OPEB Liability**

The County's total OPEB liability of \$3,720,825 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2018 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	3.89 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### Changes in the Total OPEB Liability

Balance at July 1, 2018	<u>\$3,783,614</u>
Changes for the year:	
Service cost	105,189
Interest	130,186
Change of benefit terms	-
Differences between expected and actual experience	67,897
Changes of assumptions or other inputs	(110,414)
Benefit payments	<u>(255,647)</u>
Net changes	<u>(62,789)</u>
Balance at June 30, 2019	<u>\$3,720,825</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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 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 a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<b>1% Decrease (2.89%)</b>	<b>Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Total OPEB liability	<u>\$4,067,806</u>	<u>\$3,720,825</u>	<u>\$3,409,446</u>

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:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total pension liability	<u>\$3,321,072</u>	<u>\$3,720,825</u>	<u>\$4,188,480</u>

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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

For the year ended June 30, 2019, the County recognized OPEB expense of \$188,466. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 54,915	\$ 4,927
Changes of assumptions	-	209,634
Benefit payments and administrative costs made subsequent to the measurement date	<u>421,491</u>	<u>-</u>
Total	<u>\$476,406</u>	<u>\$214,561</u>

\$421,491 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease in the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2020	\$(46,909)
2021	(46,909)
2022	(46,909)
2023	(17,052)
2024	(1,867)
Thereafter	-

#### **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 (the 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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For the fiscal year ended June 30, 2019, the County made contributions to the State for death benefits of \$10,873. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.08% and 0.14% of covered payroll, respectively.

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/Inflows of Resources

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pensions/OPEB - difference between expected and actual experience	\$ 803,616	\$ 31,226
Pensions - difference between projected and actual investment earnings	633,558	-
Pensions - change in proportion, and difference between, employer contributions and proportionate share of contributions	10,098	12,583
Pensions/OPEB - change in assumptions	1,246,803	244,045
Contributions to pension plan subsequent to the measurement date (LGERS, ROD)	981,826	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	421,491	-
Benefit payments/administrative costs paid subsequent to the measurement date (LEOSSA)	48,892	-
Prepaid taxes not yet earned	-	59,380
Total	<u>\$4,146,284</u>	<u>\$ 347,234</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 59,380
Taxes receivable, net (General)	-	316,187
Taxes receivable, net (Special Revenue)	-	44,932
Other receivables (General)	-	267,125
EMS receivables (General)	-	998,499
Total	<u>\$ -</u>	<u>\$1,686,123</u>

#### 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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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 Office of \$50,000.

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

The McDowell County Health Care Benefit Plan is a self-funded program. It provides coverage to employees, retirees, covered dependents and eligible former employees. The total cost of health care coverage, including premiums for stop-loss coverage, administrative fees and claims paid, less amounts withheld from employees and reimbursed under stop-loss coverage, totaled \$3,353,022 for the year ended June 30, 2019. 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 2018-2019 was \$561,984. 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 materially adverse effect on the County's financial position.



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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### 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 in a direct placement for use by the 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 because the property is pledged as collateral for the debt. The County has entered into agreements with the 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 the installment purchase obligations related to these projects are as follows:

#### McDowell County Board of Education

- Direct placement 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. The property is pledged as collateral for the debt while the debt is outstanding. \$ 5,100,000

#### McDowell County Board of Education

- Direct placement installment purchase contract, executed in February 2019 for \$5,000,000 payable in 30 semiannual installments of \$166,667 plus interest at 3.65% for addition to the Old Fort Elementary School. The property is pledged as collateral for the debt while the debt is outstanding. 5,000,000

#### McDowell Technical Community College

- Direct placement 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. The property is pledged as collateral for the debt while the debt is outstanding. 74,810
- \$10,174,810

For McDowell County, the future minimum payments as of June 30, 2019, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 949,873	\$ 308,345
2021	924,937	280,044
2022	900,000	253,070
2023	900,000	226,540
2024	900,000	200,009
2025-2029	3,933,333	605,635
2030-2034	<u>1,666,667</u>	<u>169,488</u>
Total	<u>\$10,174,810</u>	<u>\$ 2,043,131</u>

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### 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

- Direct placement 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. \$ 58,683
- Direct placement 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. 198,821
- Direct placement 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. The property is pledged as collateral for the debt while the debt is outstanding. 257,510
- Direct placement 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. The property is pledged as collateral for the debt while the debt is outstanding. See Note G. 150,000
- Direct placement 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. 316,800
- Direct placement 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. 94,043
- Direct placement 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. 15,354
- Direct placement 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. 289,774
- Direct placement 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. 108,636
- Direct placement 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. 102,846
- Direct placement installment purchase contract, executed in February 2018 for \$81,552, payable in 8 semiannual installments of \$10,834, including interest at

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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2.70%, secured by DSS vehicles purchased.	\$ 61,992
• Direct placement 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.	1,983,521
• Direct placement installment purchase contract, executed in April 2018 for \$5,654,000, payable in 30 semiannual installments of \$188,467, plus interest at 3.60%, secured by real property.	5,277,067
• Direct placement installment purchase contract, executed in October 2018 for \$79,930, payable in 8 semiannual installments of \$10,663, including interest at 2.90%, secured by vehicles purchased.	70,439
• Direct placement installment purchase contract, executed in April 2019 for \$663,731 payable in 8 semiannual installments of \$88,105 including interest at 2.71%, secured by vehicles purchased.	663,731
	<u>\$9,649,215</u>

Business-Type Activities

• Direct placement 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.	\$ 786,667
• Direct placement 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.	786,667
• Direct placement 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.	337,500
• Direct placement installment purchase contract, executed in May 2018 for \$75,000, payable in 8 semiannual installments of \$9,997, including interest at 2.90%, secured by a baler.	57,052
• Direct placement installment purchase contract, executed in September 2018 for \$190,103, payable in 14 semiannual installments of \$25,052, including interest at 2.90%, secured by equipment purchased.	175,366
	<u>\$2,143,251</u>

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,344,924	\$ 302,771
2021	1,228,442	263,523
2022	1,096,404	226,439
2023	912,670	192,616
2024	592,453	164,931
2025-2029	2,786,267	546,556
2030-2034	<u>1,688,053</u>	<u>125,670</u>
Total	<u>\$ 9,649,215</u>	<u>\$1,822,505</u>

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 377,744	\$ 81,316
2021	378,283	67,441
2022	378,839	53,550
2023	221,719	40,634
2024	196,667	31,786
2025-2029	<u>590,000</u>	<u>44,501</u>
Total	<u>\$2,143,251</u>	<u>\$319,228</u>

#### Debt Related to Capital Activities

Of the total Governmental Activities debt listed, \$9,649,215 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$1,802,427.

# MCDOWELL COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2019

### Long-Term Obligations - Summary

At June 30, 2019, McDowell County had a legal debt margin of \$288,696,697. A summary of all long-term debt obligations presented in the government-wide statement of activities is as follows:

	Restated Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
<b>Governmental activities:</b>					
Direct placement installment purchases, including amortized call premium	\$ 16,007,845	\$ 5,743,661	\$ 1,894,424	\$19,857,082	\$2,294,798
Total pension liability (LEOSSA)	921,127	104,956	109,698	916,385	-
Compensated absences	789,580	562,914	497,340	855,154	-
Net pension liability (LGERS)	2,804,809	1,653,769	-	4,458,578	-
Net OPEB liability	3,723,833	-	61,797	3,662,036	-
Total governmental activities	<u>\$ 24,247,194</u>	<u>\$ 8,065,300</u>	<u>\$ 2,563,259</u>	<u>\$29,749,236</u>	<u>\$2,294,798</u>
<b>Business-type activities:</b>					
<b>Waste Disposal Fund</b>					
Direct placement installment purchases	\$ 103,780	\$ 200,418	\$ 71,781	\$ 232,417	\$ 68,577
Compensated absences	6,268	6,570	2,927	9,911	-
Net pension liability (LGERS)	54,324	32,030	-	86,354	-
Net OPEB liability	59,781	-	992	58,789	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
Total Waste Disposal Fund	<u>254,153</u>	<u>239,018</u>	<u>75,700</u>	<u>417,471</u>	<u>68,577</u>
<b>Water Fund</b>					
Direct placement installment purchases	450,000	-	112,500	337,500	112,500
Total Water Fund	<u>450,000</u>	<u>-</u>	<u>112,500</u>	<u>337,500</u>	<u>112,500</u>
<b>Universal Fund</b>					
Direct placement installment purchases	1,770,000	-	196,667	1,573,333	196,667
Total Universal Fund	<u>1,770,000</u>	<u>-</u>	<u>196,667</u>	<u>1,573,333</u>	<u>196,667</u>
Total business-type activities	<u>\$ 2,474,153</u>	<u>\$ 239,018</u>	<u>\$ 384,867</u>	<u>\$ 2,328,304</u>	<u>\$ 377,744</u>

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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### Closure and Postclosure Care Costs

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 cost of postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### 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, 2019 and reported for subsequent reimbursement.

#### Interfund Balances and Activity:

At June 30, 2019, interfund balances and activity are as follows:

<u>Receivable To</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	Catawba Falls Trail Improvements Project	\$100,000
General Fund	Catawba River Greenway Phase III Project	409,268
General Fund	Transportation Fund	52,237
		<u>\$561,505</u>

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, 2020.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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

Transfer from the General Fund to the Waste Disposal Fund to support the cost of services not recovered by user charges.	\$1,192,023
Transfer 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.	705,068
Transfer from Kate B. Reynolds Community Paramedic Expansion Project to the General Fund.	73,170
Transfer from the General Fund to the Stacy Hill Water Line Project to provide resources for the project.	57,503
Transfer from the General Fund to the Catawba River Greenway Phase III Project to provide resources for the project.	12,500
Transfer from the General Fund to the Emergency Telephone System Fund to cover disallowed costs by the 911 Board.	293
Transfer from the General Fund to the Transportation Fund to support the cost of services not recovered by user charges.	<u>187,240</u>
Total	<u>\$2,227,797</u>

#### **Transfers:**

Transfers at the government-wide level for the year ended June 30, 2019 included \$1,509,625 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### **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	\$11,784,671
Less:	
Inventories	61,914
Stabilization by State Statute	4,905,647
PEG channel	65,472
Register of Deeds	47,045
Asset forfeiture	148,574
Social Services	435,599
Senior Center	69,275
Cooperative extension	39,540
Tax revaluation	21,850
Jail	626,186
EMS	47,172
Fire	168,875
Library	103,173
Clerk of Court	4,053
Remaining fund balance	<u>\$ 5,040,296</u>

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.



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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### IV. 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 \$1,045,163 and \$80,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2019. 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 \$53,857 for the year ended June 30, 2019. 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, 2019. 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 \$86,292 for the year ended June 30, 2019.

##### 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.

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## **MCDOWELL COUNTY, NORTH CAROLINA**

### **Notes to the Financial Statements For the Year Ended June 30, 2019**

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#### **V. 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, Alleghaney, 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 Vaya Health. For the year ended June 30, 2019, 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, 2019, the County contributed \$382,111 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 MDEA. 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, 2019, the County contributed \$225,026 to the general operations of MDEA, including personnel costs.

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 \$27,676 in annual allocation to the Commission during the fiscal year ended June 30, 2019.

#### **VI. Related Party Transactions**

For the year ended June 30, 2019, 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### VII. 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. The 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.

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 187,029	\$ -
Medicaid	50,120,071	26,057,109
N. C. Health Choice	1,264,723	-
State/County Special Assistance to Adults	-	457,585
Foster Care Adoption Assistance	595,119	148,045
CWS Adoption Subsidy	<u>-</u>	<u>248,344</u>
Total	<u>\$52,166,942</u>	<u>\$ 26,911,083</u>

#### VIII. 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 monies.

##### 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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During the year ended June 30, 2019, payments of \$45,500 were made under the economic development incentive agreements described above. Potential future installment payments of three active agreements amount to \$164,500 for the year ending June 30, 2020. 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. The 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 of \$150,000, as of June 30, 2019. See related Note III 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 \$305,533 for the year ended June 30, 2019. Future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$146,941
2020	61,700
2021	30,085
2022	12,817
2023	<u>2,793</u>
Total	<u>\$254,336</u>

#### **IX. 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.

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## MCDOWELL COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2019

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#### **X. 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 69% of waste disposal revenue. Sales to this customer amounted to \$746,357 for the year ended June 30, 2019, with an account receivable balance of \$56,776 at June 30, 2019.

