

BURKE COUNTY
MORGANTON, NORTH CAROLINA

Financial Statements, Management's Discussion and Analysis,
Supplemental Schedules, Independent Auditors' Report and Single Audit Reports
For the Year Ended June 30, 2018

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

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BURKE COUNTY, NORTH CAROLINA
Comprehensive Annual Financial Report
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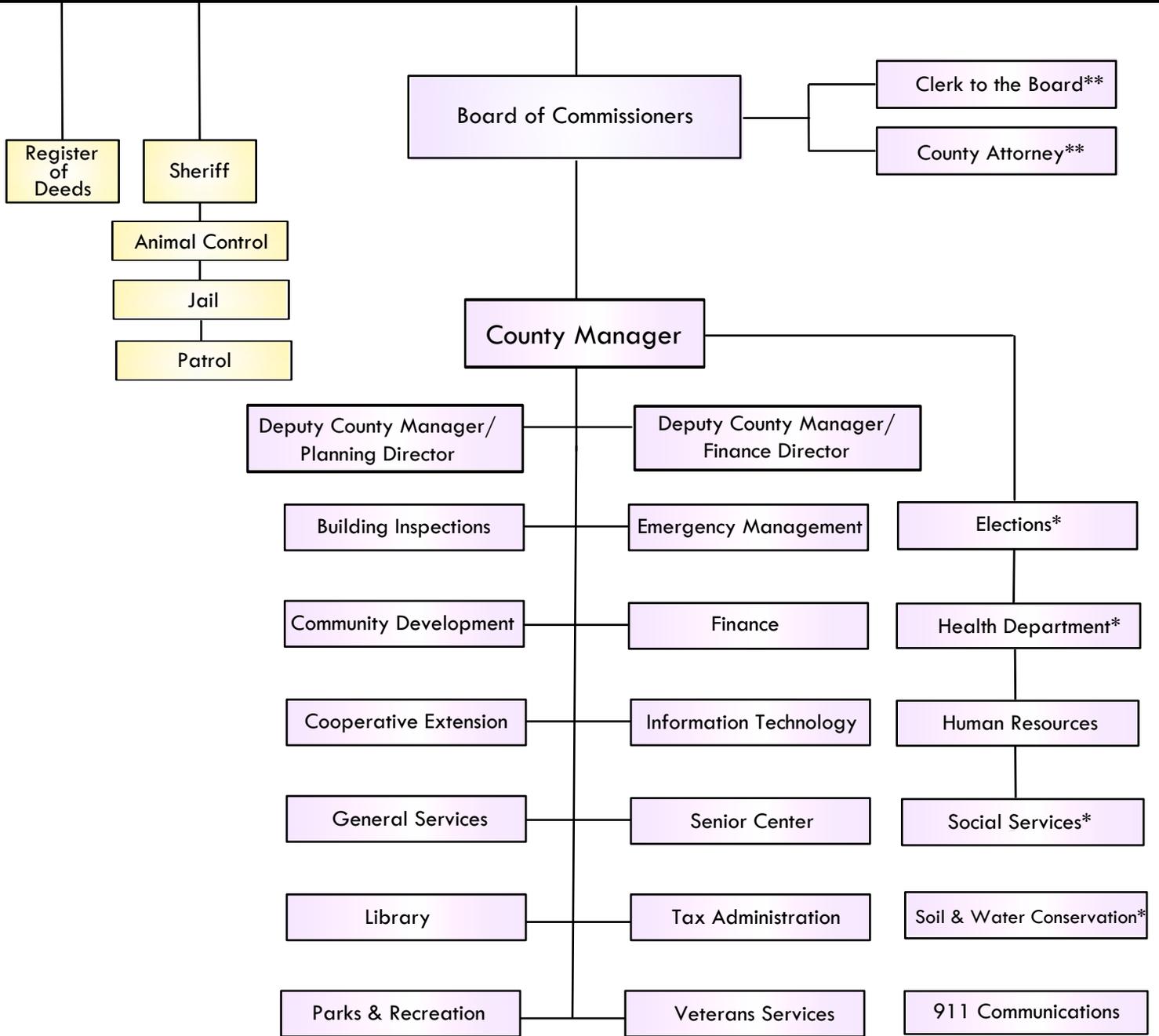
INTRODUCTORY SECTION

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- **Organizational Chart**
 - **List of Principal Officials**
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Burke County Organizational Structure

CITIZENS OF BURKE COUNTY



* Works with County Manager but is under the direction of an appointed Board

** Works with County Manager but is appointed by County Commissioners

BURKE COUNTY, NORTH CAROLINA

Principal Officials

June 30, 2018

Board of Commissioners

Jeffery C. Brittain, Chairman

Johnnie W. Carswell, Vice-Chairman

Wayne F. Abele, Sr., Commissioner

Scott Mulwee, Commissioner

Maynard M. Taylor, Commissioner

Other County Officials

Kenneth B. Steen, County Manager

Kay H. Draughn, Clerk to the Board

Brock Hall, Communications Director

Spring Williams-Byrd, Cooperative Extension Director

Scott Carpenter, Deputy County Manager/Community Development Director

Paul Ijames, Deputy County Manager/Finance Director

Debbie Mace, Director of Elections

Dorraine Hernandez, DSS Director

Greg Curry, Emergency Medical Services Director

Michael Willis, Fire Marshal/ Emergency Management Services Director

Miles Champion, General Services Director

Rebecca McLeod, Health Director

Rhonda Lee, Human Resources Director

Steve Bennett, Information Technology Director

Jim Wilson, Library Director

Treg McGee, Recreation Director

Stephanie Norman, Register of Deeds

Roxanne Powell, Senior Services Director

Steve Whisenant, Sheriff

Danny Isenhour, Tax Administrator

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FINANCIAL SECTION

- **Independent Auditors' Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Notes to the Financial Statements**
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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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

Independent Auditors' Report

To the Board of Commissioners of
Burke County
Morganton, 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 units, each major fund, and the aggregate remaining fund information of Burke County, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Burke 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 the Burke County Tourism Development Authority, which represent .31 percent, 1.24 percent, and .52 percent, respectively, of the assets, net position, and revenues of Burke County, North Carolina. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Burke 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. The financial statements of the Burke County Tourism Development Authority were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 units, each major fund, and the aggregate remaining fund information of Burke County, North Carolina, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the School One Cent Sales Tax 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 Other Postemployment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Register of Deeds' Supplemental Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) and Contributions and the Law Enforcement Officers' Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 6-13, and 71-77 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 Burke County, North Carolina's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules and 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. In our opinion, the combining and individual fund financial statements, budgetary schedules and 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 16, 2019, on our consideration of Burke 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 Burke 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 the Burke County, North Carolina's internal control over financial reporting and compliance.

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

Morganton, North Carolina
January 16, 2019

Management's Discussion and Analysis

As management of Burke County, we offer readers of Burke County's financial statements this narrative overview and analysis of the financial activities of Burke County for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

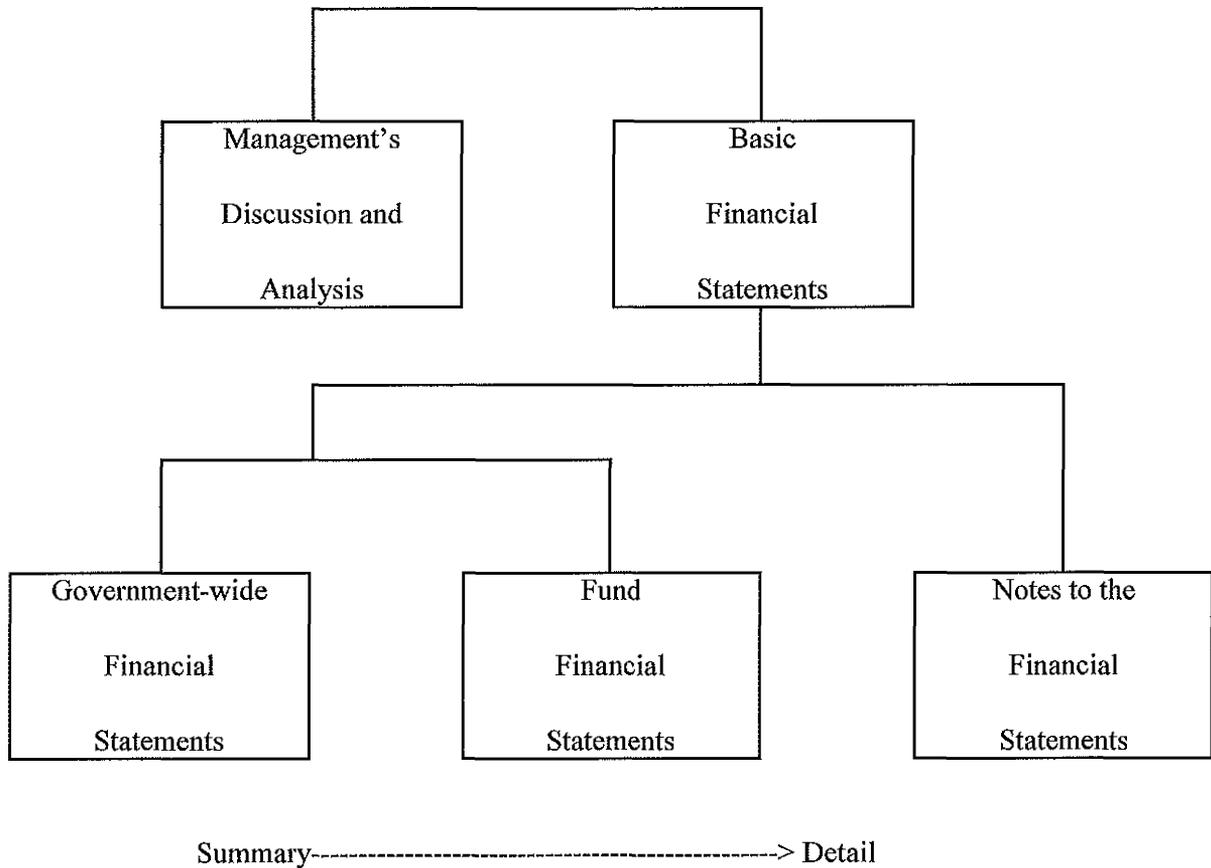
Financial Highlights

- The assets and deferred outflows of resources of Burke County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,640,529 (net position).
- The government's total net position decreased by \$18,847,722, primarily due to the issuance of debt for the new jail and higher post employment liabilities.
- As of the close of the current fiscal year, Burke County's governmental funds reported combined ending fund balances of \$61,396,771 after a net increase in fund balance of \$4,837,497. Approximately 71.60 percent of this total amount, or \$43,957,890, is restricted or non spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,224,971 or 18.78 percent of total general fund expenditures for the fiscal year.
- Burke County's total debt increased by \$14,454,033 (26%) during the current fiscal year due to the issuance of \$20,010,000 in limited obligation bonds for school capital needs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Burke 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 Burke County.

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



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 11) 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. After the notes, supplemental information is provided to show 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 General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

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 they have 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 two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, parks and recreation, 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 charges customers to provide. These include the water and sewer, waste disposal, and waste collection services offered by Burke County.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at 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. Burke County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Burke 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 give the reader a detailed short-term view that helps him or her 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.