#### **XI. Use of Estimates**

The preparation of financial statements in conformity with accounting principals 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.

#### **XII. Subsequent Events**

Management has evaluated subsequent events through January 6, 2020, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

#### **XIII. Change in Accounting Principle**

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ended June 30, 2019. The implementation of the statement required the County to make changes to note disclosures related to debt.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**This section contains additional information required by generally accepted accounting principles**

- **Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) - Local Governmental Employees' Retirement System**
  - **Schedule of the County's Contributions - Local Governmental Employees' Retirement System**
  - **Schedule of the County's Proportionate Share of the Net Pension Liability(Asset) - Register of Deeds' Supplemental Pension Fund**
  - **Schedule of the County's Contributions - Register of Deeds' Supplemental Pension Fund**
  - **Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance**
  - **Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance**
  - **Schedule of Changes in the Net OPEB Liability and Related Ratios - Healthcare Benefits Plan**
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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 1-1****Schedule of County's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Local Governmental Employees' Retirement System**  
**Last Five Fiscal Years\***

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset) (%)	0.192%	0.187%	0.183%	0.181%	0.178%
County's proportionate share of the net pension liability (asset) (\$)	\$ 4,544,933	\$ 2,859,134	\$ 3,876,689	\$ 810,342	\$(1,050,472)
County's covered payroll	\$12,360,737	\$11,813,800	\$11,180,150	\$10,878,319	\$10,543,704
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.77%	24.20%	34.68%	7.45%	(9.96)%
Plan fiduciary net position as a percentage of the total pension liability	92.0%	94.18%	91.47%	98.09%	102.64%

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

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 1-2****Schedule of County's Contributions  
Required Supplementary Information  
Local Governmental Employees' Retirement System  
Last Five Fiscal Years**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 978,504	\$ 908,402	\$ 825,323	\$ 740,011	\$ 746,980
Contributions in relation to the contractually required contribution	<u>978,504</u>	<u>908,402</u>	<u>825,323</u>	<u>740,011</u>	<u>746,980</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$12,360,737	\$11,813,800	\$11,180,150	\$10,878,319	\$10,543,704
Contributions as a percentage of covered payroll	7.92%	7.69%	7.38%	6.8%	7.08%



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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 1-3****Schedule of County's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Registers of Deeds' Supplemental Pension Fund**  
**Last Five Fiscal Years\***

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset) (%)	0.366%	0.406%%	0.401%	0.380%	0.384%
County's proportionate share of the net pension liability (asset) (\$)	\$ (60,692)	\$ (69,385)	\$ (74,915)	\$ (88,019)	\$ (87,139)
County's covered-employee payroll	\$ 51,718	\$ 49,409	\$ 47,688	\$ 46,518	\$ 45,942
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(117.35)%	(140.43)%	(157.09)%	(189.21)%	(189.67)%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88

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

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 1-4****Schedule of County's Contributions  
Required Supplementary Information  
Register of Deeds' Supplemental Pension Fund  
Last Five Fiscal Years**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,322	\$ 3,373	\$ 3,532	\$ 3,274	\$ 3,039
Contributions in relation to the contractually required contribution	<u>3,322</u>	<u>3,373</u>	<u>3,532</u>	<u>3,274</u>	<u>3,039</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 51,718	\$ 49,409	\$ 47,688	\$ 46,518	\$ 45,942
Contributions as a percentage of covered-employee payroll	6.42%	6.83%	7.41%	7.04%	6.61%

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 1-5****Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
Last Two Fiscal Years**

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	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 921,127	\$ 820,318
Service cost	43,181	40,384
Interest on the total pension liability	27,879	30,461
Changes in benefit terms	-	-
Difference between expected and actual experience in the measurement of the total pension liability	33,896	31,422
Changes of assumptions and other inputs	(31,941)	60,867
Benefit payments	(77,757)	(62,325)
Other changes	-	-
	<hr/>	<hr/>
Ending balance of the total pension liability	<u>\$ 916,385</u>	<u>\$ 921,127</u>

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

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 1-6****Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
Last Two Fiscal Years**

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	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 916,385	\$ 921,127
Covered payroll	1,836,402	1,818,304
Total pension liability as a percentage of covered payroll	49.90%	50.66%

**Notes to Schedule:**

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

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 1-7****Schedule of Changes in the Net OPEB Liability and Related Ratios  
Healthcare Benefits Plan  
For the Year Ended June 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 105,189	\$ 113,747
Interest	130,186	115,633
Changes of benefit terms	-	-
Difference between expected and actual experience	67,897	(7,977)
Changes of assumptions	(110,414)	(194,840)
Benefit payments	<u>(255,647)</u>	<u>(167,887)</u>
Net change in total OPEB liability	(62,789)	(141,324)
Total OPEB liability, beginning	<u>3,783,614</u>	<u>3,924,938</u>
Total OPEB liability, ending	<u>\$3,720,825</u>	<u>\$3,783,614</u>
Covered payroll	\$4,901,134	\$4,901,134
Total OPEB liability as a percentage of covered payroll	75.92%	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>
2019	3.89%
2018	3.56%

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-1**

**Page 1 of 10**

**General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$22,341,245	\$22,539,664	\$ 198,419
Prior years	200,000	131,385	(68,615)
Discounts	(117,310)	(117,309)	1
Penalties and interest	144,000	114,384	(29,616)
Total	<u>22,567,935</u>	<u>22,668,123</u>	<u>100,188</u>
Local option sales tax:			
Article 39 one percent	3,418,068	3,612,914	194,846
Article 40 one-half percent	2,219,400	2,287,107	67,707
Article 42 one-half percent	288,637	339,201	50,564
Article 44 one-half percent	559,980	583,944	23,964
Total	<u>6,486,085</u>	<u>6,823,165</u>	<u>337,080</u>
Other taxes and licenses:			
Deed stamp excise tax	175,172	132,107	(43,065)
Real estate transfer tax	323,600	419,754	96,154
Scrap tire disposal tax	80,000	79,393	(607)
Occupancy tax	585,100	591,010	5,910
Cable franchise	166,000	157,390	(8,610)
Dog tax	500	280	(220)
Total	<u>1,330,372</u>	<u>1,379,933</u>	<u>49,561</u>
Unrestricted intergovernmental revenues:			
Payment in lieu of taxes	274,000	284,581	10,581
Total	<u>274,000</u>	<u>284,581</u>	<u>10,581</u>
Restricted intergovernmental revenues:			
State and federal grants:			
DSS	6,676,294	5,441,184	(1,235,110)
Medicaid Hold Harmless	-	309,109	309,109
State aid library	121,803	121,803	-
Senior Center - aging	491,831	431,769	(60,062)
Soil and water reimbursement	27,000	24,270	(2,730)
Veterans service	1,500	2,216	716
Juvenile Crime Prevention	136,505	136,505	-
EMA reimbursement	38,000	38,524	524
Other	70,000	116,161	46,161
Court facility fees	75,000	82,654	7,654
Officer fees	21,000	21,348	348
ABC profits for law enforcement	11,492	9,196	(2,296)
Total	<u>7,670,425</u>	<u>6,734,739</u>	<u>(935,686)</u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 2-1****Page 2 of 10**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues (continued):</b>			
Permits and fees:			
Building inspections	\$ 167,578	\$ 291,794	\$ 124,216
Sign revenue	1,750	1,290	(460)
Homeowners' recovery	2,000	770	(1,230)
Register of deeds:			
Acknowledgement and oath	12,000	10,257	(1,743)
Certificates and copies	42,000	43,683	1,683
Flood plain fees	16,000	15,488	(512)
Cultural resources	7,500	7,040	(460)
Total	<u>248,828</u>	<u>370,322</u>	<u>121,494</u>
 Sales and service:			
NCDMV fees	197,000	204,441	7,441
Tax mapping	300	175	(125)
Library fees	33,500	38,535	5,035
Rent -dialysis clinic	45,743	42,763	(2,980)
Rent - mental health building	26,556	27,220	664
Rent - Baldwin Ave - Isothermal	7,021	7,197	176
Rent - Baldwin Ave - ESC	25,456	21,540	(3,916)
Rent - soil and water	1,200	-	(1,200)
Tower rental	36,290	41,637	5,347
City of Marion reimbursement	112,000	112,726	726
Adoption fees	25,500	28,274	2,774
Canteen fees	165,000	126,798	(38,202)
Sheriff - fees	235,500	166,783	(68,717)
Jail - fees	105,000	103,279	(1,721)
Jail - lease	801,868	1,077,349	275,481
EMS collections	2,661,920	2,716,031	54,111
EMS Medicaid	268,500	260,467	(8,033)
Rescue Squad billing	39,900	38,279	(1,621)
Recreation program fees	98,750	43,082	(55,668)
Other	357,004	592,867	235,863
Total	<u>5,244,008</u>	<u>5,649,443</u>	<u>405,436</u>
 Investment earnings	<u>138,000</u>	<u>142,423</u>	<u>4,423</u>
 Miscellaneous	<u>511,275</u>	<u>511,180</u>	<u>(95)</u>
 Total revenues	<u>44,470,928</u>	<u>44,563,910</u>	<u>92,983</u>

cont.

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 2-1****Page 3 of 10**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures:</b>			
General government:			
Board of commissioners:			
Salaries and employee benefits	\$ 146,078	\$ 144,598	\$ 1,480
Operating expenditures	28,217	25,536	2,681
Total	<u>174,295</u>	<u>170,134</u>	<u>4,161</u>
Human resources:			
Salaries and employee benefits	162,600	162,223	377
Operating expenditures	<u>309,307</u>	<u>307,210</u>	<u>2,097</u>
Total	<u>471,907</u>	<u>469,433</u>	<u>2,474</u>
County administration:			
Salaries and employee benefits	136,449	133,945	2,504
Operating expenditures	<u>15,433</u>	<u>14,542</u>	<u>891</u>
Total	<u>151,882</u>	<u>148,487</u>	<u>3,395</u>
Finance:			
Salaries and employee benefits	432,110	429,735	2,375
Operating expenditures	<u>246,433</u>	<u>229,147</u>	<u>17,286</u>
Total	<u>678,543</u>	<u>658,881</u>	<u>19,662</u>
Tax - assessment:			
Salaries and employee benefits	361,945	352,413	9,533
Operating expenditures	<u>138,320</u>	<u>121,071</u>	<u>17,249</u>
Total	<u>500,265</u>	<u>473,483</u>	<u>26,782</u>
Tax collections:			
Salaries and employee benefits	238,776	238,273	503
Operating expenditures	<u>78,560</u>	<u>62,794</u>	<u>15,766</u>
Total	<u>317,336</u>	<u>301,067</u>	<u>16,269</u>
Legal	<u>26,821</u>	<u>25,844</u>	<u>977</u>
Board of elections:			
Salaries and employee benefits	177,175	177,127	48
Operating expenditures	<u>118,267</u>	<u>109,441</u>	<u>8,826</u>
Total	<u>295,442</u>	<u>286,567</u>	<u>8,875</u>
Register of deeds:			
Salaries and employee benefits	203,795	203,650	145
Operating expenditures	<u>322,960</u>	<u>284,800</u>	<u>38,160</u>
Total	<u>526,755</u>	<u>488,450</u>	<u>38,305</u>

cont.



**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-1**

**Page 4 of 10**

**General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued):</b>			
Clerk of court:			
Operating expenditures	\$ 8,735	\$ 6,582	\$ 2,153
Capital expenditures	1,888	(12)	1,900
Total	<u>10,623</u>	<u>6,570</u>	<u>4,053</u>
Garage:			
Salaries and employee benefits	121,249	117,966	3,283
Operating expenditures	<u>28,700</u>	<u>26,959</u>	<u>1,741</u>
Total	<u>149,949</u>	<u>144,925</u>	<u>5,024</u>
Facility maintenance:			
Salaries and employee benefits	548,987	548,373	614
Operating expenditures	1,194,909	1,176,753	18,156
Capital expenditures	<u>154,682</u>	<u>54,682</u>	<u>100,000</u>
Total	<u>1,898,578</u>	<u>1,779,808</u>	<u>118,770</u>
Information technology:			
Salaries and employee benefits	111,424	111,016	408
Operating expenditures	29,550	16,789	12,761
Capital expenditures	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total	<u>142,974</u>	<u>127,805</u>	<u>15,169</u>
Planning:			
Salaries and employee benefits	124,221	123,927	294
Operating expenditures	<u>11,050</u>	<u>7,568</u>	<u>3,482</u>
Total	<u>135,271</u>	<u>131,495</u>	<u>3,776</u>
DMV operations:			
Salaries and employee benefits	159,362	159,165	197
Operating expenditures	<u>138,000</u>	<u>134,964</u>	<u>3,036</u>
Total	<u>297,362</u>	<u>294,129</u>	<u>3,233</u>
Total general government	<u>5,778,003</u>	<u>5,507,079</u>	<u>270,924</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	3,128,403	3,128,138	265
Operating expenditures	576,380	523,302	53,078
Capital expenditures	<u>502,251</u>	<u>223,657</u>	<u>278,594</u>
Total	<u>4,207,034</u>	<u>3,875,097</u>	<u>331,937</u>
			cont.

# MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-1  
Page 5 of 10

## General Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued):</b>			
Jail:			
Salaries and employee benefits	\$ 1,026,214	\$ 1,006,817	\$ 19,397
Operating expenditures	1,253,587	1,154,087	99,500
Capital expenditures	10,000	8,960	1,040
Total	<u>2,289,801</u>	<u>2,169,865</u>	<u>119,936</u>
EMS:			
Salaries and employee benefits	2,322,520	2,317,661	4,859
Operating expenditures	587,871	563,089	24,782
Capital expenditures	424,384	199,998	224,386
Total	<u>3,334,775</u>	<u>3,080,748</u>	<u>254,027</u>
Emergency management:			
Salaries and employee benefits	160,883	160,634	249
Operating expenditures	115,143	79,623	35,520
Capital expenditures	22,960	22,808	152
Total	<u>298,986</u>	<u>263,064</u>	<u>35,922</u>
Community paramedic:			
Salaries and employee benefits	143,979	143,852	127
Operating expenditures	50,785	24,124	26,661
Total	<u>194,764</u>	<u>167,975</u>	<u>26,789</u>
Forest service	<u>76,202</u>	<u>55,705</u>	<u>20,497</u>
Emergency communication:			
Salaries and employee benefits	957,145	930,132	27,013
Operating expenditures	46,704	41,820	4,884
Capital expenditures	40,342	40,341	1
Total	<u>1,044,191</u>	<u>1,012,293</u>	<u>31,898</u>
Animal control:			
Salaries and employee benefits	127,028	126,536	492
Operating expenditures	125,390	79,594	45,796
Capital expenditures	900	-	900
Total	<u>253,318</u>	<u>206,130</u>	<u>47,188</u>
Building inspections:			
Salaries and employee benefits	241,632	241,373	259
Operating expenditures	52,019	39,208	12,811
Capital expenditures	5,000	-	5,000
Total	<u>298,651</u>	<u>280,580</u>	<u>18,071</u>

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-1  
Page 6 of 10**

**General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019**

<b>Expenditures (continued):</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
Medical examiner	\$ 49,000	\$ 39,350	\$ 9,650
Rescue squad billing	266,000	255,193	10,807
Total public safety	12,312,722	11,406,002	906,720
Environmental protection:			
Waste collections:			
Salaries and employee benefits	378,292	378,072	220
Operating expenditures	199,789	188,075	11,714
Capital expenditures	245,631	245,331	300
Total	823,712	811,478	12,234
Soil and water district technician:			
Salaries and employee benefits	42,887	42,536	351
Operating expenditures	9,160	6,538	2,622
Total	52,047	49,074	2,973
Soil and water conservation:			
Salaries and employee benefits	45,966	44,971	995
Operating expenditures	21,450	15,832	5,618
Total	67,416	60,803	6,613
Watershed commission	20,000	11,007	8,993
Water and sewer	173,067	143,421	29,646
Total environmental protection	1,136,242	1,075,783	60,459
Economic and physical development:			
Chamber of Commerce:			
McDowell	8,400	8,400	-
Old Fort	4,163	4,163	-
Total	12,563	12,563	-
Cooperative extension:			
Salaries and employee benefits	46,376	46,349	27
Operating expenditures	222,746	202,518	20,228
Total	269,122	248,867	20,255
			cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-1  
Page 7 of 10**

**General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued):</b>			
Isothermal planning commission:			
Isothermal operating expenditures	\$ 28,476	\$ 27,676	\$ 800
Total	<u>28,476</u>	<u>27,676</u>	<u>800</u>
 McDowell Economic Development Association:			
Salaries and employee benefits	89,494	89,494	-
Operating expenditures	134,479	127,532	6,947
Capital expenditures	8,000	8,000	-
Total	<u>231,973</u>	<u>225,026</u>	<u>6,947</u>
 Economic and industrial development	<u>211,010</u>	<u>179,511</u>	<u>31,499</u>
 Tourism Development Authority	<u>572,047</u>	<u>573,280</u>	<u>(1,233)</u>
 Total economic and physical development	<u>1,325,191</u>	<u>1,266,923</u>	<u>58,268</u>
 Human services:			
Health department	<u>382,111</u>	<u>382,111</u>	<u>-</u>
 Mental health	<u>67,856</u>	<u>67,856</u>	<u>-</u>
 Alcohol and substance abuse	<u>7,492</u>	<u>7,492</u>	<u>-</u>
 Juvenile Crime Prevention Council	<u>149,076</u>	<u>147,642</u>	<u>1,434</u>
 Social services:			
Administration:			
Salaries and employee benefits	5,575,516	5,460,442	115,074
Operating expenditures	2,119,393	1,031,294	1,088,099
Capital expenditures	119,931	97,430	22,501
Total	<u>7,814,840</u>	<u>6,589,166</u>	<u>1,225,674</u>
 Foster care	<u>1,220,000</u>	<u>937,794</u>	<u>282,206</u>
 Adoption assistance	<u>295,000</u>	<u>259,561</u>	<u>35,439</u>
 Crisis energy program	<u>241,118</u>	<u>225,819</u>	<u>15,299</u>
 TANF - county participation	<u>138,000</u>	<u>122,461</u>	<u>15,539</u>
 Medicaid - county participation	<u>2,000</u>	<u>1,249</u>	<u>751</u>

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-1**

**Page 8 of 10**

**General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued):</b>			
Special assistance	\$ 587,337	\$ 460,113	\$ 127,224
Aid to blind	2,000	1,922	78
General assistance	7,500	4,042	3,458
Total social services	<u>10,307,795</u>	<u>8,602,128</u>	<u>1,705,667</u>
Senior Center:			
Salaries and employee benefits	610,556	609,092	1,464
Operating expenditures	<u>679,325</u>	<u>540,208</u>	<u>139,117</u>
Total	<u>1,289,881</u>	<u>1,149,300</u>	<u>140,581</u>
Juvenile placement:			
Operating expenditures	<u>30,000</u>	<u>12,322</u>	<u>17,678</u>
Total human services	<u>12,234,211</u>	<u>10,368,851</u>	<u>1,865,361</u>
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	228,070	225,676	2,394
Operating expenditures	142,850	124,305	18,545
Capital expenditures	<u>1,500</u>	<u>38</u>	<u>1,462</u>
Total	<u>372,420</u>	<u>350,019</u>	<u>22,401</u>
Recreation - programs	<u>93,750</u>	<u>58,123</u>	<u>35,627</u>
Library:			
Salaries and employee benefits	534,377	481,286	53,091
Operating expenditures	220,256	191,383	28,873
Capital expenditures	<u>26,311</u>	<u>25,079</u>	<u>1,232</u>
Total	<u>780,944</u>	<u>697,748</u>	<u>83,196</u>
Total cultural and recreational	<u>1,247,114</u>	<u>1,105,890</u>	<u>141,224</u>
Miscellaneous:			
Carson House	25,000	25,000	-
City of Marion hold harmless	295,000	285,211	9,789
Family services	25,900	25,900	-
MACA	18,500	18,500	-
Freedom Ministries	4,500	4,500	-
McDowell Mission	15,000	15,000	-

cont.

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 2-1****Page 9 of 10**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (continued):</b>			
Health Coalition	\$ 10,000	\$ 10,000	\$ -
Event Center	20,000	20,000	-
Champion rent	19,468	19,468	-
July 4th - Marion and Old Fort	1,000	1,000	-
Other	248,200	227,998	20,202
Capital outlay	646,213	639,972	6,241
Total miscellaneous	<u>1,328,781</u>	<u>1,292,549</u>	<u>36,232</u>
<b>Education:</b>			
Public schools:			
Current expense	8,964,738	8,946,031	18,707
Capital outlay	51,890	51,890	-
McDowell Technical College:			
Current expense	1,045,163	1,045,163	-
Capital outlay	80,000	80,000	-
Building payments	139,753	139,743	10
Total education	<u>10,281,544</u>	<u>10,262,827</u>	<u>18,717</u>
<b>Debt service:</b>			
Board of elections	36,221	36,221	-
Building inspections	8,333	8,332	1
Emergency communication	10,605	10,605	-
Emergency medical services	266,828	266,827	1
Waste collections	39,698	39,697	1
Sheriff	172,652	172,104	548
DSS	32,331	32,331	-
Debt service fund	888,028	888,028	-
Other	14,856	14,855	1
Total debt service	<u>1,469,552</u>	<u>1,469,000</u>	<u>553</u>
 Total expenditures	 <u>47,113,360</u>	 <u>43,754,903</u>	 <u>3,358,458</u>
 Revenue over (under) expenditures	 <u>(2,642,432)</u>	 <u>809,007</u>	 <u>3,451,441</u>

cont.

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**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 2-1, cont.

Page 10 of 10

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Other Financing Sources (Uses):</b>			
Installment purchase obligations issued	\$ 743,662	\$ 743,662	\$ -
Transfers to:			
Special revenue fund	(294)	(293)	1
Capital project funds	(70,003)	(70,003)	-
Enterprise funds	(1,379,263)	(1,379,263)	-
Revaluation fund	(154,537)	(154,537)	-
Transfers from:			
Capital project funds	35,000	73,170	38,170
Fund balance appropriated	<u>3,467,867</u>	<u>-</u>	<u>(3,467,867)</u>
Total other financing sources (uses)	<u>2,642,432</u>	<u>(787,264)</u>	<u>(3,429,696)</u>
 Revenues and other financing sources over (under)			
expenditures and other financing uses	<u>\$ -</u>	21,743	<u>\$ 21,743</u>
 Fund balances:			
Beginning of year		<u>11,741,078</u>	
End of year		<u>\$11,762,821</u>	

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-2**

**Revaluation Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment earnings	\$ 2,100	\$ 2,009	\$ (91)
Total revenues	<u>2,100</u>	<u>2,009</u>	<u>(91)</u>
<b>Expenditures:</b>			
General government:			
Contract services	<u>156,637</u>	<u>141,035</u>	<u>15,602</u>
Total expenditures	<u>156,637</u>	<u>141,035</u>	<u>15,602</u>
Revenues over (under) expenditures	<u>(154,537)</u>	<u>(139,026)</u>	<u>15,511</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	<u>154,537</u>	<u>154,537</u>	<u>-</u>
Total other financing sources (uses)	<u>154,537</u>	<u>154,537</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	15,511	<u>\$ 15,511</u>
<b>Fund balances:</b>			
Beginning of year		<u>6,339</u>	
End of year		<u>\$ 21,850</u>	

**Note:** Since the Revaluation Fund is legally budgeted, the fund is consolidated into the General Fund for reporting purposes.