Burke 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 - Burke County has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Burke County uses enterprise funds to account for its water and sewer activity and for its waste collection and disposal operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Burke County has two fiduciary funds, both of which are agency funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 25 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Burke County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 71 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Burke County exceeded liabilities and deferred inflows by \$32,640,529 as of June 30, 2018. The County's net position decreased by \$18,847,722 for the fiscal year ended June 30, 2018. One of the largest portions, \$48,453,803, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Burke County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Burke 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 Burke County's net position, \$44,031,117, represents resources that are subject to external restrictions on how they may be used. The remaining (deficit) of (\$59,844,389) is unrestricted.

	Burke County Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 77,226,327	\$ 69,428,393	\$ 2,891,931	\$ 2,065,638	\$ 80,118,258	\$ 71,494,031
Capital assets	<u>42,070,171</u>	<u>37,699,507</u>	<u>18,123,618</u>	<u>18,460,787</u>	<u>60,193,789</u>	<u>56,160,294</u>
Total assets	<u>\$119,296,498</u>	<u>\$107,127,900</u>	<u>\$ 21,015,549</u>	<u>\$ 20,526,425</u>	<u>\$140,312,048</u>	<u>\$127,654,326</u>
Deferred outflows of resources	<u>\$ 6,983,058</u>	<u>\$ 8,686,288</u>	<u>\$ 124,961</u>	<u>\$ 195,246</u>	<u>\$ 7,108,019</u>	<u>\$ 8,881,534</u>
Long-term liabilities outstanding	\$ 94,559,810	\$ 68,693,642	\$ 5,866,882	\$ 5,943,786	\$100,426,692	\$ 74,637,428
Other liabilities	<u>12,165,703</u>	<u>9,363,476</u>	<u>812,185</u>	<u>522,118</u>	<u>12,977,888</u>	<u>9,885,594</u>
Total liabilities	<u>\$106,725,513</u>	<u>\$ 78,057,118</u>	<u>\$ 6,679,066</u>	<u>\$ 6,465,903</u>	<u>\$113,404,581</u>	<u>\$ 84,523,021</u>
Deferred inflows of resources	<u>\$ 1,351,654</u>	<u>\$ 515,585</u>	<u>\$ 23,303</u>	<u>\$ 9,000</u>	<u>\$ 1,374,957</u>	<u>\$ 524,585</u>
Net position:						
Net investment in capital assets	\$ 30,475,792	\$ 29,414,660	\$ 17,978,011	\$ 18,303,046	\$ 48,453,803	\$ 47,717,706
Restricted	44,031,117	39,835,828	-	-	44,031,117	39,835,828
Unrestricted	<u>(56,304,520)</u>	<u>(32,009,003)</u>	<u>(3,539,869)</u>	<u>(4,056,278)</u>	<u>(59,844,389)</u>	<u>(36,065,281)</u>
Total net position	<u>\$ 18,202,389</u>	<u>\$ 37,241,485</u>	<u>\$ 14,438,141</u>	<u>\$ 14,246,767</u>	<u>\$ 32,640,529</u>	<u>\$ 51,488,251</u>

Burke County, North Carolina
Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,454,959	\$ 7,485,307	\$ 6,663,581	\$ 6,023,037	\$ 13,118,540	\$ 13,508,344
Operating grants and contributions	12,185,007	15,855,157	-	-	12,185,007	15,855,157
Capital grants and contributions	3,880,964	1,613,773	64,785	333,328	3,945,749	1,947,101
General revenues:						
Property taxes	49,453,349	48,277,055	-	-	49,453,349	48,277,055
Other taxes	16,285,051	15,245,846	-	-	16,285,051	15,245,846
Other	<u>2,662,206</u>	<u>1,923,343</u>	<u>77,671</u>	<u>43,491</u>	<u>2,739,877</u>	<u>1,966,834</u>
Total revenues	<u>90,921,536</u>	<u>90,400,481</u>	<u>6,806,037</u>	<u>6,399,856</u>	<u>97,727,573</u>	<u>96,800,337</u>
Expenses:						
General government	7,712,993	7,264,616	-	-	7,712,993	7,264,616
Public safety	23,154,608	22,806,814	-	-	23,154,608	22,806,814
Transportation	53,173	33,986	-	-	53,173	33,986
Economic and physical development	2,769,354	2,144,022	-	-	2,769,354	2,144,022
Environmental protection	162,446	69,458	-	-	162,446	69,458
Human services	19,850,366	21,477,512	-	-	19,850,366	21,477,512
Culture and recreation	2,989,309	2,146,219	-	-	2,989,309	2,146,219
Education	36,000,244	23,300,034	-	-	36,000,244	23,300,034
Other	1,912,520	2,088,729	-	-	1,912,520	2,088,729
Interest on long-term debt	1,994,615	1,265,300	-	-	1,994,615	1,265,300
Landfill	-	-	4,666,253	5,503,959	4,666,253	5,503,959
Water and sewer	-	-	<u>1,776,450</u>	<u>1,797,462</u>	<u>1,776,450</u>	<u>1,797,462</u>
Total expenses	<u>96,599,628</u>	<u>82,596,690</u>	<u>6,442,703</u>	<u>7,301,421</u>	<u>103,042,331</u>	<u>89,898,111</u>
Increase (decrease) in net position						
before transfers	(5,678,092)	7,803,791	363,334	(901,565)	(5,314,758)	6,902,226
Transfers	<u>(95,518)</u>	<u>(539,678)</u>	<u>95,518</u>	<u>539,678</u>	-	-
Increase (decrease) in net position	<u>(5,773,610)</u>	<u>7,264,113</u>	<u>458,851</u>	<u>(361,887)</u>	<u>(5,314,758)</u>	<u>6,902,226</u>
Net position - July 1, previously reported	37,241,485	31,119,611	14,246,768	14,608,653	51,488,251	45,728,263
Restatement	<u>(13,265,486)</u>	<u>(1,142,239)</u>	<u>(267,479)</u>	-	<u>(13,532,965)</u>	<u>(1,142,239)</u>
Net position - July 1, restated	<u>23,975,999</u>	<u>29,977,372</u>	<u>13,979,289</u>	<u>14,608,653</u>	<u>37,955,288</u>	<u>44,586,025</u>
Net position - June 30	<u>\$18,202,389</u>	<u>\$37,241,485</u>	<u>\$14,438,141</u>	<u>\$14,246,767</u>	<u>\$ 32,640,530</u>	<u>\$ 51,488,251</u>

Governmental activities: Governmental activities decreased the County's net position by \$5,773,610.

Business-type activities: Business-type activities increased Burke County's net position by \$458,851.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Burke County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Burke 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 Burke County. At the end of the current fiscal year, fund balance available in the General Fund was \$15,224,971, while total fund balance reached \$23,138,704. The County currently has an available fund balance of 18.78% of General Fund expenditures, while total fund balance represents 28.55% of that same amount.

At June 30, 2018, the governmental funds of Burke County reported a combined fund balance of \$61,396,771, an 8.50 percent increase from last year.

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 \$4,321,052.

Highlights include the following:

- Received approximately \$530,000 more than anticipated in current year ad valorem taxes due to a higher than expected tax levy.
- Received \$172,000 more in ambulance charges than expected.

Proprietary Funds. Burke County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$755,187, the Waste Disposal Fund (\$4,295,401) and for the Waste Collection Fund \$345. The total increase (decrease) in net position for the three funds was (\$321,493), \$676,530, and \$103,815, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of Burke County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Burke County's capital assets for its governmental and business- type activities as of June 30, 2018, totals \$60,193,789 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the addition of a water and sewer infrastructure project, acquisition of communication and medical equipment, acquisition and disposal of vehicles, and completion of a new EMS base in the South Mountain area, and the start of the construction of a new jail facility.

	Burke County's Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,513,737	\$ 2,513,737	\$ 1,356,390	\$ 1,356,390	\$ 3,870,127	\$ 3,870,127
Buildings	24,499,145	22,112,828	14,754,579	15,436,166	39,253,724	37,548,994
Improvements	3,299,056	3,591,112	-	-	3,299,056	3,591,112
Furniture and equipment	3,370,853	3,997,045	713,575	704,675	4,084,428	4,701,720
Vehicles	2,715,297	2,392,391	639,103	326,949	3,354,400	2,719,340
Construction in progress	<u>5,672,083</u>	<u>3,092,394</u>	<u>659,971</u>	<u>636,607</u>	<u>6,332,054</u>	<u>3,729,001</u>
Total	<u>\$42,070,171</u>	<u>\$37,699,507</u>	<u>\$18,123,618</u>	<u>\$18,460,787</u>	<u>\$60,193,789</u>	<u>\$56,160,294</u>

Additional information on the County's capital assets can be found in Note III A.5. of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2018, Burke County had total bonded debt outstanding of \$1,425,000, all of which is debt backed by the full faith and credit of the County.

	Burke County's Outstanding Debt General Obligation	
	2018	2017
General obligation debt	\$ 1,425,000	\$ 1,840,000
Installment purchases	<u>68,080,607</u>	<u>53,211,074</u>
Total	<u>\$69,505,607</u>	<u>\$55,051,074</u>

Burke County's total debt increased by \$14,454,533 during the past fiscal year, primarily due to additional borrowing in the Grant Projects Fund for the construction of a new jail.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Burke County is \$503,517,507.

Additional information regarding Burke County's long-term debt can be found in Note III.B.7. beginning on page 62 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County:

- The County's most recent unemployment rate as of October was 3.1% compared to 3.4% for the State. This represents a .8% decrease from the October 2017 rate of 3.9%.
- Taxable sales amounts for fiscal year 2017-2018 were \$713,620,313, a \$31,367,816 (4.6%) increase from 2016-2017 taxable sales of \$682,352,497.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Revenues are expected to decline by approximately 1% as a result of changes to intergovernmental revenues due to the cancellation of joint agreements on communications and law enforcement activities. Fund balance appropriation has increased over \$1 million to fill the gap for this loss and other needs.

Expenditures in the General Fund are expected to increase approximately 4.8% to \$85.2 million. The largest increases are in the areas of services, debt service, and public safety. Increases in debt service reflect first year payments on financing issued for the new jail and school construction, while public safety includes new building facilities, vehicles, and personnel costs. The largest decrease is in the DSS budget due to day care expenditures being done at the State level, but this is offset by State revenues and not County dollars.

Business-type Activities: Water and sewer rates in the County have been increased approximately 5% to cover anticipated increases in capital equipment costs. Waste disposal expenditures are expected to increase primarily due to new capital needs.

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 Director, Burke County, P. O. Box 219, Morganton, N. C. 28680-0219. You can also visit our website at www.burkenc.org.

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BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a condensed overview of the financial position and 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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BURKE COUNTY, NORTH CAROLINA

Exhibit 1

**Statement of Net Position
June 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burke County Tourism Development Authority
Assets				
Current assets:				
Cash and investments	\$ 40,614,962	\$ 2,147,795	\$ 42,762,757	\$ 264,671
Cash held with fiscal agent	26,408,027	-	26,408,027	-
Receivables (net)	1,813,167	551,794	2,364,961	-
Due from other governments	5,519,989	92,760	5,612,749	108,706
Prepaid expenses	115,331	-	115,331	-
Total current assets	<u>74,471,476</u>	<u>2,792,349</u>	<u>77,263,825</u>	<u>373,377</u>
Noncurrent assets:				
Restricted cash	-	99,582	99,582	-
Net pension asset	188,558	-	188,558	-
Net investment in joint venture	2,566,293	-	2,566,293	-
Total noncurrent assets	<u>2,754,851</u>	<u>99,582</u>	<u>2,854,433</u>	<u>-</u>
Capital assets:				
Land, improvements and construction in progress	8,185,820	2,016,361	10,202,181	-
Other capital assets, net of depreciation	33,884,351	16,107,257	49,991,608	51,850
Total capital assets	<u>42,070,171</u>	<u>18,123,618</u>	<u>60,193,789</u>	<u>51,850</u>
Total assets	<u>119,296,498</u>	<u>21,015,549</u>	<u>140,312,048</u>	<u>425,227</u>
Deferred outflows of resources	<u>6,983,058</u>	<u>124,961</u>	<u>7,108,019</u>	<u>20,286</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	11,561,933	712,603	12,274,536	58,190
Accrued interest payable	603,770	-	603,770	-
Customer deposits	-	99,582	99,582	-
Long-term liabilities:				
Due within one year	6,355,000	12,134	6,367,134	-
Due in more than one year	88,204,810	5,854,748	94,059,558	40,787
Total liabilities	<u>106,725,513</u>	<u>6,679,066</u>	<u>113,404,581</u>	<u>98,977</u>
Deferred inflows of resources	<u>1,351,654</u>	<u>23,303</u>	<u>1,374,957</u>	<u>614</u>
Net Position				
Net investment in capital assets	30,475,792	17,978,011	48,453,803	51,850
Restricted for:				
Public safety	18,033,337	-	18,033,337	-
Human services	445,197	-	445,197	-
Register of Deeds	95,812	-	95,812	-
Education	15,212,860	-	15,212,860	-
Cultural and recreational	1,080,908	-	1,080,908	-
Register of Deeds' pension plan	188,558	-	188,558	-
Stabilization by State Statute	8,027,603	-	8,027,603	108,706
Community development	940,212	-	940,212	-
Environmental protection	6,630	-	6,630	-
Tourism	-	-	-	185,366
Unrestricted (deficit)	(56,304,520)	(3,539,869)	(59,844,389)	-
Total net position	<u>\$ 18,202,389</u>	<u>\$ 14,438,141</u>	<u>\$ 32,640,529</u>	<u>\$ 345,922</u>

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

BURKE COUNTY, NORTH CAROLINA

Exhibit 2

**Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit Burke County Tourism Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 7,712,993	\$ 1,074,020	\$ 12,836	\$ 280,309	\$ (6,345,828)	\$ -	\$ (6,345,828)	
Public safety	23,154,608	3,971,435	-	726,725	(18,456,448)	-	(18,456,448)	
Transportation	53,173	-	-	-	(53,173)	-	(53,173)	
Economic and physical development	2,769,354	-	-	483,449	(2,285,905)	-	(2,285,905)	
Environmental protection	162,446	101,828	-	-	(60,618)	-	(60,618)	
Human services	19,850,366	1,208,862	12,162,765	-	(6,478,739)	-	(6,478,739)	
Cultural and recreational	2,989,309	98,814	-	695,481	(2,195,014)	-	(2,195,014)	
Education	36,000,244	-	9,406	1,695,000	(34,295,838)	-	(34,295,838)	
Other	1,912,520	-	-	-	(1,912,520)	-	(1,912,520)	
Interest on long-term debt	1,994,615	-	-	-	(1,994,615)	-	(1,994,615)	
Total governmental activities	<u>96,599,628</u>	<u>6,454,959</u>	<u>12,185,007</u>	<u>3,880,964</u>	<u>(74,078,698)</u>	<u>-</u>	<u>(74,078,698)</u>	
Business-type activities:								
Water and sewer	1,776,450	1,528,199	-	64,785	-	(183,466)	(183,466)	
Waste disposal	3,886,628	5,135,284	-	-	-	1,248,656	1,248,656	
Waste collection	779,625	98	-	-	-	(779,527)	(779,527)	
Total business-type activities	<u>6,442,703</u>	<u>6,663,581</u>	<u>-</u>	<u>64,785</u>	<u>-</u>	<u>285,663</u>	<u>285,663</u>	
Total primary government	<u>\$ 103,042,331</u>	<u>\$ 13,118,540</u>	<u>\$ 12,185,007</u>	<u>\$ 3,945,749</u>	<u>(74,078,698)</u>	<u>285,663</u>	<u>(73,793,035)</u>	
Component Unit								
Burke County Tourism Development Authority	<u>\$ 479,231</u>	<u>\$ 16,826</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (462,405)</u>
General revenues:								
Taxes:								
Property taxes					49,453,349	-	49,453,349	-
Local option sales tax					14,487,614	-	14,487,614	-
Other taxes and licenses					1,797,437	-	1,797,437	508,853
Unrestricted investment earnings					721,510	23,146	744,656	165
Miscellaneous					1,940,696	54,525	1,995,221	2,391
Transfers					(95,518)	95,518	-	-
Total general revenues, special items and transfers					<u>68,305,088</u>	<u>173,189</u>	<u>68,478,277</u>	<u>511,409</u>
Change in net position					<u>(5,773,610)</u>	<u>458,851</u>	<u>(5,314,758)</u>	<u>49,004</u>
Net position, beginning previously reported					37,241,485	14,246,768	51,488,253	304,882
Restatement					<u>(13,265,486)</u>	<u>(267,479)</u>	<u>(13,532,965)</u>	<u>(7,964)</u>
Net position, beginning restated					23,975,999	13,979,289	37,955,288	296,918
Net position - ending					<u>\$ 18,202,389</u>	<u>\$ 14,438,141</u>	<u>\$ 32,640,530</u>	<u>\$ 345,922</u>

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

BURKE COUNTY, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2018**

	Major Funds			Non-Major Funds	Total Governmental Funds
	General Fund	School One Cent Sales Tax Fund	Grant Projects Fund	Other Governmental Funds	
Assets					
Cash and investments	\$26,983,966	\$ 8,091,174	\$ 98,652	\$ 5,441,170	\$ 40,614,963
Cash with fiscal agent	-	-	26,408,027	-	26,408,027
Receivables (net)	1,098,223	-	-	181,749	1,279,972
Loan receivable	440,498	-	-	-	440,498
Due from other governments	3,078,298	1,521,130	20,650	899,911	5,519,988
Prepays	115,331	-	-	-	115,331
Total assets	\$31,716,316	\$ 9,612,304	\$ 26,527,329	\$ 6,522,830	\$ 74,378,779
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,336,179	\$ -	\$ 3,936,411	\$ 289,343	\$ 11,561,932
Total liabilities	7,336,179	-	3,936,411	289,343	11,561,932
Deferred inflows of resources	1,241,433	-	-	178,644	1,420,077
Fund balances:					
Nonspendable:					
Prepaid expenses	115,331	-	-	-	115,331
Restricted:					
Stabilization by State Statute	4,617,019	1,521,130	1,086,828	802,626	8,027,603
Register of Deeds	95,812	-	-	-	95,812
Department of social services	261,515	-	-	-	261,515
Health department	182,864	-	-	-	182,864
Community development	32,761	-	-	907,451	940,212
Education	-	8,091,174	4,016,054	3,105,632	15,212,860
Cultural and recreational	110,773	-	-	-	110,773
Emergency telephone system	-	-	-	1,239,136	1,239,136
Committed:					
Public safety	1,879	-	16,767,902	-	16,769,781
Fire Marshal	24,420	-	-	-	24,420
Cooperative extension	6,630	-	-	-	6,630
Cultural and recreational	250,000	-	720,135	-	970,135
Health department	677	-	-	-	677
Department of social services	141	-	-	-	141
Assigned:					
Subsequent year's expenditures	2,213,911	-	-	-	2,213,911
Unassigned	15,224,971	-	-	-	15,224,971
Total fund balances	23,138,704	9,612,304	22,590,918	6,054,845	61,396,771
Total liabilities, deferred inflows and fund balances	\$31,716,316	\$ 9,612,304	\$ 26,527,329	\$ 6,522,830	\$ 74,378,779

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

BURKE COUNTY, NORTH CAROLINA**Exhibit 4****Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2018**

Total governmental fund balances	\$ 61,396,771
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.	42,070,171
Net pension asset	188,558
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,659,028
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	140,817
Contributions and pension administration cost for OPEB are deferred outflows of resources on the Statement of Net Position	535,203
The County has an investment in a joint venture. This investment is not a current financial resource and therefore not reported in the funds.	2,566,293
Charges relating to advanced refunding bond issues	2,140,978
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	85,121
Liabilities for earned but deferred revenues in the fund statements.	880,775
Net pension liability	(6,966,261)
Net OPEB liability	(16,566,135)
Pension related deferrals	2,265,395
OPEB related deferrals	(563,141)
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>(71,631,184)</u>
Net position of governmental activities.	<u>\$ 18,202,389</u>
<i>(The accompanying notes are an integral part of the financial statements.)</i>	

BURKE COUNTY, NORTH CAROLINA

Exhibit 5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018**

	Major Funds			Non-Major Funds	Total Governmental Funds
	General Fund	School One Cent Sales Tax Fund	Grant Projects Fund	Other Governmental Funds	
Revenues:					
Ad valorem taxes	\$ 45,618,601	\$ -	\$ -	\$ 3,834,748	\$ 49,453,349
Other taxes and licenses	8,024,380	4,822,580	-	2,649,725	15,496,685
Unrestricted intergovernmental revenues	584,843	-	-	-	584,843
Restricted intergovernmental revenues	12,153,126	1,695,000	-	161,992	14,010,118
Permits and fees	6,240,407	-	-	699,024	6,939,431
Sales and services	2,168,914	-	-	-	2,168,914
Investment earnings	300,950	118,298	236,358	65,904	721,510
Other revenues	-	-	1,774,256	-	1,774,256
Total revenues	75,091,220	6,635,878	2,010,614	7,411,393	91,149,106
Expenditures:					
Current:					
General government	6,925,833	-	-	-	6,925,833
Public safety	18,872,326	-	5,502,207	4,363,346	28,737,879
Transportation	54,582	-	-	-	54,582
Human services	19,653,152	-	-	-	19,653,152
Cultural and recreational	2,081,894	-	861,557	-	2,943,451
Education	18,101,145	-	15,907,729	1,991,370	36,000,244
Environmental protection	112,978	-	-	-	112,978
Economic and physical development	2,684,640	-	-	86,843	2,771,483
Aids and donations	281,705	-	-	-	281,705
Other expenses	1,630,814	-	-	-	1,630,814
Debt service:					
Principal retirement	5,543,333	-	-	-	5,543,333
Interest	1,570,638	-	-	-	1,570,638
Total expenditures	77,513,039	-	22,271,493	6,441,559	106,226,092
Excess revenues over (under) expenditures	(2,421,819)	6,635,878	(20,260,879)	969,833	(15,076,986)
Other Financing Sources (Uses):					
Proceeds from long-term debt	-	-	20,010,000	-	20,010,000
Transfers from other funds	6,943,044	-	1,317,517	250,000	8,510,561
Transfers to other funds	(3,521,773)	(5,084,305)	-	-	(8,606,078)
Total other financing sources (uses)	3,421,271	(5,084,305)	21,327,517	250,000	19,914,483
Revenues and other financing sources over (under) expenditures and other financing uses	999,451	1,551,572	1,066,638	1,219,833	4,837,497
Fund balances, beginning previously reported	22,257,032	8,060,732	21,524,280	4,717,232	56,559,276
Restatement	(117,779)	-	-	117,779	-
Fund balances, beginning restated	22,139,253	8,060,732	21,524,280	4,835,011	56,559,276
Fund balances, June 30	\$ 23,138,704	\$ 9,612,304	\$ 22,590,918	\$ 6,054,845	\$ 61,396,771