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## **COMBINING STATEMENTS FOR NON-MAJOR FUNDS**

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### ***Special Revenue Funds:***

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

### ***Debt Service Fund:***

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

### ***Capital Project Funds:***

- **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.
  - **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 N. C. Parks and Recreation Trust Fund, the N. C. Department of Environmental Quality Financial Assistance and local funds.
  - **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 N. C. 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 trailsystem to educate the youth of McDowell County, funded by the N. C. Clean Water Management Trust Fund.
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## COMBINING STATEMENTS FOR NON-MAJOR FUNDS

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### *Capital Project Funds:*

- **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.
  - **Crane Resistoflex 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 N. C. Department of Commerce Building Reuse Program, along with Company contribution funds.
  - **Baxter Healthcare 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 N. C. Department of Commerce Building Reuse Program, along with Company contribution funds.
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**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-3**

**Page 1 of 4**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2019**

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>
	<u>Fire and Rescue Districts</u>	<u>Emergency Telephone System</u>	<u>Total Non-Major Special Revenue Funds</u>	<u>Debt Service</u>
<b><u>Assets</u></b>				
Current assets:				
Cash and investments	\$ 11,126	\$ 6,442	\$ 17,568	\$ 9
Taxes receivable, net	44,932	-	44,932	-
Accounts receivable - other governments	32,652	24,677	57,330	-
<b>Total assets</b>	<b>\$ 88,711</b>	<b>\$ 31,119</b>	<b>\$ 119,830</b>	<b>\$ 9</b>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 43,779	\$ 6,828	\$ 50,607	\$ -
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>43,779</b>	<b>6,828</b>	<b>50,607</b>	<b>-</b>
Deferred inflows of resources	44,932	-	44,932	-
Fund balances:				
Restricted:				
Stabilization by State Statute	32,652	24,677	57,330	-
Cultural and recreational	-	-	-	-
Assigned:				
Debt service	-	-	-	9
General government	-	-	-	-
Unassigned	(32,652)	(386)	(33,038)	-
<b>Total fund balances</b>	<b>-</b>	<b>24,291</b>	<b>24,291</b>	<b>9</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 88,711</b>	<b>\$ 31,119</b>	<b>\$ 119,830</b>	<b>\$ 9</b>

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-3**

**Page 2 of 4**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2019**

	<b>Capital Project Funds</b>			
	<b>Kate B. Reynolds Community Paramedic Expansion Project</b>	<b>Stacy Hill Water Line Project</b>	<b>Catawba River Greenway Phase III Project</b>	<b>Ethan Allen Building Reuse Project</b>
<b><u>Assets</u></b>				
Current assets:				
Cash and investments	\$ -	\$ 77,809	\$ -	\$ -
Taxes receivable, net	-	-	-	-
Accounts receivable - other governments	-	-	622,754	-
Total assets	<u>\$ -</u>	<u>\$ 77,809</u>	<u>\$ 622,754</u>	<u>\$ -</u>
<b><u>Liabilities, Deferred Inflows, and Fund Balances</u></b>				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ 82,084	\$ -
Due to other funds	-	-	409,268	-
Total liabilities	<u>-</u>	<u>-</u>	<u>491,352</u>	<u>-</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	-	-	622,754	-
Cultural and recreational	-	-	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	77,809	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(491,352)</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>77,809</u>	<u>131,402</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ -</u>	<u>\$ 77,809</u>	<u>\$ 622,754</u>	<u>\$ -</u>

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 2-3

Page 3 of 4

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2019**

	Capital Project Funds			
	Limekiln Creek Restoration Project	Catawba Falls Trail Improvements Project	Crane Resistoflex Building Reuse Project	Baxter Healthcare Project
<b><u>Assets</u></b>				
Current assets:				
Cash and investments	\$ 51,400	\$ -	\$ -	\$ -
Taxes receivable, net	-	-	-	-
Accounts receivable - other governments	-	100,000	-	-
Total assets	<u>\$ 51,400</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	100,000	-	-
Total liabilities	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	-	100,000	-	-
Cultural and recreational	51,400	-	-	-
Assigned:				
Debt service	-	-	-	-
General government	-	-	-	-
Unassigned	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>51,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 51,400</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 2-3, cont.****Page 4 of 4**

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**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2019**

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	<b>Total Non-Major Capital Project Funds</b>	<b>Total Non-Major Governmental Funds</b>
<b><u>Assets</u></b>		
Current assets:		
Cash and investments	\$ 129,209	\$ 146,786
Taxes receivable, net	-	44,932
Accounts receivable - other governments	<u>722,754</u>	<u>780,084</u>
Total assets	<u>\$ 851,963</u>	<u>\$ 971,802</u>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 82,084	\$ 132,691
Due to other funds	<u>509,268</u>	<u>509,268</u>
Total liabilities	<u>591,352</u>	<u>641,959</u>
Deferred inflows of resources	<u>-</u>	<u>44,932</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	722,754	780,084
Cultural and recreational	51,400	51,400
Assigned:		
Debt service	-	9
General government	77,809	77,809
Unassigned	<u>(591,352)</u>	<u>(624,390)</u>
Total fund balances	<u>260,611</u>	<u>284,911</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 851,963</u>	<u>\$ 971,802</u>

**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 2-4

Page 1 of 4

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Non-Major Governmental Funds**

**For the Year Ended June 30, 2019**

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>
	<u>Fire and Rescue Districts</u>	<u>Emergency Telephone System</u>	<u>Total Non-Major Special Revenue Funds</u>	<u>Debt Service</u>
<b>Revenues:</b>				
Ad valorem taxes:				
Fire and rescue district taxes	\$ 3,533,920	\$ -	\$ 3,533,920	\$ -
Restricted intergovernmental revenues	-	296,135	296,135	44,322
Miscellaneous income	-	-	-	-
Investment earnings	-	(630)	(630)	-
Total revenues	<u>3,533,920</u>	<u>295,506</u>	<u>3,829,426</u>	<u>44,322</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Economic and physical development	-	-	-	-
Public safety	3,533,920	318,196	3,852,116	-
Debt service	-	-	-	749,390
Capital outlay	-	-	-	-
Total expenditures	<u>3,533,920</u>	<u>318,196</u>	<u>3,852,116</u>	<u>749,390</u>
Revenues over (under) expenditures	<u>-</u>	<u>(22,690)</u>	<u>(22,690)</u>	<u>(705,068)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	293	293	705,068
Total other financing sources (uses)	<u>-</u>	<u>293</u>	<u>293</u>	<u>705,068</u>
Net change in fund balance	-	(22,397)	(22,397)	-
Fund balances - beginning	-	46,688	46,688	9
Fund balances - ending	<u>\$ -</u>	<u>\$ 24,291</u>	<u>\$ 24,291</u>	<u>\$ 9</u>

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 2-4

Page 2 of 4

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended June 30, 2019**

	<b>Capital Project Funds</b>			
	<b>Kate B. Reynolds Community Paramedic Expansion Project</b>	<b>Stacy Hill Water Line Project</b>	<b>Catawba River Greenway Phase III Project</b>	<b>Ethan Allen Building Reuse Project</b>
<b>Revenues:</b>				
Ad valorem taxes:				
Fire and rescue district taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	367,176	622,754	84,302
Miscellaneous income	-	-	-	84,302
Investment earnings	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>367,176</b>	<b>622,754</b>	<b>168,604</b>
<b>Expenditures:</b>				
General government	-	-	-	-
Economic and physical development	-	-	-	-
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	1,324,625	614,223	168,604
<b>Total expenditures</b>	<b>-</b>	<b>1,324,625</b>	<b>614,223</b>	<b>168,604</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>(957,449)</b>	<b>8,531</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(73,170)	-	-	-
Transfers from other funds	-	57,503	12,500	-
<b>Total other financing sources (uses)</b>	<b>(73,170)</b>	<b>57,503</b>	<b>12,500</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(73,170)</b>	<b>(899,946)</b>	<b>21,031</b>	<b>-</b>
<b>Fund balances - beginning</b>	<b>73,170</b>	<b>977,754</b>	<b>110,371</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ 77,809</b>	<b>\$ 131,402</b>	<b>\$ -</b>

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 2-4**

**Page 3 of 4**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended June 30, 2019**

	<b>Capital Project Funds</b>			
	<b>Limelkln Creek</b>	<b>Catawba Falls</b>	<b>Crane</b>	
	<b>Restoration</b>	<b>Trail</b>	<b>Resistoflex</b>	<b>Baxter</b>
	<b>Project</b>	<b>Improvements</b>	<b>Building Reuse</b>	<b>Healthcare</b>
	<b>Project</b>	<b>Project</b>	<b>Project</b>	<b>Project</b>
<b>Revenues:</b>				
Ad valorem taxes:				
Fire and rescue district taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	75,000	-	250,000	-
Miscellaneous income	-	-	1,925,503	-
Investment earnings	-	-	-	-
Total revenues	<u>75,000</u>	<u>-</u>	<u>2,175,503</u>	<u>-</u>
<b>Expenditures:</b>				
General government	23,600	-	-	-
Economic and physical development	-	-	2,175,503	-
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>23,600</u>	<u>-</u>	<u>2,175,503</u>	<u>-</u>
Revenues over (under) expenditures	<u>51,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	51,400	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ 51,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

cont.

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**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 2-4, cont.

Page 4 of 4

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended June 30, 2019**

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	<b>Total Non-Major Capital Project Funds</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues:</b>		
Ad valorem taxes:		
Fire and rescue district taxes	\$ -	\$ 3,533,920
Restricted intergovernmental revenues	1,399,232	1,739,689
Miscellaneous income	2,009,805	2,009,805
Investment earnings	-	(630)
Total revenues	<u>3,409,037</u>	<u>7,282,785</u>
<b>Expenditures:</b>		
General government	23,600	23,600
Economic and physical development	2,175,503	2,175,503
Public safety	-	3,852,116
Debt service	-	749,390
Capital outlay	<u>2,107,452</u>	<u>2,107,452</u>
Total expenditures	<u>4,306,555</u>	<u>8,908,061</u>
Revenues over (under) expenditures	<u>(897,518)</u>	<u>(1,625,276)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers to other funds	(73,170)	(73,170)
Transfers from other funds	<u>70,003</u>	<u>775,364</u>
Total other financing sources (uses)	<u>(3,167)</u>	<u>702,194</u>
Net change in fund balance	(900,685)	(923,082)
Fund balances - beginning	<u>1,161,295</u>	<u>1,207,992</u>
Fund balances - ending	<u>\$ 260,611</u>	<u>\$ 284,911</u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 3-1****Page 1 of 2**

**Fire and Rescue Districts Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

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<b>Revenues:</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b> <b>Positive</b> <b>(Negative)</b>
Ad valorem taxes:			
Fire districts:			
Ashford/North Cove	\$ 257,970	\$ 222,448	\$ (35,522)
Crooked Creek	268,847	234,284	(34,563)
Dysartsville	202,872	190,887	(11,985)
Glenwood	228,832	214,710	(14,122)
Nebo	340,093	318,573	(21,520)
Old Fort Area	123,087	114,235	(8,852)
Pleasant Gardens	232,083	225,471	(6,612)
Sugar Hill	184,101	168,633	(15,468)
Woodlawn/Sevier	152,444	149,771	(2,673)
Hankins/North Fork	135,732	117,866	(17,866)
Long Town District	41,225	36,766	(4,459)
Parkway/Woodlawn	34,668	29,981	(4,687)
Old Fort - Inside	55,433	45,300	(10,133)
Marion Area	307,173	286,221	(20,952)
Fire Commission	769,572	770,800	1,228
Apple Mountain	3,090	2,104	(986)
Rescue district:			
McDowell County Rescue	<u>418,744</u>	<u>405,872</u>	<u>(12,872)</u>
 Total revenues	 <u>3,755,966</u>	 <u>3,533,920</u>	 <u>(222,046)</u>

**Expenditures:**

Public safety:			
Fire district allocations:			
Ashford/North Cove	257,970	222,456	35,514
Crooked Creek	268,847	234,275	34,572
Dysartsville	202,872	190,886	11,986
Glenwood	228,832	214,689	14,143
Nebo	340,093	318,575	21,518
Old Fort Area	123,087	114,235	8,852
Pleasant Gardens	232,083	225,458	6,625
Sugar Hill	184,101	168,650	15,451
Woodlawn/Sevier	152,444	149,784	2,660
Hankins/North Fork	135,732	117,866	17,866

cont.