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

BURKE 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, 2018**

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

Net changes in fund balances - total governmental funds	\$ 4,837,497
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.	4,398,792
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,648,938
Contributions and pension administration cost for OPEB are deferred outflows of resources on the Statement of Net Position	535,203
Benefit payments and administration cost for LEOSSA are deferred outflows of resources on the Statement of Net Position	140,817
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	(20,010,000)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.	5,543,333
Deferred charges on refunding of debt	(240,191)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(423,977)
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.	<u>(2,204,022)</u>
Total changes in net position of governmental activities	<u>\$ (5,773,610)</u>

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

BURKE COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
General Fund and School One Cent Sales Tax Fund
For the Year Ended June 30, 2018**

	General Fund			Variance
	Original Budget	Final Budget	Actual	With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 45,210,200	\$ 45,210,200	\$ 45,618,601	\$ 408,401
Other taxes and licenses	7,524,090	7,524,090	8,024,380	500,290
Unrestricted intergovernmental payments	518,680	518,680	584,843	66,163
Restricted intergovernmental payments	15,807,591	17,232,119	12,153,126	(5,078,993)
Permits and fees	5,907,179	6,162,706	6,240,407	77,701
Sales and services	1,950,754	2,173,998	2,168,914	(5,084)
Investment earnings	108,000	108,000	300,950	192,950
Total revenues	<u>77,026,494</u>	<u>78,929,793</u>	<u>75,091,220</u>	<u>(3,838,572)</u>
Expenditures:				
Current:				
General government	7,346,325	7,519,919	6,925,833	594,086
Public safety	18,327,504	19,620,321	18,872,326	747,995
Transportation	54,582	54,582	54,582	-
Human services	23,310,561	23,871,643	19,653,152	4,218,491
Cultural and recreational	2,290,547	2,324,258	2,081,894	242,364
Education	18,483,584	18,518,909	18,101,145	417,764
Environmental protection	110,465	113,181	112,978	203
Economic and physical development	2,182,844	3,807,096	2,684,640	1,122,456
Aids and donations	288,577	288,577	281,705	6,872
Other expenses	2,710,045	2,104,600	1,630,814	473,786
Debt service:				
Principal retirement	5,543,334	5,543,334	5,543,333	1
Interest	1,572,141	1,572,141	1,570,638	1,503
Total expenditures	<u>82,220,509</u>	<u>85,338,561</u>	<u>77,513,039</u>	<u>7,825,521</u>
Revenues over (under) expenditures	<u>(5,194,015)</u>	<u>(6,408,768)</u>	<u>(2,421,819)</u>	<u>3,986,949</u>
Other Financing Sources (Uses):				
Transfers from other funds	6,943,046	6,943,046	6,943,044	(2)
Transfers to other funds	(2,728,800)	(4,169,800)	(3,521,773)	648,027
Appropriated fund balance	979,769	3,635,522	-	(3,635,522)
Total other financing sources (uses)	<u>5,194,015</u>	<u>6,408,768</u>	<u>3,421,271</u>	<u>(2,987,497)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>999,451</u>	<u>\$ 999,451</u>
Fund balances:				
Beginning of year, previously reported			22,257,032	
Restatement			(117,679)	
Beginning of year, restated			22,139,253	
End of year			<u>\$ 23,138,704</u>	

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

School One Cent Sales Tax Fund				
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	4,732,000	4,471,200	4,822,580	351,380
Unrestricted intergovernmental payments	-	-	-	-
Restricted intergovernmental payments	-	252,718	1,695,000	1,442,282
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	118,298	118,298
Total revenues	<u>4,732,000</u>	<u>4,723,918</u>	<u>6,635,878</u>	<u>1,911,960</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Human services	-	-	-	-
Cultural and recreational	-	-	-	-
Education	1,475,248	-	-	-
Environmental protection	-	-	-	-
Economic and physical development	-	-	-	-
Aids and donations	-	-	-	-
Other expenses	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,475,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>3,256,752</u>	<u>4,723,918</u>	<u>6,635,878</u>	<u>1,911,960</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,675,000	1,918,800	1,558,410	(360,390)
Transfers to other funds	(4,931,752)	(7,820,865)	(6,642,715)	1,178,150
Appropriated fund balance	-	1,178,147	-	(1,178,147)
Total other financing sources (uses)	<u>(3,256,752)</u>	<u>(4,723,918)</u>	<u>(5,084,305)</u>	<u>(360,388)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,551,572</u>	<u>\$ 1,551,572</u>
Fund balances:				
Beginning of year, previously reported			8,060,732	
Restatement			-	
Beginning of year, restated			<u>8,060,732</u>	
End of year			<u>\$ 9,612,304</u>	

BURKE COUNTY, NORTH CAROLINA

Exhibit 8

**Statement of Net Position
Proprietary Funds
June 30, 2018**

<u>Assets</u>	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Waste Disposal</u>	<u>Waste Collection</u>	
Current assets:				
Cash	\$ 907,762	\$ 1,121,670	\$ 118,363	\$ 2,147,795
Due from other governments	14,752	71,168	6,840	92,760
Accounts receivable, net	119,021	432,773	-	551,794
Total current assets	1,041,535	1,625,612	125,203	2,792,350
Noncurrent assets:				
Restricted cash	99,582	-	-	99,582
Capital assets:				
Land, improvements and construction in process	378,486	1,559,379	78,496	2,016,361
Other capital assets, net of depreciation	13,660,639	1,603,674	842,944	16,107,257
Total capital assets	14,039,125	3,163,053	921,440	18,123,618
Total non current assets	14,138,707	3,163,053	921,440	18,223,200
Total assets	\$15,180,242	\$ 4,788,665	\$1,046,643	\$21,015,550
Deferred Outflows of Resources	18,295	57,315	49,351	124,961
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	183,915	470,012	9,059	662,986
Customer deposits	99,582	-	-	99,582
Accrued salaries	7,137	26,010	16,469	49,617
Current portion of long-term debt	12,134	-	-	12,134
Total current liabilities	302,768	496,022	25,528	824,319
Noncurrent liabilities:				
Noncurrent portion of long-term debt	133,473	-	-	133,473
Accrued vacation pay	12,020	34,894	8,861	55,775
Net pension liability	23,767	74,446	64,660	162,873
Other post retirement benefits liability	73,730	289,164	68,792	431,686
Accrued landfill closure and postclosure care cost	-	5,070,940	-	5,070,940
Total noncurrent liabilities	242,990	5,469,444	142,313	5,854,748
Total liabilities	545,759	5,965,466	167,841	6,679,066
Deferred inflows of resources	4,073	12,862	6,368	23,303
<u>Net Position</u>				
Net investment in capital assets	13,893,518	3,163,053	921,440	17,978,011
Unrestricted	755,187	(4,295,401)	345	(3,539,869)
Total net position	\$14,648,705	\$(1,132,348)	\$ 921,785	\$14,438,141

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

BURKE COUNTY, NORTH CAROLINA

Exhibit 9

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018**

	Enterprise Funds			Total
	Water and Sewer Fund	Waste Disposal	Waste Collection	
Operating Revenues:				
Charges for services	\$ 1,528,199	\$ 5,135,224	\$ -	\$ 6,663,424
Miscellaneous revenues	-	60	98	158
Total operating revenues	<u>1,528,199</u>	<u>5,135,284</u>	<u>98</u>	<u>6,663,581</u>
Operating Expenses:				
Operations	1,096,871	3,030,734	541,947	4,669,552
Administration	-	620,707	135,487	756,194
Depreciation	<u>679,579</u>	<u>235,187</u>	<u>102,191</u>	<u>1,016,958</u>
Total operating expenses	<u>1,776,450</u>	<u>3,886,628</u>	<u>779,625</u>	<u>6,442,704</u>
Operating income (loss)	<u>(248,251)</u>	<u>1,248,657</u>	<u>(779,528)</u>	<u>220,878</u>
Nonoperating Revenues (Expenses):				
Interest earned	9,902	13,244	-	23,146
Gain on disposal of capital assets	23,300	(7,875)	-	15,425
NCDOT waterline relocation	64,785	-	-	64,785
Morganton water tank rental	<u>39,100</u>	<u>-</u>	<u>-</u>	<u>39,100</u>
Total nonoperating revenues (expense)	<u>137,087</u>	<u>5,369</u>	<u>-</u>	<u>142,455</u>
Total income (loss) before transfers	(111,165)	1,254,026	(779,528)	363,333
Transfer from (to) other funds	<u>(210,328)</u>	<u>(577,497)</u>	<u>883,343</u>	<u>95,518</u>
Change in net position	(321,493)	676,530	103,815	458,851
Net position, beginning	15,021,907	(1,644,980)	869,841	14,246,768
Net position, beginning, restated	<u>14,970,198</u>	<u>(1,808,878)</u>	<u>817,969</u>	<u>13,979,289</u>
Net position at end of year	<u>\$14,648,705</u>	<u>\$(1,132,348)</u>	<u>\$ 921,785</u>	<u>\$14,438,141</u>

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

BURKE COUNTY, NORTH CAROLINA

Exhibit 10

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

	Enterprise Funds			Total
	Water and Sewer Fund	Waste Disposal	Waste Collection	
Cash Flows From Operating Activities:				
Cash received from customers	\$ 1,602,431	\$ 4,843,870	\$ 98	\$ 6,446,399
Cash paid for goods and services	(859,637)	(3,113,026)	(371,380)	(4,344,043)
Cash paid to employees	(123,269)	(343,467)	(298,914)	(765,650)
Deposit received from customers	4,324	-	-	4,324
Net cash provided (used) by operating activities	<u>623,849</u>	<u>1,387,377</u>	<u>(670,196)</u>	<u>1,341,030</u>
Cash Flows From Noncapital Activities:				
Transfers in (out)	(210,328)	(577,497)	883,343	95,518
Net cash provided (used) by noncapital activities	<u>(210,328)</u>	<u>(577,497)</u>	<u>883,343</u>	<u>95,518</u>
Cash Flows from Investing Activities:				
Purchase of fixed assets	(205,379)	(277,763)	(204,522)	(687,664)
Proceeds from the sale of fixed assets	23,300	-	-	23,300
Other income	103,885	-	-	103,885
Interest earned	9,900	13,244	-	23,144
Net cash provided (used) by investing activities	<u>(68,294)</u>	<u>(264,519)</u>	<u>(204,522)</u>	<u>(537,335)</u>
Cash Flows From Capital and Related Financing Activities:				
Decrease in landfill closure and post-closure cost	-	(269,975)	-	(269,975)
Debt service payment	(12,134)	-	-	(12,134)
Net cash provided (used) for capital and related financing activities	<u>(12,134)</u>	<u>(269,975)</u>	<u>-</u>	<u>(282,109)</u>
Net increase (decrease) in cash and cash equivalents	333,093	275,386	8,625	617,104
Cash and cash equivalents at beginning of year	674,251	846,284	109,738	1,630,273
Cash and cash equivalents at end of year	<u>\$ 1,007,344</u>	<u>\$ 1,121,670</u>	<u>\$ 118,363</u>	<u>\$ 2,247,377</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (248,251)	\$ 1,248,657	\$ (779,528)	\$ 220,878
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	679,579	235,187	102,191	1,016,957
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	74,232	(291,414)	(49)	(217,231)
(Increase) decrease in prepaids	8,043	-	-	8,043
(Increase) decrease in deferred outflows - pension	10,442	32,707	28,408	71,557
(Increase) decrease in deferred outflows - OPEB	(246)	(779)	(247)	(1,272)
Increase (decrease) in deferred inflows - OPEB	2,745	8,701	2,754	14,200
Increase (decrease) in deferred inflows - pension	15	47	41	103
Increase (decrease) in net pension liability	(9,611)	(30,106)	(26,148)	(65,865)
Increase (decrease) in accounts payable	98,808	179,214	1,995	280,017
Increase (decrease) in customer deposits	4,324	-	-	4,324
Increase (decrease) in accrued expenses	4,317	6,899	936	12,152
Increase (decrease) in other post retirement benefits	(548)	(1,736)	(549)	(2,833)
Total adjustments	<u>872,100</u>	<u>138,720</u>	<u>109,332</u>	<u>1,120,152</u>
Net cash provided (used) by operating activities	<u>\$ 623,849</u>	<u>\$ 1,387,377</u>	<u>\$ (670,196)</u>	<u>\$ 1,341,030</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:				
Capital assets acquired by capital contributions	\$ 333,328	\$ -	\$ -	\$ 333,328

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

BURKE COUNTY, NORTH CAROLINA

Exhibit 11

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018**

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 179,734
Accounts receivable	<u>138,724</u>
Total assets	<u>\$ 318,458</u>
<u>Liabilities and Net Position</u>	
Liabilities:	
Beneficiaries	80,897
Miscellaneous liabilities	<u>237,561</u>
Total liabilities	<u>318,458</u>
Net position:	
Net position	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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.

BURKE COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

I. Summary of Significant Accounting Policies

The accounting policies of Burke 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. Burke County Industrial Facility and Pollution Control Financing Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Burke County Tourism Development Authority is presented as if it were a proprietary fund (discrete presentation).

<u>Component Unit</u>	<u>Reporting Method</u>	<u>Criteria for Inclusion</u>	<u>Separate Financial Statements</u>
Burke County Industrial Facility and Pollution Control Financing Authority	Discrete	The 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 Authority with or without cause.	None issued
Burke County Tourism Development Authority	Discrete	The Burke County Tourism Development Authority is a public authority established to expend the net proceeds of the tax levied for a room occupancy tax and shall promote travel and tourism in the County and sponsor tourist-related events and activities in the County. It is composed of nine voting members all appointed by the Burke County Board of Commissioners. The County Finance Officer serves as an ex officio nonvoting member. The Authority which has a June 30 year end is presented as a proprietary fund.	Burke County Tourism Development Authority 110 East Meeting St. Morganton, NC 28655

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 (the County) and its component unit. 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 generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties.

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.

Component Unit - The County includes a discretely presented component entity in its report—Burke County Tourism Development Authority. Although legally separate, this “component unit” is important because of certain financial transactions that exist between the entity and the County and from board member appointments by County officials.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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 fund:

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

School One Cent Sales Tax Fund - This fund is used to account for sales tax and other revenue that is designated to assist with payments relating to school debt.

Grant Projects Fund - This grant project fund is used to account for revenues and expenditures relating to the construction of a new elementary school, new jail, library at the senior center, and park trails.

The County reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for the water and sewer operations of the County.

Waste Disposal Fund - This fund accounts for the operation, maintenance, and development of the landfill.

Waste Collection Fund - This fund is used to account for the waste collection operations of the County.

The County reports the following fund types:

Agency Funds - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency fund: the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Burke County Board of Education, the Municipal Tax Fund, which accounts for taxes and receipts collected for various municipalities within the County and the DSS Beneficiaries Fund which accounts for funding held for various DSS beneficiaries.

Nonmajor Funds - The County maintains five legally budgeted funds. The Emergency Telephone System Fund, Fire District Fund and the Community Development Block Grant Projects Fund are reported as nonmajor, special revenue funds. The Capital Project Fund and the School One-Half Cent Sales Tax Fund are reported as capital projects funds.

Measurement Focus, Basis of Accounting

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide and 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, 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 are 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 enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and service, 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 measurements focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on 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 revenue, such as utilities franchise tax collected and held by the State at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues 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 by the 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, Emergency 911, Fire Districts, School One Cent Sales Tax and School One-half Cent Sales Tax and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds and the Community Development Block Grant Projects Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the General Fund, all annually budgeted funds, and at the object level for the multi-year funds. The County Manager has authority, to transfer funds from one appropriation to another per the following guidelines: (1) Amendments to receive and expend State, Federal and other non-tax revenues so long as the action does not commit additional local tax dollars, create additional positions or initiate a new County function, (2) Adjustments to pass through actual Fire Tax revenues received to respective Fire Departments, (3) Permit transfer of funds within and between departments so long as the action does not commit additional local tax dollars, create additional positions or initiate a new County function, (4) For construction projects, to negotiate and process change orders up to \$5,000, so long as such change orders do not alter scope or definition of the project, or exceed budgeted funds, (5) Capital purchases, service, or maintenance efforts approved within current budget, so long as the purchase or contract is secured in a manner according to State and Federal procurement regulation. The exception to this shall be those procurements in which Board action is mandated by a State or Federal requirement, (6) May not transfer funds from the Contingency Fund without prior Board action. During the year, several immaterial 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.

D. Assets, Liabilities and Fund Equity

1. Deposits and Investments

All deposits of the 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 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 or 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 majority of the County and the Authority's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The N. C. Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

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 all cash and investments and to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

Burke County restricted cash:

Business-Type Activities:

Water and Sewer Fund

Customer deposits

\$99,582

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

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. Prepaid Items

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. Prepaid items for the County's governmental funds are treated using the consumption method.

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. Minimum capitalization costs are \$5,000 for all fixed 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.

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

	<u>Years</u>
Buildings	30
Plant and distribution systems	40-50
Improvements	15-30
Furniture and equipment	7
Vehicles	5-15
Office equipment	5-7
Maintenance and construction equipment	10

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meets the criterion for this category - a charge on refunding, pension and contributions made to the OPEB or pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet the criterion for this category - prepaid taxes, taxes receivable, EMS fees 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 long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

10. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty 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 has no obligation 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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid Expenses - the portion of the fund balance that is not an available resource because it represents the year end balance of prepaid expenses, which are not spendable resources.

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

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

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

Restricted for the Department of Social Services - the portion of total fund balance available for appropriation which has been set aside for Department of Social Services expenditures.

Restricted for the Health Department - the portion of total fund balance available for appropriation which has been set aside for future Health Department expenditures.

Restricted for Education - the portion of total fund balance available for appropriation that has been set aside for education capital.

Restricted for Emergency Telephone System - the portion of total fund balance available for appropriation for future emergency telephone system expenditures.

Restricted for Community Development - the portion of total fund balance available for appropriation which has been set aside for community development.

Restricted for Cultural and Recreational - the portion of total fund balance restricted by a donor for the Valdese Library building renovation.

Committed Fund Balance - the portion of fund balance that can only be used for specific purposes imposed by majority vote of Burke 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 Law Enforcement - the portion of fund balance that can only be used for law enforcement expenditures.

Committed for Fire Marshal - the portion of fund balance that can only be used for fire marshal expenditures.

Committed for Cooperative Extension - the portion of fund balance that can only be used for cooperative extension expenditures.

Committed for the Health Department - the portion of fund balance that can only be used for health department expenditures.

Committed for the Department of Social Services - the portion of fund balance that can only be used for Social Services expenditures.

Committed for Cultural and Recreational - the portion of fund balance that can only be used for cultural and recreational expenditures.

Assigned Fund Balance - the portion of fund balance that the Burke County governing board has budgeted.

Subsequent year's expenditures - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

Burke County and the Authority have a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond 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 or Authority.

12. Defined Benefit Pension Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF), the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "State-administered defined benefit pension plans"), and one other postemployment benefit plan (OPEB), the Healthcare Benefit Plan (HCB). For purposes of measuring the net pension asset or liability, 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. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. 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 \$(43,194,382) consists of several elements as follows:

<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)	\$81,898,650
Less accumulated depreciation	<u>39,828,479</u>
Net capital assets	42,070,171
Net pension asset	188,558
Contributions to the pension plan in the current fiscal year	1,659,028
Benefit payments and pension administration cost for LEOSSA	140,817
Contribution to OPEB plan in the current fiscal year	535,203
Accrued interest receivable, less the amount claimed as unearned revenue in the government-wide statements, as these funds are not available and therefore deferred in the fund statements.	85,121
Deferred charges related to advanced refunding bond issued - included on government-wide statement of net position, but are not current financial resources.	2,140,978
Investment in joint venture. This investment is not a current financial resource and, therefore, is not reported in the funds.	2,566,293
Liabilities for revenue deferred, but earned, and therefore, recorded in the fund statements, but not the government-wide	880,775
OPEB related deferrals	(563,141)
Pension related deferrals	2,265,395
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:	
Bonds, leases, and installment financing	(69,360,000)
Net pension obligation	(6,966,261)
Other post-employment benefits	(16,566,135)
Compensated absences	(1,667,414)
Accrued interest payable	<u>(603,770)</u>
Total adjustment	<u><u>\$(43,194,382)</u></u>

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

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 \$(10,611,107) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 7,763,221
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities, but not in the fund statements.	(3,364,429)
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.	(20,010,000)
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 government-wide statements.	5,543,333
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	1,648,938
Contributions to OPEB plan in the current fiscal year.	535,203
Benefit payments and administration cost for LEOSSA are deferred outflows of resources on the Statement of Net Position.	140,817
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	(423,977)
Charges relating to advance refunding bonds.	(240,191)
Compensated absences are accrued in the government-wide statement, but not in the fund statements, because they do not use current resources.	(40,598)

OPEB related deferrals	\$(894,130)
Pension related deferrals	(1,781,309)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in fund statements.	
Decrease in ad valorem taxes and accrued interest	(84,755)
Other revenues	645,772
Loss from joint venture	(49,002)
Total adjustment	<u>\$(10,611,107)</u>

II. Stewardship, Compliance, and Accountability

None

Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

The Authority's procedure to spend the occupancy tax collected is not in accordance with Session Law 2007-265 House Bill 78. As required by this session law, the County remits on a monthly basis the net proceeds of the occupancy tax at a rate of 6% levied to be allocated as follows:

- A. First 3% - At least two-thirds must be used to promote travel and tourism in Burke County, and the remainder must be used for tourism-related expenditures in Burke County.
- B. Second 3% - The Authority must segregate the remaining proceeds into three separate accounts as set out below. The Authority must use at least two-thirds of the funds in each account to promote travel and tourism in each of the named areas and must use the remainder for tourism-related expenditures in each of the named areas. The amounts and accounts are as follows:
 - 1. Forty-five percent (45%) must be remitted to the Morganton account.
 - 2. Thirty percent (30%) must be remitted to the Burke County account.
 - 3. Twenty-five percent (25%) must be remitted to the Valdese account.