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**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 3-1, cont.

Page 2 of 2

**Fire and Rescue Districts Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (continued):</b>			
Long Town	\$ 41,225	\$ 36,766	\$ 4,459
Parkway/Woodlawn	34,668	29,981	4,687
Old Fort - Inside	54,185	45,304	8,881
Marion Area	307,173	286,201	20,972
Fire Commission	770,820	770,819	1
Apple Mountain	3,090	2,104	986
Rescue district allocation:			
McDowell County Rescue	<u>418,744</u>	<u>405,872</u>	<u>12,872</u>
 Total expenditures	 <u>3,755,966</u>	 <u>3,533,920</u>	 <u>222,046</u>
 Revenues over (under) expenditures	 <u>\$ -</u>	 -	 <u>\$ -</u>
 Fund balance:			
Beginning of year		<u>-</u>	
 End of year		<u>\$ -</u>	

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 3-2**

**Emergency Telephone System Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 296,136	\$ 296,135	\$ (1)
Investment earnings	-	(630)	(630)
Total revenues	<u>296,136</u>	<u>295,506</u>	<u>(630)</u>
<b>Expenditures:</b>			
Public safety:			
Telephone equipment	196,000	195,415	585
Travel/training	5,000	3,439	1,561
Telephone	59,200	59,047	153
Software maintenance	37,800	37,142	658
Hardware maintenance	2,898	859	2,039
911 addressing	1,700	1,301	399
911 functions	21,538	20,993	545
Total expenditures	<u>324,136</u>	<u>318,196</u>	<u>5,940</u>
Revenues over (under) expenditures	<u>(28,000)</u>	<u>(22,690)</u>	<u>5,310</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from general fund	294	293	(1)
Fund balance appropriated	27,706	-	(27,706)
Total other financing sources (uses)	<u>28,000</u>	<u>293</u>	<u>(27,707)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(22,397)</u>	<u>\$ (22,397)</u>
<b>Fund balance:</b>			
Beginning of year		<u>46,688</u>	
End of year		<u>\$ 24,291</u>	



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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 4****Debt Service Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 44,323	\$ 44,322	\$ (1)
Total revenues	<u>44,323</u>	<u>44,322</u>	<u>(1)</u>
<b>Expenditures:</b>			
Debt service	<u>749,391</u>	<u>749,390</u>	<u>1</u>
Total expenditures	<u>749,391</u>	<u>749,390</u>	<u>1</u>
Revenues over (under) expenditures	<u>(705,068)</u>	<u>(705,068)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from School Capital Projects Fund	<u>705,068</u>	<u>705,068</u>	<u>-</u>
Total other financing sources (uses)	<u>705,068</u>	<u>705,068</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance:</b>			
Beginning of year		<u>9</u>	
End of year		<u>\$ 9</u>	

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 5-1**

**School Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and for the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Public School Building Fund Needs Based	\$ 15,000,000	\$ -	\$ 1,918,425	\$ 1,918,425	\$(13,081,575)
Lottery funds	448,920	448,920	-	448,920	-
Public School Building Fund ADM	231,449	-	-	-	(231,449)
Local option sales tax	5,912,102	7,064,177	2,783,552	9,847,729	3,935,627
Investment earnings	2,000	67,845	90,307	158,152	156,152
Miscellaneous	-	386,139	25,307	411,446	411,446
Total revenues	<u>21,594,471</u>	<u>7,967,081</u>	<u>4,817,590</u>	<u>12,784,671</u>	<u>(8,809,800)</u>
<b>Expenditures:</b>					
Capital outlay:					
Old Fort Elementary	20,000,000	-	3,039,357	3,039,357	16,960,643
EMMS Roofing FY 19	487,043	-	438,339	438,339	48,704
McDowell High School Addition Phase II	1,673,158	1,672,243	-	1,672,243	915
HVAC Field House	70,059	70,059	-	70,059	-
Roofing Field House	149,941	138,522	-	138,522	11,419
Glenwood Roof	448,920	448,920	-	448,920	-
System Controls	332,827	309,175	-	309,175	23,652
McDowell High School Security	95,761	-	95,760	95,760	1
East McDowell Middle School Roofing	469,600	84,391	385,209	469,600	-
HVAC Heat Pumps	423,794	-	-	-	423,794
Intercom/Telephone	120,500	-	-	-	120,500
Shingle Replacement	164,000	-	-	-	164,000
Paving Replacement	125,000	-	-	-	125,000
Carpet Replacement	40,000	-	-	-	40,000
W. Marion Septic	200,000	-	4,500	4,500	195,500
East McDowell Middle School PG	245,349	-	-	-	245,349
Roofing Marion Elementary	63,250	-	-	-	63,250
Improvement	60,937	271	-	271	60,666
Total expenditures	<u>25,170,139</u>	<u>2,723,582</u>	<u>3,963,165</u>	<u>6,686,746</u>	<u>18,483,393</u>
Revenues over (under) expenditures	<u>(3,575,668)</u>	<u>5,243,499</u>	<u>854,426</u>	<u>6,097,925</u>	<u>9,673,593</u>
<b>Other Financing Sources (Uses):</b>					
Transfer to Debt Service Fund	(1,424,332)	(719,263)	(705,068)	(1,424,331)	1
Installment purchase obligations issued	5,000,000	-	5,000,000	5,000,000	-
Total other financing sources (uses)	<u>3,575,668</u>	<u>(719,263)</u>	<u>4,294,932</u>	<u>3,575,669</u>	<u>1</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 4,524,236</u>	<u>5,149,358</u>	<u>\$ 9,673,594</u>	<u>\$ 9,673,594</u>
Fund balance:					
Beginning of year			<u>4,524,236</u>		
End of year			<u>\$ 9,673,594</u>		

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 5-2**

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**Courthouse Renovation and Addition Capital Project**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2019**

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	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay:					
Courtroom addition	6,623,300	588,855	4,313,761	4,902,616	1,720,684
Engineering/architect	549,790	491,909	31,479	523,388	26,402
Legal	20,000	17,615	-	17,615	2,385
Furniture	220,910	-	72,226	72,226	148,684
Total expenditures	<u>7,414,000</u>	<u>1,098,379</u>	<u>4,417,466</u>	<u>5,515,845</u>	<u>1,898,155</u>
Revenues over (under) expenditures	<u>(7,414,000)</u>	<u>(1,098,379)</u>	<u>(4,417,466)</u>	<u>(5,515,845)</u>	<u>1,898,155</u>
Other Financing Sources (Uses):					
Transfer from General Fund	1,760,000	1,760,000	-	1,760,000	-
Installment purchase obligations issued	<u>5,654,000</u>	<u>5,654,000</u>	<u>-</u>	<u>5,654,000</u>	<u>-</u>
Total other financing sources(uses)	<u>7,414,000</u>	<u>7,414,000</u>	<u>-</u>	<u>7,414,000</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 6,315,621</u>	<u>(4,417,466)</u>	<u>\$ 1,898,155</u>	<u>\$ 1,898,155</u>
Fund balance:					
Beginning of year			<u>6,315,621</u>		
End of year			<u>\$ 1,898,155</u>		

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 5-3**

**Kate B. Reynolds Community Paramedic Expansion Project  
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and for the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Private grant - expansion funds	\$ 226,475	\$ 226,475	\$ -	\$ 226,475	\$ -
Total revenues	<u>226,475</u>	<u>226,475</u>	<u>-</u>	<u>226,475</u>	<u>-</u>
<b>Expenditures:</b>					
Salary and fringe benefits	114,663	114,663	-	114,663	-
Travel	8,245	8,245	-	8,245	-
Equipment	11,185	11,185	-	11,185	-
Rent/utilities/phone	2,060	2,060	-	2,060	-
Office supplies	708	708	-	708	-
Uniforms/safety equipment	2,466	2,466	-	2,466	-
Discretionary spending	<u>13,978</u>	<u>13,978</u>	<u>-</u>	<u>13,978</u>	<u>-</u>
Total expenditures	<u>153,305</u>	<u>153,305</u>	<u>-</u>	<u>153,305</u>	<u>-</u>
Revenues over (under) expenditures	<u>73,170</u>	<u>73,170</u>	<u>-</u>	<u>73,170</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfer to general fund	<u>(73,170)</u>	<u>-</u>	<u>(73,170)</u>	<u>(73,170)</u>	<u>-</u>
Total other financing sources (uses)	<u>(73,170)</u>	<u>-</u>	<u>(73,170)</u>	<u>(73,170)</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 73,170</u>	<u>(73,170)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance:</b>					
Beginning of year			<u>73,170</u>		
End of year			<u>\$ -</u>		

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 5-4**

**Stacy Hill Water Line Project  
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and for the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue:					
EPA	\$ 367,176	\$ -	\$ 367,176	\$ 367,176	\$ -
Total revenues	<u>367,176</u>	<u>-</u>	<u>367,176</u>	<u>367,176</u>	<u>-</u>
<b>Expenditures:</b>					
Construction	1,226,020	-	1,225,116	1,225,116	905
Design	74,000	74,000	-	74,000	-
Construction administration	108,910	-	89,509	89,509	19,401
Bidding and awards	21,900	11,900	10,000	21,900	-
Total expenditures	<u>1,430,830</u>	<u>85,900</u>	<u>1,324,625</u>	<u>1,410,525</u>	<u>20,306</u>
Revenues over (under) expenditures	<u>(1,063,654)</u>	<u>(85,900)</u>	<u>(957,449)</u>	<u>(1,043,349)</u>	<u>20,306</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	613,654	613,654	57,503	671,157	57,503
Transfer from Water Fund	450,000	450,000	-	450,000	-
Total other financing sources (uses)	<u>1,063,654</u>	<u>1,063,654</u>	<u>57,503</u>	<u>1,121,157</u>	<u>57,503</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 977,754</u>	<u>(899,946)</u>	<u>\$ 77,809</u>	<u>\$ 77,809</u>
<b>Fund balance:</b>					
Beginning of year			<u>977,754</u>		
End of year			<u>\$ 77,809</u>		

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 5-5**

**Catawba River Greenway Phase III Project  
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and for the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue:					
City of Marion	\$ 15,000	\$ 20,000	\$ 10,000	\$ 30,000	\$ 15,000
NC Wildlife	11,500	-	-	-	(11,500)
PARTF grant	250,000	-	250,000	250,000	-
Division of Water Resources grant	500,000	-	360,295	360,295	(139,705)
Sales tax	-	-	2,459	2,459	2,459
Donations	23,172	23,172	-	23,172	-
Total revenues	<u>799,672</u>	<u>43,172</u>	<u>622,754</u>	<u>665,926</u>	<u>(133,745)</u>
<b>Expenditures:</b>					
Construction cost	740,507	-	552,190	552,190	188,317
Construction management	250,797	137,669	62,033	199,702	51,095
Grant writer	50,000	37,500	-	37,500	12,500
Planning/easements	2,000	1,264	-	1,264	736
Total expenditures	<u>1,043,304</u>	<u>176,433</u>	<u>614,223</u>	<u>790,656</u>	<u>252,648</u>
Revenues over (under) expenditures	<u>(243,632)</u>	<u>(133,261)</u>	<u>8,531</u>	<u>(124,730)</u>	<u>118,903</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	243,632	243,632	12,500	256,132	12,500
Total other financing sources (uses)	<u>243,632</u>	<u>243,632</u>	<u>12,500</u>	<u>256,132</u>	<u>12,500</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 110,371</u>	<u>21,031</u>	<u>\$ 131,402</u>	<u>\$ 131,402</u>
<b>Fund balance:</b>					
Beginning of year			<u>110,371</u>		
End of year			<u>\$ 131,402</u>		

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 5-6**

**Ethan Allen Building Reuse Project  
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and for the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue:					
NC Commerce	\$ 195,463	\$ 64,180	\$ 84,302	\$ 148,482	\$ (46,981)
Ethan Allen	175,916	44,634	84,302	128,936	(46,980)
Miscellaneous	19,546	19,546	-	19,546	-
Total revenues	<u>390,925</u>	<u>128,360</u>	<u>168,604</u>	<u>296,964</u>	<u>(93,961)</u>
<b>Expenditures:</b>					
Construction	116,426	104,783	11,643	116,426	1
Electrical	160,256	4,160	121,158	125,318	34,938
HVAC	27,645	-	27,645	27,645	-
Boiler	69,300	10,217	61	10,278	59,022
Control system	5,803	-	5,803	5,803	-
Sprinkler system	2,295	-	2,295	2,295	-
Boiler removal	9,200	9,200	-	9,200	-
Total expenditures	<u>390,925</u>	<u>128,360</u>	<u>168,604</u>	<u>296,964</u>	<u>93,962</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance:</b>					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 5-7**

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**Limekiln Creek Restoration Project**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2019**

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	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>					
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	75,000	-
McDowell Soil and Water in-kind	11,400	-	-	-	(11,400)
Donated easements	4,512	-	-	-	(4,512)
Total revenues	<u>321,715</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>(246,715)</u>
<b>Expenditures:</b>					
Restorations	305,803	-	23,600	23,600	282,203
Easements	4,512	-	-	-	4,512
In-kind	11,400	-	-	-	11,400
Total expenditures	<u>321,715</u>	<u>-</u>	<u>23,600</u>	<u>23,600</u>	<u>298,115</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	51,400	<u>\$ 51,400</u>	<u>\$ 51,400</u>
Fund balance:					
Beginning of year			-		
End of year			<u>\$ 51,400</u>		



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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 5-8**

**Catawba Falls Trail Improvements Project**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2019**

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

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**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 5-9

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**Crane Resistoflex Building Reuse Project**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2019**

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	<u>Project</u>		<u>Actual</u>		<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue:					
NC Commerce	\$ 250,000	\$ -	\$ 250,000	\$ 250,000	\$ -
Crane Resistoflex	2,923,729	-	1,913,003	1,913,003	(1,010,726)
Miscellaneous	12,500	-	12,500	12,500	-
Total revenues	<u>3,186,229</u>	<u>-</u>	<u>2,175,503</u>	<u>2,175,503</u>	<u>(1,010,726)</u>
<b>Expenditures:</b>					
Interior paint facility	<u>3,186,229</u>	<u>-</u>	<u>2,175,503</u>	<u>2,175,503</u>	<u>1,010,726</u>
Total expenditures	<u>3,186,229</u>	<u>-</u>	<u>2,175,503</u>	<u>2,175,503</u>	<u>1,010,726</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance:</b>					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 5-10**

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**Baxter Healthcare Project**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2019**

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	<u>Project</u>		<u>Actual</u>		<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue:					
NC Commerce	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Baxter Healthcare	6,875,000	-	-	-	(6,875,000)
Miscellaneous	25,000	-	-	-	(25,000)
Total revenues	<u>7,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,400,000)</u>
<b>Expenditures:</b>					
Building reuse	<u>7,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,400,000</u>
Total expenditures	<u>7,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,400,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance:</b>					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

## **BUSINESS - TYPE ACTIVITIES**

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### **ENTERPRISE FUNDS**

**Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

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

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

***Transportation Fund*** - This fund accounts for activity related to the operation of a transit system within McDowell County.

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**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 6-1

Page 1 of 2

**Waste Disposal Fund - Enterprise Fund  
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Tipping fees	\$ 1,324,447	\$ 1,335,764	\$ 11,317
Recycling revenue	79,275	54,624	(24,651)
Solid waste disposal	30,000	34,115	4,115
Other operating revenue	52,100	59,718	7,618
Total operating revenues	<u>1,485,822</u>	<u>1,484,220</u>	<u>(1,602)</u>
Nonoperating revenues:			
Recycling grant	16,427	16,306	(122)
Investment earnings	14,000	12,419	(1,581)
Total nonoperating revenues	<u>30,427</u>	<u>28,725</u>	<u>(1,702)</u>
Total revenues	<u>1,516,249</u>	<u>1,512,945</u>	<u>(3,304)</u>
<b>Expenditures:</b>			
Facility operations:			
Salaries and employee benefits	246,994	244,034	2,960
Operating expenses	2,396,854	2,305,524	91,330
Capital outlay	236,186	236,185	1
Total operating expenditures	<u>2,880,034</u>	<u>2,785,743</u>	<u>94,291</u>
Debt service:			
Interest	21,874	7,149	14,725
Principal	71,780	71,780	-
Total debt service expenditures	<u>93,654</u>	<u>78,929</u>	<u>14,725</u>
Total expenditures	<u>2,973,688</u>	<u>2,864,672</u>	<u>109,016</u>
Revenues over (under) expenditures	<u>(1,457,439)</u>	<u>(1,351,727)</u>	<u>105,712</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	1,192,023	1,192,023	-
Proceeds from debt proceeds	200,419	200,418	(1)
Fund balance appropriated	64,997	-	(64,997)
Total other financing sources (uses)	<u>1,457,439</u>	<u>1,392,441</u>	<u>(64,998)</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 40,714</u>	<u>\$ 40,714</u>

Note: Prepared on the budgetary basis which is modified accrual.

cont.

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 6-1, cont.****Page 2 of 2****Waste Disposal Fund - Enterprise Fund**  
**Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>			
Revenues and other financing sources (uses) over expenditures		\$ 40,714	
Depreciation		(40,249)	
Proceeds from debt obligations		(200,418)	
Capital expenditures		236,185	
Debt service principal		71,780	
Increase (decrease) in deferred outflows of resources - pensions		24,732	
Increase (decrease) in deferred outflows of resources - OPEB		4,048	
(Increase) decrease in accrued vacation		(3,643)	
(Increase) decrease in net pension liability		(32,030)	
(Increase) decrease in net OPEB liability		992	
(Increase) decrease in deferred inflows of resources - pensions		1,121	
(Increase) decrease in deferred inflows of resources - OPEB		(799)	
Change in net position (GAAP)		<u>\$ 102,433</u>	

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 6-2**

**Water Fund - Enterprise Fund  
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Water sales	\$ 142,000	\$ 136,756	\$ (5,244)
Tap fees	3,000	3,500	500
Miscellaneous	1,500	1,870	370
Total operating revenues	<u>146,500</u>	<u>142,126</u>	<u>(4,374)</u>
Nonoperating revenues:			
Investment earnings	-	2,865	2,865
Total nonoperating revenues	<u>-</u>	<u>2,865</u>	<u>2,865</u>
Total revenues	<u>146,500</u>	<u>144,991</u>	<u>(1,509)</u>
<b>Expenditures:</b>			
Operating:			
Water purchase	60,500	57,407	3,093
Maintenance and equipment	86,000	32,851	53,149
Total operating expenditures	<u>146,500</u>	<u>90,258</u>	<u>56,243</u>
Debt service:			
Interest	12,699	13,311	(612)
Debt principal	112,500	112,500	-
Total debt service expenditures	<u>125,199</u>	<u>125,811</u>	<u>(612)</u>
Total expenditures	<u>271,699</u>	<u>216,068</u>	<u>55,631</u>
Revenues over (under) expenditures	<u>(125,199)</u>	<u>(71,077)</u>	<u>54,122</u>
<b>Other Financing Sources (Uses):</b>			
Fund balance appropriated	125,199	-	(125,199)
Total other financing sources (uses)	<u>125,199</u>	<u>-</u>	<u>(125,199)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (71,077)</u>	<u>\$ (71,077)</u>

Note: Prepared on the budgetary basis which is modified accrual.

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

Revenues and other financing sources (uses) over expenditures	\$ (71,077)
Depreciation	(118,077)
Debt service principal	112,500
Capital contribution	1,509,625
Change in net position (GAAP)	<u>\$ 1,432,970</u>



**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 6-3**

**Universal Fund - Enterprise Fund  
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Lease revenue	\$ 488,954	\$ 501,082	\$ 12,128
Total operating revenues	<u>488,954</u>	<u>501,082</u>	<u>12,128</u>
Nonoperating revenues:			
Investment earnings	<u>4,814</u>	<u>5,804</u>	<u>990</u>
Total nonoperating revenues	<u>4,814</u>	<u>5,804</u>	<u>990</u>
Total revenues	<u>493,768</u>	<u>506,885</u>	<u>13,117</u>
<b>Expenditures:</b>			
Operating:			
Utilities	37,200	21,643	15,557
Contract services	48,000	47,460	540
Capital outlay	172,291	159,047	13,244
Grant match	18,500	18,499	1
Economic incentive	-	13,111	(13,111)
Total operating expenditures	<u>275,991</u>	<u>259,760</u>	<u>16,231</u>
Debt service:			
Interest	74,168	89,774	(15,606)
Debt principal	<u>196,667</u>	<u>196,667</u>	<u>-</u>
Total debt service expenditures	<u>270,835</u>	<u>286,441</u>	<u>(15,606)</u>
Total expenditures	<u>546,826</u>	<u>546,203</u>	<u>623</u>
Revenues over (under) expenditures	<u>(53,058)</u>	<u>(39,318)</u>	<u>13,740</u>
<b>Other Financing Sources (Uses):</b>			
Fund balance appropriated	<u>53,058</u>	<u>-</u>	<u>(53,058)</u>
Total other financing sources (uses)	<u>53,058</u>	<u>-</u>	<u>(53,058)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (39,318)</u>	<u>\$ (39,318)</u>

Note: Prepared on the budgetary basis which is modified accrual.

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

Revenues and other financing sources (uses) over expenditures	\$ (39,318)
Depreciation	(323,690)
Capital expenditures	102,232
Debt service principal	196,667
Change in net position (GAAP)	<u>\$ (64,110)</u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 6-4**

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**Transportation Fund - Enterprise Fund**  
**Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Contract revenue	\$ 152,500	\$ 158,177	\$ 5,677
ROAP grant	167,312	99,361	(67,951)
Administration grant	115,311	119,088	3,777
Total operating revenues	<u>435,123</u>	<u>376,626</u>	<u>(58,497)</u>
Nonoperating revenues:			
Investment earnings	-	(1,945)	(1,945)
Total nonoperating revenues	<u>-</u>	<u>(1,945)</u>	<u>(1,945)</u>
Total revenues	<u>435,123</u>	<u>374,680</u>	<u>(60,443)</u>
<b>Expenditures:</b>			
Operating:			
Salaries and benefits	446,706	446,292	414
Operating expenses	159,607	128,302	31,305
Capital outlay	190,500	-	190,500
Total operating expenditures	<u>796,813</u>	<u>574,594</u>	<u>222,219</u>
Revenues over (under) expenditures	<u>(361,690)</u>	<u>(199,914)</u>	<u>161,776</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	187,240	187,240	-
Capital contributions	174,450	-	(174,450)
Total other financing sources (uses)	<u>361,690</u>	<u>187,240</u>	<u>(174,450)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (12,674)</u>	<u>\$ (12,674)</u>

Note: Prepared on the budgetary basis which is modified accrual.

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

Revenues and other financing sources (uses) over expenditures	<u>\$ (12,674)</u>
Change in net position (GAAP)	<u>\$ (12,674)</u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 6-5****Internal Service Fund - Self-Insurance Fund**  
**Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2019**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenue:			
Charges for services:			
Employee contributions	\$ 350,000	\$ 350,616	\$ 616
Employer contributions	3,013,440	3,013,440	-
Stop loss	520,560	331,802	(188,758)
Cobra payments	24,000	24,794	794
Total revenues	<u>3,908,000</u>	<u>3,720,651</u>	<u>(187,349)</u>
<b>Expenditures:</b>			
Employee benefits:			
Claims	3,477,000	2,882,346	594,654
Life insurance	19,800	19,772	28
Fees	763,000	732,396	30,604
Total expenditures	<u>4,259,800</u>	<u>3,634,514</u>	<u>625,286</u>
Revenues over (under) expenditures	<u>(351,800)</u>	<u>86,137</u>	<u>437,937</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	351,800	-	(351,800)
Total other financing sources (uses)	<u>351,800</u>	<u>-</u>	<u>(351,800)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 86,137</u>	<u>\$ 86,137</u>

Note: Prepared on the budgetary basis which is modified accrual.