The Authority remits the appropriate share of the occupancy tax to the City of Morganton and the Town of Valdese monthly after receiving from Burke County. The Authority does not plan, organize, or monitor the use of the occupancy tax remitted to either the City of Morganton or the Town of Valdese.

NCGS 159-31 requires the amount of funds on deposit in an official depository or deposited at interest pursuant to GS 159-30(b) shall be secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home Loan Bank, or investment securities of such nature, in a sufficient amount to protect local government of public authority on account of deposit of funds made therein, and in such manner, as may be prescribed by rule or regulation of the Local Government Commission. The Authority invested in accounts with Morganton Savings Bank. The deposits were not collateralized in excess of the FDIC limit and the amounts exceeded the FDIC limit during the year.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the Authority'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 or the Authority's agents in these units' names. 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 and Authority, these deposits are considered to be held by their agents in the entities' names. 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 the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County and Authority 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 and the Authority rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2018, the County's deposits had a carrying amount of \$3,097,295 and a bank balance of \$3,527,798. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$2,777,798 was covered by collateral held under the Pooling Method.

At June 30, 2018, Burke County had \$12,971 cash on hand.

At June 30, 2018, the Authority's deposits had a carrying amount of \$264,671 and a bank balance of \$265,087. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was not.

2. Investments

At June 30, 2018, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less than 6 months</u>	<u>6-12 Months</u>
N. C. Capital Management Trust-Government Portfolio	Amortized Cost	<u>\$39,931,807</u>	N/A	N/A

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.

Interest Rate Risk. The County has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County has no formal policy regarding credit risk, but has internal management procedures that limit the County's investments to the provisions of G.S. 159-30, and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County's investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2018.

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 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 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>
2015	\$ 894,640	\$111,830	\$1,006,470
2016	894,640	67,098	961,738
2017	894,640	22,366	917,006
2018	<u>894,640</u>	<u>-</u>	<u>894,640</u>
Total	<u>\$3,578,560</u>	<u>\$201,294</u>	<u>\$3,779,854</u>

4. Receivables

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

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Loan Receivable</u>	<u>Total</u>
Governmental activities:					
General	\$1,372,011	\$1,711,413	\$3,078,298	\$440,498	\$6,602,220
Other governmental	<u>181,749</u>	<u>-</u>	<u>2,441,691</u>	<u>-</u>	<u>2,623,440</u>
Total receivables	1,553,760	1,711,413	5,519,989	440,498	9,225,660
Allowance for doubtful accounts	<u>677,326</u>	<u>1,215,178</u>	<u>-</u>	<u>-</u>	<u>1,892,504</u>
Total-governmental activities	<u>\$ 876,434</u>	<u>\$ 496,235</u>	<u>\$5,519,989</u>	<u>\$440,498</u>	<u>\$7,333,156</u>
Business-type activities:					
Water and sewer	\$ 119,021	\$ -	\$ 14,752	\$ -	\$ 133,773
Waste collection	-	-	6,840	-	6,840
Waste disposal	<u>436,792</u>	<u>-</u>	<u>71,168</u>	<u>-</u>	<u>507,960</u>
Total receivables	555,813	-	92,760	-	648,573
Allowance for doubtful accounts	<u>4,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,019</u>
Total-business-type activities	<u>\$ 551,794</u>	<u>\$ -</u>	<u>\$ 92,760</u>	<u>\$ -</u>	<u>\$ 644,554</u>

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

Local option sales tax and other taxes	\$4,416,204
Grants	523,476
Vehicles taxes and interest	440,485
Other taxes and fees	<u>232,584</u>
Total	<u>\$5,612,749</u>

The receivables of the Authority represent occupancy taxes due from the County.

5. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,513,737	\$ -	\$ -	\$ 2,513,737
Construction in process	<u>3,092,394</u>	<u>6,124,084</u>	<u>3,544,395</u>	<u>5,672,083</u>
Total capital assets not being depreciated	<u>5,606,131</u>	<u>6,124,084</u>	<u>3,544,395</u>	<u>8,185,820</u>
Capital assets being depreciated:				
Buildings	38,155,999	3,594,272	-	41,750,271
Improvements	7,601,202	68,060	-	7,669,262
Equipment	15,541,578	285,734	30,113	15,797,199
Vehicles	<u>8,032,628</u>	<u>1,235,466</u>	<u>771,996</u>	<u>8,496,098</u>
Total capital assets being depreciated	<u>69,331,407</u>	<u>5,183,532</u>	<u>802,109</u>	<u>73,712,830</u>
Less accumulated depreciation for:				
Buildings	16,043,171	1,207,955	-	17,251,126
Improvements	4,010,090	360,116	-	4,370,206
Equipment	11,544,533	911,926	30,113	12,426,346
Vehicles	<u>5,640,237</u>	<u>884,432</u>	<u>743,868</u>	<u>5,780,801</u>
Total accumulated depreciation	<u>37,238,031</u>	<u>3,364,429</u>	<u>773,981</u>	<u>39,828,479</u>
Total capital assets being depreciated, net	<u>32,093,376</u>	<u>1,819,103</u>	<u>28,128</u>	<u>33,884,351</u>
Governmental activity capital assets, net	<u>\$37,699,507</u>	<u>\$ 7,943,187</u>	<u>\$ 3,572,523</u>	<u>\$42,070,171</u>

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

General government	\$1,191,199
Public safety	1,644,031
Economic and physical development	47,427
Human services	390,899
Cultural and recreational	<u>90,873</u>
Total depreciation expense	<u>\$3,364,429</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 378,486	\$ -	\$ -	\$ 378,486
Total capital assets not being depreciated	<u>378,486</u>	<u>-</u>	<u>-</u>	<u>378,486</u>
Capital assets being depreciated:				
Plant and distribution systems	25,769,709	-	-	25,769,709
Furniture and equipment	755,891	205,379	-	961,270
Vehicles	<u>231,267</u>	<u>-</u>	<u>-</u>	<u>231,267</u>
Total capital assets being depreciated	<u>26,756,868</u>	<u>205,379</u>	<u>-</u>	<u>26,962,247</u>
Less accumulated depreciation for:				
Plant and distribution systems	11,871,927	643,052	-	12,514,979
Furniture and equipment	571,047	17,654	-	588,701
Vehicles	<u>179,054</u>	<u>18,873</u>	<u>-</u>	<u>197,927</u>
Total accumulated depreciation	<u>12,622,028</u>	<u>679,579</u>	<u>-</u>	<u>13,301,607</u>
Total capital assets being depreciated, net	<u>14,134,839</u>	<u>(474,200)</u>	<u>-</u>	<u>13,660,639</u>
Water and sewer capital assets, net	<u>14,513,325</u>	<u>(474,200)</u>	<u>-</u>	<u>14,039,125</u>
Waste Disposal Fund:				
Capital assets not being depreciated:				
Land	899,408	-	-	899,408
Construction in process	<u>636,607</u>	<u>23,364</u>	<u>-</u>	<u>659,971</u>
Total capital assets not being depreciated	<u>1,536,015</u>	<u>23,364</u>	<u>-</u>	<u>1,559,379</u>
Capital assets being depreciated:				
Plant and distribution systems	3,118,296	6,290	-	3,124,586
Furniture and equipment	2,233,581	-	-	2,233,581
Vehicles	<u>590,514</u>	<u>248,108</u>	<u>45,000</u>	<u>793,622</u>
Total capital assets being depreciated	<u>5,942,391</u>	<u>254,398</u>	<u>45,000</u>	<u>6,151,789</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,950,997	27,154	-	1,978,151
Furniture and equipment	1,826,971	193,221	-	2,020,192
Vehicles	<u>572,085</u>	<u>14,812</u>	<u>37,125</u>	<u>549,772</u>
Total accumulated depreciation	<u>4,350,053</u>	<u>235,187</u>	<u>37,125</u>	<u>4,548,115</u>
Total capital assets being depreciated, net	<u>1,592,337</u>	<u>19,211</u>	<u>7,875</u>	<u>1,603,674</u>
Waste disposal capital assets, net	<u>3,128,352</u>	<u>42,575</u>	<u>7,875</u>	<u>3,163,053</u>
Waste Collection Fund:				
Capital assets not being depreciated:				
Land	78,496	-	-	78,496
Construction in process	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>78,496</u>	<u>-</u>	<u>-</u>	<u>78,496</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Plant and distribution systems	\$ 561,914	\$ -	\$ -	\$ 561,914
Furniture and equipment	373,995	46,504	-	420,499
Vehicles	<u>620,415</u>	<u>158,018</u>	-	<u>778,433</u>
Total capital assets being depreciated	<u>1,556,324</u>	<u>204,522</u>	-	<u>1,760,846</u>
Less accumulated depreciation for:				
Plant and distribution systems	190,829	17,671	-	208,500
Furniture and equipment	260,774	32,108	-	292,882
Vehicles	<u>364,108</u>	<u>52,412</u>	-	<u>416,520</u>
Total accumulated depreciation	<u>815,711</u>	<u>102,191</u>	-	<u>917,902</u>
Total capital assets being depreciated, net	<u>740,614</u>	<u>102,331</u>	-	<u>842,944</u>
Waste collection capital assets, net	<u>819,110</u>	<u>102,331</u>	-	<u>921,440</u>
Business-type activities capital assets, net	<u>\$18,460,787</u>	<u>\$(329,294)</u>	<u>\$ 7,875</u>	<u>\$18,123,618</u>

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets being depreciated				
Vehicles	\$61,000	\$ -	\$ -	\$ 61,000
Furniture and equipment	<u>12,987</u>	-	-	<u>12,987</u>
Total	<u>73,987</u>	-	-	<u>73,987</u>
Less accumulated depreciation for:				
Vehicles	6,100	3,050	-	9,150
Furniture and equipment	<u>12,987</u>	-	-	<u>12,987</u>
Total	<u>19,087</u>	<u>3,050</u>	-	<u>22,137</u>
Governmental activities capital assets, net	<u>\$54,900</u>	<u>\$(3,050)</u>	<u>\$ -</u>	<u>\$ 51,850</u>

Depreciation expense was charged to programs of the government as follows:

General government	<u>\$3,050</u>
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B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$2,031,853	\$5,304,326	\$603,770	\$ -	\$ 7,939,949
Other governmental	<u>4,225,754</u>	-	-	-	<u>4,225,754</u>
Total governmental activities	<u>\$6,257,607</u>	<u>\$5,304,326</u>	<u>\$603,770</u>	<u>\$ -</u>	<u>\$12,165,703</u>
Business-type activities:					
Waste disposal	\$ 470,012	\$ 26,010	\$ -	\$ -	\$ 496,022
Waste collection	9,059	16,469	-	-	25,528
Water and sewer	<u>183,915</u>	<u>7,137</u>	-	<u>99,582</u>	<u>290,634</u>
Total business-type activities	<u>\$ 662,986</u>	<u>\$ 49,616</u>	<u>\$ -</u>	<u>\$99,582</u>	<u>\$ 812,184</u>

2. Pension Plan and Other Post-employment Obligations

a. Local Government Employees' Retirement System

Plan Description. Burke 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.

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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.55% to 7.59% for general employees and firefighters, 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 \$1,648,938 for the year ended June 30, 2018.

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

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

At June 30, 2018, the County reported a liability of \$5,151,024 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was 0.337%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,782,725. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 296,748	\$ 145,809
Change in assumptions	735,638	-
Net difference between projected and actual earnings on pension plan investments	1,250,675	-
Changes in proportion and differences between the County contributions and proportionate share of contributions	98,527	97,559
County contributions subsequent to the measurement date	<u>1,648,938</u>	<u>-</u>
Total	<u>\$4,030,526</u>	<u>\$ 243,368</u>

\$1,648,938 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 301,468
2020	1,496,568
2021	737,686
2022	<u>(397,502)</u>
	<u>\$2,138,220</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<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 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 liability calculated using the discount rate of 7.20 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent), or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	<u>\$15,463,489</u>	<u>\$5,151,024</u>	<u>\$(3,456,629)</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. Burke 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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Active Plan members	<u>89</u>
Total	<u>102</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.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 \$127,722 as benefits came due for the reporting period.

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

At June 30, 2018, the County reported a total pension liability of \$1,978,110. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$175,329.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 32,607	\$ -
Change in assumptions	102,370	28,935
County benefit payments and plan admin expenditures paid subsequent to the measurement date	<u>140,817</u>	<u>-</u>
Total	<u>\$275,794</u>	<u>\$28,935</u>

The County paid \$140,817 in benefit payments and \$-0- in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions, which will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$20,014
2020	20,014
2021	20,014
2022	20,014
2023	25,444
Thereafter	542

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.16 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent), or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
County's proportionate share of the net pension liability (asset)	<u>\$2,150,617</u>	<u>\$1,978,110</u>	<u>\$1,821,243</u>

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

Beginning balance	\$1,789,514
Service cost	87,844
Interest on the total pension liability	66,610
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	39,102
Changes of assumptions or other inputs	122,762
Benefit payments	(127,722)
Other changes	-
Ending balance of the total pension liability	<u>\$1,978,110</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.71 percent at June 30, 2016 to 3.13 percent at June 30, 2017.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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

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

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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$246,077, which consisted of \$187,689 from the County and \$58,388 from the law enforcement officers.

d. Deferred Compensation Plan

The County also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401. The Plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. Burke County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing, multi-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible County register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State 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.

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 \$10,090 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$188,558 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was 1.105%, which was an increase of .035% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of (\$875). At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,237	\$ 608
Change in assumptions	31,815	-
Net difference between projected and actual earnings on pension plan investments	16,029	-
Changes in proportion and differences between the County contributions and proportionate share of contributions	-	29,340
County contributions subsequent to the measurement date	<u>10,090</u>	<u>-</u>
Total	<u>\$ 61,171</u>	<u>\$29,948</u>

\$10,090 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 8,792
2020	6,419
2021	1,834
2022	<u>4,087</u>
	<u>\$21,132</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%:

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 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>\$(148,204)</u>	<u>\$(188,558)</u>	<u>\$(222,494)</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.

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

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$5,151,024	\$(188,558)	\$ -	\$4,962,469
Proportion of the net pension liability (asset)	0.337%	(1.105)%	n/a	
Total pension liability	-	-	\$1,978,110	\$1,978,110
Pension expense	\$1,782,725	\$ (875)	\$ 175,329	\$1,957,179

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 296,748	\$3,237	\$32,607	\$ 332,592
Changes of assumptions	735,638	31,815	102,370	869,823
Net difference between projected and actual earnings on plan investments	1,250,675	16,029	-	1,266,704
Changes in proportion and differences between County contributions and proportionate share of contributions	98,527	-	-	98,527
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,648,938	10,090	140,817	1,799,845
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	145,809	608	-	146,417
Changes of assumptions	-	-	28,935	28,935
Changes in proportion and differences between County contributions and proportionate share of contributions	97,559	29,340	-	126,899

g. Other Post-employment Benefits

Health Care Benefits

Plan Description - Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides post-employment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (the System) and have at least five years of creditable service with the County. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The County provides a portion of the total cost of coverage for these benefits for individual retirees based on years of service at retirement. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Plan Membership. At June 30, 2018, the HCB Plan Membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	80
Inactive plan members entitled to, but not yet receiving, benefit payments	-
Active plan members	<u>536</u>
	<u>616</u>

Benefits provided. The HCB Plan provides healthcare benefits for retirees. The County pays a percentage of the cost of coverage for employees' benefits through private insurers.

Contributions. The Board of Commissioners established the contribution requirements of plan members which may be amended by the Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2018, the County contributed \$662 per active employee and up to \$1,473 if family coverage is chosen. The County's contribution is dependent on the employee's number of years of creditable service. Retirees with ten to twenty-five years of creditable service pay a monthly premium. Retirees with more than twenty-five years of creditable service do not contribute to the plan. The Board of Commissioners may amend the benefit provisions.

County Contributions to HCB Plan based on years of creditable service

Years of Creditable Service	
5-9	20%
10-14	45%
15-19	60%
20-24	75%
25 or more	100%

Actuarial Assumptions. The total OPEB liability was determined by actuarial valuations as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor.
Healthcare cost trend rates Pre-medicare	7.5 percent for 2017, decreasing to an ultimate rate of 5% by 2023.

Total OPEB liabilities were then rolled forward to June 30, 2018 for the employer and the plan, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 115% (male) and 79% (female) for ages under 78, and by 135% (male) and 116% (female) for ages 78 and older. For law enforcement officers, rates are adjusted by 104% for males and 100% for females.

The actuarial assumptions used in the June 30, 2017 valuations were based on the results of an actuarial experience study for the period 2010 - 2014.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. The discount rate was based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index.

Sensitivity of the net OPEB liability to changes in the discount rates.

The following presents the net OPEB liability of the County at June 30, 2018, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent), or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56 percent)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability (asset)	<u>\$18,598,978</u>	<u>\$16,997,821</u>	<u>\$15,558,081</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the County at June 30, 2018, as well as what the County's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 5 percent), or 1-percentage-point higher (8.5 percent decreasing to 5 percent) than the current healthcare cost trend rate:

	1% Decrease (6.5 percent decreasing to 5 percent)	Healthcare Cost Trend Rate (7.5 percent decreasing to 5 percent)	1% Increase (8.5 percent decreasing to 5 percent)
Net OPEB liability (asset)	<u>\$15,208,921</u>	<u>\$16,997,821</u>	<u>\$19,108,376</u>

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2018, the County reported a net OPEB liability of \$16,997,821. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2018, the components of the net OPEB liability of the County, measured as of June 30, 2017, were as follows:

	<u>Net OPEB Liability</u>
Balance at June 30, 2016	\$17,141,163
Changes for the year:	-
Service cost	997,857
Interest	502,801
Differences between expected and actual experience	
Changes of assumptions	(838,989)
Benefit payments	<u>(880,155)</u>
Net changes	<u>(143,342)</u>
Balances at June 30, 2017	<u>\$16,997,821</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.01 percent in 2016 to 3.56 percent in 2017.

For the year ended June 30, 2018, the County recognized OPEB expense of \$1,396,931. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 64,347	\$ -
Changes of assumptions	-	718,445
County contributions subsequent to the measurement date	<u>535,203</u>	<u>-</u>
Total	<u>\$599,550</u>	<u>\$718,445</u>

\$535,203 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year ended June 30:	
2019	\$(109,747)
2020	(109,747)
2021	(109,747)
2022	(109,747)
2023	(109,747)
Thereafter	(105,363)

h. Other Employee 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. 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. The County considers these contributions to be immaterial.

3. Closure and Postclosure Care Costs - Burke County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near, or after, the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,070,940 reported as landfill closure and postclosure care liability at June 30, 2018 represents a cumulative amount reported to date based on the use of 100.0% of the total estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. The County closed the facility in 1998 to household waste materials but continues to accept construction and demolition materials. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements.

4. Deferred Outflows/Inflows of Resources

The County has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Charge on refunding of debt	\$2,140,978
(Pensions, OPEB) - difference between expected actual experience	396,939
(Pensions) - difference between projected and actual investment earnings	1,266,704
(Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions	98,527
(Pensions) - change in assumptions	869,823
Contributions to OPEB plan in 2017-2018 fiscal year	535,203
Contributions to pension plan in 2017-2018 fiscal year (LGERS, ROD)	1,659,028
Benefit payments/administration cost paid subsequent to the measurement date (LEOSSA)	<u>140,817</u>
Total	<u>\$7,108,019</u>

Deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
(Pensions) - difference between expected and actual experience	\$ 146,417	\$ -
(Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions	126,899	-
(Pensions, OPEB) - change in assumptions	740,483	-
Prepaid taxes not yet earned (General)	361,158	361,158
Taxes receivable, net, (General)	-	411,114
Other	-	816
EMS fees receivable, net (General)	<u>-</u>	<u>468,345</u>
Total	<u>\$1,374,957</u>	<u>\$1,241,433</u>

5. 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 three self - funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, Workers' Compensation coverage up to the statutory limits, and health insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for Workers' Compensation. For health and dental insurance, the County is reinsured for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100,000.

The County has additional insurance for flooding on the Wamsutta Mill Road 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 bonded through the County's general liability insurance. In addition, the Finance Officer, Tax Collector, Register of Deeds and Sheriff are each individually bonded for \$50,000, \$75,000, \$15,000 and \$25,000, respectively.

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 exceeded coverage in any of the past three fiscal years.

6. Contingent Liabilities

At June 30, 2018, the County was a defendant to various lawsuits. In the opinion of the County's management and the County's attorneys, the ultimate effect of these legal matters will not have a materially adverse effect on the County's financial position.