## **AGENCY FUNDS**

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**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.**

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 7  
Page 1 of 3**

**Agency Funds  
Combining Statement of Changes in Assets, Liabilities and Net Position  
For the Year Ended June 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<b>Social Services Fund:</b>				
Assets:				
Cash	\$ 28,881	\$ 185,686	\$ 180,447	\$ 34,120
Liabilities:				
Miscellaneous liabilities	\$ 28,881	\$ 185,686	\$ 180,447	\$ 34,120
<b>Fines and Forfeitures Fund:</b>				
Assets:				
Cash	\$ -	\$ 217,434	\$ 197,115	\$ 20,319
Accounts receivable - other governments	14,796	17,139	14,796	17,139
Total	\$ 14,796	\$ 234,573	\$ 211,911	\$ 37,458
Liabilities:				
Due to other governments	\$ 14,796	\$ 234,573	\$ 211,911	\$ 37,458
<b>Motor Vehicle Tax Fund:</b>				
Assets:				
Cash	\$ 27	\$ 229,654	\$ 229,654	\$ 27
Accounts receivable - other governments	21,387	22,122	21,387	22,122
Total	\$ 21,414	\$ 251,776	\$ 251,041	\$ 22,148
Liabilities:				
Due to other governments	\$ 21,414	\$ 251,776	\$ 251,041	\$ 22,149
<b>Inmates Fund:</b>				
Assets:				
Cash	\$ 9,858	\$ 404,879	\$ 368,154	\$ 46,583
Liabilities:				
Miscellaneous liabilities	\$ 9,858	\$ 404,879	\$ 368,154	\$ 46,583
<b>Employee Sec 125 Fund:</b>				
Assets:				
Cash	\$ -	\$ 36,941	\$ 36,941	\$ -
Accounts receivable - other	1,313	1,947	1,313	1,947
Total	\$ 1,313	\$ 38,888	\$ 38,254	\$ 1,947
Liabilities:				
Miscellaneous liabilities	\$ 1,313	\$ 38,888	\$ 38,254	\$ 1,947

cont.

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 7  
Page 2 of 3**

**Agency Funds  
Combining Statement of Changes in Assets, Liabilities and Net Position  
For the Year Ended June 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<b>Tax Penalty Schools Fund:</b>				
Assets:				
Cash	\$ -	\$ 18,707	\$ 18,707	\$ -
Liabilities:				
Due to other governments	\$ -	\$ 18,707	\$ 18,707	\$ -
<b>DMV Operations Fund:</b>				
Assets:				
Cash	\$ -	\$ 3,563,033	\$ 3,563,033	\$ -
Liabilities:				
Due to other governments	\$ -	\$ 3,563,033	\$ 3,563,033	\$ -
<b>Rescue Squad Billing Fund:</b>				
Assets:				
Cash	\$ 971	\$ 269,468	\$ 269,734	\$ 705
Liabilities:				
Due to other governments	\$ 971	\$ 269,468	\$ 269,734	\$ 705
<b>Deed of Trust Fee Fund:</b>				
Assets:				
Cash	\$ 517	\$ 5,632	\$ 5,672	\$ 477
Liabilities:				
Due to other governments	\$ 517	\$ 5,632	\$ 5,672	\$ 477
<b>Deposit Trust Fund:</b>				
Assets:				
Cash	\$ 71,180	\$ -	\$ 8,425	\$ 62,755
Liabilities:				
Miscellaneous liabilities	\$ 71,180	\$ -	\$ 8,425	\$ 62,755
<b>Sales Tax Fund:</b>				
Assets:				
Accounts receivable - other governments	-	209,879	-	209,879
Total	\$ -	\$ 209,879	\$ -	\$ 209,879
Liabilities:				
Due to other governments	-	197,249	-	197,249
Net Position:				
Net Position	-	12,630	-	12,630
Total liabilities and net position	\$ -	\$ 209,879	\$ -	\$ 209,879

cont.

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**MCDOWELL COUNTY, NORTH CAROLINA**

Schedule 7, cont.

Page 3 of 3

**Agency Funds**  
**Combining Statement of Changes in Assets, Liabilities and Net Position**  
**For the Year Ended June 30, 2019**

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	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Totals - All Agency Funds:</b>				
Assets:				
Cash	\$ 111,434	\$ 4,931,434	\$ 4,877,882	\$ 164,986
Accounts receivable - other governments	36,182	249,140	36,183	249,139
Accounts receivable - other	1,313	1,947	1,313	1,947
Total	<u>\$ 148,929</u>	<u>\$ 5,182,521</u>	<u>\$ 4,915,378</u>	<u>\$ 416,071</u>
Liabilities:				
Miscellaneous liabilities	\$ 111,231	\$ 629,453	\$ 595,280	\$ 145,404
Due to other governments	37,698	4,540,438	4,320,098	258,038
Total	<u>148,929</u>	<u>5,169,891</u>	<u>4,915,378</u>	<u>403,442</u>
Net Position:				
Net Position	-	12,630	-	12,630
Total liabilities and net position	<u>\$ 148,929</u>	<u>\$ 5,182,521</u>	<u>\$ 4,915,378</u>	<u>\$ 416,071</u>



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## **OTHER SCHEDULES**

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- **This section contains additional information required on property taxes.**
  - **Schedule of Ad Valorem Taxes Receivable**
  - **Analysis of Current Tax Levy**
    - **County-wide Levy**
    - **County-wide Levy Secondary Market Disclosures**
  - **Ten Largest Taxpayers**
-

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**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 8-1**

**Schedule of Ad Valorem Taxes Receivable  
June 30, 2019**

<u>Year of Levy</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018	\$ -	\$ 22,676,631	\$ 22,531,688	\$ 144,943
2017	145,282	-	60,374	84,908
2016	82,485	-	21,544	60,941
2015	60,522	-	13,386	47,136
2014	59,695	-	12,215	47,480
2013	72,029	-	10,742	61,287
2012	66,902	-	10,146	56,756
2011	58,603	-	6,036	52,567
2010	70,321	-	4,501	65,820
2009	60,872	-	3,883	56,989
2008	55,449	-	55,449	-
Total	<u>\$ 732,160</u>	<u>\$ 22,676,631</u>	<u>\$ 22,729,964</u>	678,827
Less allowance for uncollectible ad valorem taxes receivable				<u>(362,639)</u>
Ad valorem taxes receivable - net				<u>\$ 316,187</u>
Reconciliation with revenues:				
Taxes - ad valorem:				
General Fund				\$ 22,668,123
Amount written off per statute of limitations				52,187
Discounts				117,309
Releases - prior year's taxes				10,707
Other adjustments				<u>(3,978)</u>
Subtotal				22,844,348
Less interest collected (not charged to receivable)				<u>(114,384)</u>
Total				<u>\$ 22,729,964</u>

**MCDOWELL COUNTY, NORTH CAROLINA**

**Schedule 8-2**

**Analysis of Current Tax Levy  
County - Wide Levy  
For the Year Ended June 30, 2019**

	<b>County Wide</b>			<b>Total Levy</b>	
	<b><u>Property Valuation</u></b>	<b><u>Rate</u></b>	<b><u>Total Levy</u></b>	<b><u>Property Excluding Registered Motor Vehicles</u></b>	<b><u>Registered Motor Vehicles</u></b>
Original levy:					
Property taxes at current year rate	\$3,627,249,843	0.587	\$ 21,310,125	\$ 19,098,178	\$ 2,211,947
Penalties	-		18,142	18,142	-
Total	<u>3,627,249,843</u>		<u>21,328,267</u>	<u>19,116,320</u>	<u>2,211,947</u>
Discoveries:					
Current year taxes	232,603,106	0.587	1,366,526	1,366,526	-
Prior year taxes	3,458,589	0.55	19,022	19,022	-
Penalties	-		353	353	-
Total	<u>236,061,695</u>		<u>1,385,901</u>	<u>1,385,901</u>	<u>-</u>
Abatements	<u>(6,389,295)</u>		<u>(37,537)</u>	<u>(37,537)</u>	<u>-</u>
Total property valuation	<u><u>\$3,856,922,243</u></u>				
Net levy			22,676,631	20,464,684	2,211,947
Uncollected taxes at June 30, 2019			<u>144,943</u>	<u>142,450</u>	<u>2,493</u>
Current year's tax collected			<u><u>\$ 22,531,688</u></u>	<u><u>\$ 20,322,234</u></u>	<u><u>\$ 2,209,454</u></u>
Current levy collection percentage			<u><u>99.36%</u></u>	<u><u>99.30%</u></u>	<u><u>99.89%</u></u>

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 8-3****Analysis of Current Tax Levy  
County - Wide Levy  
For the Year Ended June 30, 2019**

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**Secondary Market Disclosures****Assessed Valuation:**

1 Assessment Ratio	100%
Real Property	\$ 2,755,815,227
Personal Property	870,462,102
2 Public Service Companies	230,644,914
Total Assessed Valuation	<u>\$ 3,856,922,243</u>
Tax Rate per \$100	0.5875
3 Levy (includes discoveries, releases and abatements)	<u>\$ 22,676,631</u>

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 Districts	<u>\$ 3,487,107</u>
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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.*

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**MCDOWELL COUNTY, NORTH CAROLINA****Schedule 8-4****Ten Largest Taxpayers  
For the Year Ended June 30, 2019**

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<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Baxter Healthcare	IV Solution	\$ 258,306,835	6.70%
Duke Energy	Utility	200,465,044	5.20%
CSX	Railroad	48,215,186	1.25%
IAC/Collins & Aikman Group	Manufacturing	37,888,368	0.98%
Rutherford Electric Membership Corporation	Utility	36,103,933	0.94%
Baldor Electric Company	Manufacturing	31,448,922	0.82%
Norfolk Southern	Railroad	25,037,020	0.65%
Rock-Tenn Packaging	Manufacturing	23,841,130	0.62%
Columbia Carolina	Manufacturing	20,700,299	0.54%
Ethan Allen	Manufacturing	14,184,035	0.37%
		<u>\$ 696,190,772</u>	<u>18.07%</u>

## **COMPLIANCE SECTION**

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**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**

**Independent Auditors' Report On Compliance For Each Major Federal  
Program And On Internal Control Over Compliance Required By The Uniform  
Guidance And The State Single Audit Implementation Act**

**Independent Auditors' Report On Compliance For Each Major State Program  
And On Internal Control Over Compliance Required By The Uniform  
Guidance And The State Single Audit Implementation Act**

**Schedule of Findings and Responses**

**Corrective Action Plan**

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

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**Lowdermilk Church & Co., L.L.P.**  
***Certified Public Accountants***

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**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 the 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise McDowell County, North Carolina's basic financial statements, and have issued our report thereon dated January 6, 2020. 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, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered McDowell County, North Carolina'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, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of McDowell County, North Carolina'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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See 2019-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McDowell County, North Carolina'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.

## **McDowell County, North Carolina's Response to Findings**

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

## **Purpose of this Report**

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

*Low Smith Church & Co., L.L.P.*

Morganton, North Carolina  
January 6, 2020

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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**Independent Auditors' Report On Compliance For Each Major Federal Program  
And On Internal Control Over Compliance Required By The Uniform Guidance And  
The State Single Audit Implementation Act**

To the Board of Commissioners of  
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, North Carolina's major federal programs for the year ended June 30, 2019. McDowell County, North Carolina's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and responses.

**Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of McDowell County, North Carolina'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, North Carolina'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, North Carolina's compliance.

## Opinion on Each Major Federal Program

In our opinion, McDowell County, North Carolina, 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, 2019.

## Report on Internal Control over Compliance

Management of McDowell County, North Carolina, 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, North Carolina'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 McDowell County, North Carolina'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 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 material weaknesses or significant deficiencies. 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.

*Low Smith Church & Co., L.L.P.*

Morganton, North Carolina  
January 6, 2020

**Lowdermilk Church & Co., L.L.P.**  
***Certified Public Accountants***

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report On Compliance For Each Major State Program  
And On Internal Control Over Compliance Required By The Uniform Guidance And  
The State Single Audit Implementation Act**

To the Board of Commissioners of  
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 *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, North Carolina's major State programs for the year ended June 30, 2019. McDowell County, North Carolina's major State programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and responses.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

**Auditor's 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 the applicable sections of 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, 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 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, North Carolina's compliance.

## Opinion on Each Major State Program

In our opinion, McDowell County, North Carolina 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, 2019.

## Report on Internal Control over Compliance

Management of McDowell County, North Carolina, 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, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 McDowell County, North Carolina'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 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 a 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 material weaknesses or significant deficiencies. 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.



Morganton, North Carolina  
January 6, 2020

**Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**Section I. Summary of Auditors' Results****Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?        yes   X   none reported

**Federal Awards**

Internal control over major federal programs:

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

**Identification of Major federal programs:**

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program (Title XIX - Medicaid) Cluster
16.922	Equitable Sharing

cont.



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**Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

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Dollar threshold used to distinguish

between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

  X   yes

       no

State Awards

Internal control over major State programs:

• Material weakness(es) identified?

       yes

  X   no

• Significant deficiency(ies) 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

Public School Building Capital Fund - Lottery Proceeds

cont.

**Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

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**Section II. Financial Statement Findings**

**Finding 2019-001, Vendor Payment Adverse Event**

**Significant Deficiency**

**Criteria:** Local governments are at risk of financial loss resulting from social cyber engineering attacks.

**Condition:** During fiscal year 2019, the County discovered and reported that an electronic funds transfer of \$181,485 intended as payment to a construction vendor was erroneously sent to a malicious actor.

**Effect:** The County does not expect to recover any funds through insurance. This financial loss impacted the County's Courthouse Renovation and Addition Project Fund. The County will appropriate funds from the General Fund to cover any amounts not recovered.

**Cause:** The County was targeted by a malicious actor posing as a vendor who provided erroneous payment information.

**Recommendation:** In order to prevent future occurrences, management has informed us that the County has implemented a redesigned vendor authorization process. We concur with this course of action.

**Section III. Federal Award Findings and Responses**

None reported

**Section IV. State Award Findings and Responses**

None reported

David Walker, Chairman  
Tony Brown, Vice Chairman  
Barry McPeters, Commissioner  
Lynn Greene, Commissioner  
Brenda Vaughn, Commissioner



Ashley Wooten  
County Manager  
Cheryl Mitchell  
Clerk to the Board  
Donald Fred Coats  
County Attorney

# McDowell County

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Telephone: (828) 652-7121 • Fax: (828) 659-3484 • Website: [www.mcdowellgov.com](http://www.mcdowellgov.com)

## Corrective Action Plan For the Year Ended June 30, 2019

### Section V. Financial Statement Findings

**Finding:** 2019-001

**Name of Contact Persons:** Ashley Wooten, County Manager  
Alison Bell, Finance Director

**Corrective Action:** County staff has redesigned the vendor authorization process for electronic forms of payment to prevent this type of event from occurring in the future.

**Proposed Completion Date:** Immediately

### Section VI. Federal Award Findings and Questioned Costs

None reported.

### Section VII. State Award Findings and Questioned Costs

None reported.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
<b>Federal Awards:</b>					
<b>U. S. Department of Agriculture:</b>					
Passed through North Carolina Department of Health and Human Services, Division of Social Services:					
<u>SNAP Cluster:</u>					
Food and Nutrition Services Program	10.561		<u>\$465,649</u>	<u>\$ -</u>	<u>\$ -</u>
Total U. S. Department of Agriculture			<u>465,649</u>	<u>-</u>	<u>-</u>
<b>U. S. Department of Justice:</b>					
Office of Justice Programs:					
Equitable Sharing	16.922		<u>33,118</u>	<u>-</u>	<u>-</u>
Total U. S. Department of Justice			<u>33,118</u>	<u>-</u>	<u>-</u>
<b>U. S. Department of Transportation:</b>					
Passed through the North Carolina Department of Transportation, Division of Public Transportation					
Public Transportation for Non-urbanized Areas	20.509		<u>112,083</u>	<u>7,005</u>	<u>-</u>
Total U. S. Department of Transportation			<u>112,083</u>	<u>7,005</u>	<u>-</u>
<b>U. S. Department of Homeland Security:</b>					
Passed through the North Carolina Department of Public Safety:					
Emergency Performance Grant	97.042	EP00005	38,524	-	-
Disaster Grant - Public Assistance	97.036		<u>95,459</u>	<u>-</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>133,983</u>	<u>-</u>	<u>-</u>
<b>U. S. Environmental Protection Agency:</b>					
Direct Federal Congressional Mandated Project	66.202		<u>367,176</u>	<u>-</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>367,176</u>	<u>-</u>	<u>-</u>
<b>U. S. Office of Library Services:</b>					
Passed through the North Carolina Department of Cultural Resources, Library Services and Technology:					
LSTA State Grant	45.310		<u>16,060</u>	<u>-</u>	<u>-</u>
Total U. S. Office of Library Services			<u>16,060</u>	<u>-</u>	<u>-</u>
<b>U. S. Department of Health and Human Services:</b>					
<i>Health Care Financing Administration:</i>					
CDAP State Health Insurance Assistance	93.324		4,085	-	-
Medicare Improvements for Patients and Providers Act	93.071		<u>8,025</u>	<u>-</u>	<u>-</u>
Total Health Care Financing Administration			<u>12,110</u>	<u>-</u>	<u>-</u>

cont.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
<b>U. S. Department of Health and Human Services- continued:</b>					
Passed through the North Carolina Department of Health and Human Services:					
Division of Medical Assistance:					
<u>Medicaid Cluster:</u>					
Medical Assistance Program-Administration	93.778		\$1,124,209	\$ -	\$ -
Medical Assistance Program-Adult Care					
Home Case Management	93.778		<u>22,628</u>	<u>9,640</u>	-
Total Medicaid Cluster			<u>1,146,837</u>	<u>9,640</u>	-
Division of Medical Assistance (N. C. Health Choice): State Children's Insurance Program-					
N. C. Health Choice - Administration	93.767		<u>36,346</u>	-	-
<i>Division of Aging and Adult Services:</i>					
Passed through the 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		23,815	71,221	-
Part C-Nutrition Services	93.045		208,105	66,957	-
NSIP Supplement	93.053		<u>50,977</u>	-	-
Aging Cluster			<u>282,897</u>	<u>138,178</u>	-
Passed through the North Carolina Department of Health and Human Services:					
Division of Aging and Adult Services:					
Senior Center General Purpose	N/A		-	<u>10,694</u>	-
Total Division of Aging and Adult Services			-	<u>10,694</u>	-
<u>Subsidized Child Care Cluster:</u>					
Passed through the North Carolina Department of Health and Human Services:					
<i>Administration for Children and Families:</i>					
<i>Child Care Development Fund Cluster:</i>					
Division of Social Services:					
Child Care Development Fund- Administration	93.596		80,000	-	80,000

cont.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
<b>U. S. Department of Health and Human Services- continued:</b>					
Division of Child Development:					
Smart Start Quality TANF MOE	N/A		\$ -	\$ 300	\$ -
Smart Start	N/A		-	35,000	35,000
Subsidized Child Care Cluster			80,000	35,300	115,000
Division of Social Services:					
Foster Care and Adoption Cluster:					
Title IV-E-Foster Care:					
Administrative	93.658		371,462	35,027	-
Direct Benefit Payments	93.658		438,489	120,544	-
Adoption Training	93.659		2,220	-	-
Adoption	93.659		22,321	-	-
Optional Adoption Training	93.659		3,397	-	-
Child Protective Services	N/A		-	113,666	-
Foster Care and Adoption Cluster			837,888	269,238	-
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:					
Administration	93.568		39,600	-	-
Energy Assistance Payments	93.568		269,100	-	-
Crisis Intervention Program	93.568		240,869	-	-
Low-Income Home Energy Assistance			549,569	-	-
Passed through the North Carolina Department of Health and Human Services:					
Work First/Temporary Assistance for Needy Families (TANF) Cluster:					
Special Children Adoption	93.558		64,200	-	-
Work First Benefits	93.558		506,637	-	-
Administration	93.558		136,283	-	-
Administration-Adoption Foster Care (TANF Share)	93.558		20,983	-	-
TANF Cluster			728,104	-	-
LINKS	93.674		20,983	2,594	-
Social Services Block Grant	93.667		668,503	-	-
Refugee Assistance Program	93.566		48	-	-
Family Preservation	93.556		20,448	-	-
Child Welfare Services:					
Permanency Planning	93.645		2,258	-	-
Child Support Enforcement	93.563		303,207	172	-

cont.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
<b>U. S. Department of Health and Human Services- continued:</b>					
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Passed through Vaya Health Local Management Entity					
Community Paramedicine Behavioral Health Crisis	93.959		\$ 1,758	\$ -	\$ -
Community Paramedicine Behavioral Health Crisis	93.958		<u>1,758</u>	<u>-</u>	<u>-</u>
Total Community Paramedicine			<u>3,516</u>	<u>-</u>	<u>-</u>
Total U. S. Department of Health and Human Services			<u>4,692,714</u>	<u>465,816</u>	<u>115,000</u>
Total Federal Awards			<u>\$5,820,784</u>	<u>\$ 472,821</u>	<u>\$115,000</u>
<b>State Awards:</b>					
North Carolina Department of Health and Human Services:					
Division of Social Services:					
Soil Conservation			\$ -	\$ 24,270	\$ -
Child Welfare Services:					
Child Protective Services			-	140,287	-
Division of Health Service Regulation, N. C. Office of Emergency Management Services:					
Community Paramedic			-	70,000	-
Post Overdose Response Team			<u>-</u>	<u>844</u>	<u>-</u>
Total North Carolina Department of Health and Human Services			<u>-</u>	<u>235,401</u>	<u>-</u>
<b>North Carolina Board of Elections:</b>					
Equipment grant			<u>-</u>	<u>1,795</u>	<u>-</u>
Total North Carolina Board of Elections			<u>-</u>	<u>1,795</u>	<u>-</u>
<b>North Carolina Department of Transportation:</b>					
Elderly and Handicapped Transportation Assistance					
Program (EDTAP)			-	59,359	-
ROAP Employment			-	12,048	-
ROAP RGP			<u>-</u>	<u>27,954</u>	<u>-</u>
Total North Carolina Department of Transportation			<u>-</u>	<u>99,361</u>	<u>-</u>
<b>North Carolina Department of Public Safety:</b>					
Division of Emergency Management:					
Hazardous Materials Emergency Response Grant			-	933	-
Division of Youth Services:					
Juvenile Crime Prevention Council			<u>-</u>	<u>136,505</u>	<u>136,505</u>
Total North Carolina Department of Public Safety			<u>-</u>	<u>137,438</u>	<u>136,505</u>

cont.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
<b>North Carolina Department of Cultural Resources:</b>					
State Aid to Libraries:					
Administration and Library Development			\$ -	\$ 105,743	\$ -
<b>North Carolina Department of Administration:</b>					
Division of Veterans Affairs:					
N. C. General Statute 165-6(9)			-	2,216	-
<b>North Carolina Department of Commerce:</b>					
Rural Economic Development Center:					
Building Reuse			-	334,302	-
<b>North Carolina Department of Environmental Quality:</b>					
Division of Environmental Assistance:					
Recycling Grant			-	16,306	-
Division of Environmental Quality:					
DWR Grant			-	360,295	-
Total North Carolina Environmental Quality			-	376,600	-
<b>North Carolina Department of Natural Resources:</b>					
Division of Parks and Recreation:					
PARTF Grant			-	250,000	-
Total North Carolina Department of Natural Resources			-	250,000	-
<b>North Carolina Department of Public Instruction:</b>					
Public School Building Capital Fund-Lottery Proceeds			-	1,918,425	1,918,425
Total State Awards			-	3,461,281	2,054,930
Total Federal and State Awards			<u>\$5,820,784</u>	<u>\$3,934,102</u>	<u>\$2,169,930</u>

cont.



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**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019**

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**Notes to the Schedule of Expenditures of Federal and State 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, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 *U. S. 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 principals contained in the 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 minimus indirect cost rate as allowed under the Uniform Guidance.

**Note 4: Cluster of Programs**

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