7. Long-Term Obligations

a. Installment Financing

The County's indebtedness at June 30, 2018 is comprised of the following individual issues:

Serviced by the County's General Fund:

\$20,010,000 Limited Obligation Bonds, Series 2018, due on March 26 and September 25, 20 installments of various principal amounts and interest at 3.00% to 5.00%. Final payment due 2038.	\$20,010,000
\$6,885,000 2013 current refunding contract, due on October 1, 10 installments of various principal amounts and interest at 2.15% Final payment due 2023.	3,645,000
\$16,285,000 Refunding Certificate of Participation, Series 2013A, due on April 1 and October 1, 25 installments of various principal amounts and interest at 2.41%. Final payment due 2026.	12,325,000
\$15,820,000 Refunding Certificate of Participation, Series 2013B, due on April 1 and October 1, 25 installments of various principal amounts and interest at 2.41%. Final payment due 2026.	11,930,000
\$21,075,000 Limited Obligation Bonds, Series 2017, due on April 1 and October 1, 20 installments of various principal amounts and interest at 3.00% to 5.00%. Final payment due 2037.	<u>20,025,000</u>
Total governmental activities	<u>67,935,000</u>

Serviced by the Water and Sewer Fund:

\$242,679 note payable with a principal payment of \$12,134 due on May 1; interest free. Final payment due May 2030.	<u>145,607</u>
Total business-type activities	<u>145,607</u>
	<u>\$68,080,607</u>

Annual debt service requirements to maturity for the County's and the Water and Sewer Fund's installment financing are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 5,950,000	\$ 2,400,590	\$ 12,134	\$ -
2020	5,915,000	2,165,741	12,134	-
2021	5,830,000	1,982,545	12,134	-
2022	5,755,000	1,801,263	12,134	-
2023	5,670,000	1,673,053	12,134	-
2024-2028	19,325,000	5,823,100	60,670	-
2029-2033	10,275,000	2,957,288	24,267	-
2034-2037	<u>9,215,000</u>	<u>900,875</u>	-	-
Total	<u>\$67,935,000</u>	<u>\$19,704,455</u>	<u>\$145,607</u>	<u>\$ -</u>

b. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

The County's indebtedness at June 30, 2018 is comprised of the following individual issues:

Serviced by the County's General Fund

\$3,735,000 2013 Advanced Refunding Bonds, due on October 1 and April 1, 10 installments of various principal amounts and interest at 1.92%. Final payment due 2023 \$1,425,000

Total governmental activities \$1,425,000

Annual debt service requirements to maturity for the County's general bonds are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 405,000	\$ 27,360
2020	295,000	19,584
2021	250,000	13,920
2022	240,000	9,120
2023	<u>235,000</u>	<u>4,152</u>
Total	<u>\$1,425,000</u>	<u>\$ 74,136</u>

The legal debt margin of the County at June 30, 2018 was \$503,517,507.

c. Current Refunding

On September 24, 2013, the County issued \$6.885 million in an installment financing contract bearing an average coupon rate of 2.15 percent. This contract was executed and delivered to provide funds to refinance all of the remaining principal components of the County's installment financing contracts ("IFCs") Series 2000, Series 2007 and Series 2008.

As a result of the current refunding, the County reduced its annual debt service payments over the next 10 years by \$600,237, which resulted in an economic gain of \$290,629.

d. Advance Refundings

On September 24, 2013, the County issued \$16.285 million and \$15.820 million certificate of participation advanced refunding bonds to provide resources to purchase U. S. Government securities that were placed in an irrevocable trust to be used for all future debt service payments of \$28,955,000 to certificate of participation bonds. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$3,000,108. This amount is being netted against the new debt and amortized over the life of the old debt. These advanced refundings were undertaken to reduce total debt service payments over the next 13 years by \$2,944,984 and resulted in an economic gain of approximately \$1.785 million.

On September 24, 2013, the County issued \$3.735 million in a general obligation advanced refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust to be used for all future debt service payments of \$3,735,000 to general obligation bonds. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceed the reacquisition price by \$40,527. This amount is being netted against the new debt and amortized over the life of the old debt. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$310,511 and resulted in an economic gain of \$289,644.

e. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
General obligation debt	\$ 1,840,000	\$ -	\$ 415,000	\$ 1,425,000	\$ 405,000
Installment purchase	53,053,333	20,010,000	5,128,333	67,935,000	5,950,000
Other post-employment benefits	16,707,044	-	140,909	16,566,135	-
Net pension liability (LGERS)	6,942,420	-	1,954,269	4,988,151	-
Net pension obligation (LEOSSA)	1,789,514	188,596	-	1,978,110	-
Compensated absences	<u>1,626,816</u>	<u>40,598</u>	<u>-</u>	<u>1,667,414</u>	<u>-</u>
Total governmental activities	<u>\$81,959,127</u>	<u>\$20,239,194</u>	<u>\$7,638,511</u>	<u>\$94,559,810</u>	<u>\$6,355,000</u>
Business-type activities:					
Installment financing	\$ 157,741	\$ -	\$ 12,134	\$ 145,607	\$ 12,134
Accrued landfill closure and postclosure care cost	5,340,915	-	269,975	5,070,940	-
Net pension liability (LGERS)	228,738	-	65,865	162,873	-
Other post-employment benefits	434,519	-	2,833	431,686	-
Compensated absences	<u>49,352</u>	<u>6,423</u>	<u>-</u>	<u>55,775</u>	<u>-</u>
Total business-type activities	<u>\$ 6,211,265</u>	<u>\$ 6,423</u>	<u>\$ 350,807</u>	<u>\$ 5,866,881</u>	<u>\$ 12,134</u>

Compensated absences for governmental activities 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.

During the year ended June 30, 2006 the County entered into an interlocal agreement with five other local governments relating to the debt of the Burke County Partnership for Economic Development. As part of the agreement, the local governments are required to set aside, reserve, budget, and make available to the Partnership individual sums, which on a combined basis, would be sufficient to pay the scheduled principle and interest payment of the debt. Debt payments of \$81,829 are required quarterly by the Partnership until May 2020. Outstanding debt of the Partnership was \$592,391 at June 30, 2018.

C. Interfund Balances and Activity

Transfers to/from other funds consist of the following:

From General Fund to Capital Project Fund for future capital projects	\$ 1,317,517
From Waste Disposal Fund to Waste Collection Fund to fund County waste collection activities	728,343
From General Fund to School One-Half Cent Sales Tax Fund for annual County appropriation for school capital outlay	250,000
From School One Cent Sales Tax Fund to General Fund for debt service on school long-term debt	6,642,716
From Water and Sewer Fund to General Fund for contribution toward water bond debt service	300,328
From General Fund to School One Cent Sales Tax Fund for school projects	1,558,410
From General Fund to the Waste Collection Fund for capital expenditures	155,000
From General Fund to the Water and Sewer Fund for water capital projects	90,000
From General Fund to the Waste Disposal Fund for capital expenditures	<u>150,846</u>
Total	<u>\$11,193,160</u>

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets, net	\$42,070,171	\$18,123,618
Less: long-term debt	69,360,000	145,607
Add: unexpended proceeds	17,475,471	-
Add: debt for assets not on County's books	<u>40,290,150</u>	<u>-</u>
Net investment in capital assets	<u>\$30,475,792</u>	<u>\$17,978,011</u>

E. Fund Balance

Burke County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-County funds, 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.

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	\$23,138,704
Less:	
Prepaid expenses	115,331
Stabilization by State Statute	4,617,019
Appropriated Fund Balance in 2019 budget	2,213,911
Restricted	683,725
Committed	<u>283,747</u>
Remaining Fund Balance	<u>\$15,224,971</u>

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

Total Fund Balance	\$345,922
Less:	
Stabilization by State Statute	108,706
Tourism	<u>237,216</u>
Unassigned Fund Balance	<u>\$ _____</u>

IV. Joint Venture

The County, in conjunction with the State of North Carolina and the Burke County Board of Education, participates in a joint venture to operate the Western Piedmont 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 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 to the community college \$2,394,000 for the fiscal year ended June 30, 2018. The participating governments do not have any equity interest in the joint venture, therefore, no equity interest has been reflected in the County's financial statements at June 30, 2018. Complete financial statements for the community college can be obtained from the community college's offices in Morganton, North Carolina.

The County, in conjunction with five other local governments, operates the Burke Partnership for Economic Development, Inc. The County appoints three members of the 24 member board. The County has an ongoing financial responsibility for the joint venture because the Partnership's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Partnership, so no equity interest has been reflected in the financial statements at June 30, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$216,075 to the Partnership to supplement its activities. The County also signed an interlocal agreement relating to long-term debt of the Partnership. (See Note III.B.7.g.). Complete financial statements for the Partnership can be obtained from the Partnership's offices in Morganton, North Carolina.

The County, in conjunction with Caldwell County, participates in Blue Ridge Community Action, a non-profit organization whose function is to address problems relating to poverty in Burke and Caldwell Counties. Burke County appoints three members of the 18 member board. No equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements can be obtained from the Organization's administrative office in Morganton, North Carolina. Burke County made no contribution to Blue Ridge Community Action during the fiscal year ended June 30, 2018.

The County, in conjunction with Catawba County, operates the Burke-Catawba Regional Jail Agency. The Jail Agency is a joint venture formed to provide an economic means to house County inmates, as well as other approved inmate populations. The board is composed of the County manager and the sheriff of each participating county. Participating counties advance funds to the facility as needed. The County's portion of income for the year ended June 30, 2018 was \$(49,001). Complete financial statements for the Agency can be obtained from the Agency's office in Morganton, North Carolina. The County had the following transactions with the Jail Agency:

Payables to Jail Agency	\$ 127,961
Contribution by County	1,250,000
Medical reimbursements to Jail	328,200

V. Jointly Governed Organization

Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The County paid membership dues of \$29,034 during fiscal year ended June 30, 2018.

Western Piedmont Regional Transit Authority (WPRTA) is the first regional public transportation authority with consolidated urban-rural transit service in North Carolina. Alexander, Burke, Caldwell and Catawba Counties, in conjunction with the municipalities of Conover, Hickory and Newton, each appoint one member to the governing board of the WPRTA. The County paid \$54,582 to WPRTA during fiscal year ended June 30, 2018.

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
SG/SA domiciliary care	\$ -	\$ 624,884
Medicaid	90,165,713	45,906,385
North Carolina Health Choice	2,563,095	5,833
Foster Care	1,744,558	473,130
State foster care benefits program	-	737,869
Food stamp program	15,591,607	-
WIC	1,517,586	-
TANF	1,076,522	-
Title IV-E Adoption assistance	985,766	240,606
Low income energy assistance	<u>-</u>	<u>353,498</u>
Total	<u>\$113,644,847</u>	<u>\$48,342,205</u>

VII. 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.

VIII. Commitments

The County had outstanding construction commitments relating to projects of approximately \$22.8 million at June 30, 2018.

IX. Change in Accounting Principles/Restatement

Change in accounting principle

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental and business-type activities decreased \$13,265,486 and \$267,479, respectively.

Prior period adjustment

The fund balance in the General Fund decreased by \$117,779, and the fund balance in the Emergency 911 Fund increased by \$117,779 to reflect for prior year costs paid by the Emergency 911 Fund that were disallowed by the State board.

X. Subsequent Events

Management has evaluated subsequent events through January 16, 2019, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- **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 Total OPEB Liability and Related Ratios - Healthcare Benefits Plan**
 - **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**
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BURKE COUNTY, NORTH CAROLINA

Schedule 1-1

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Beginning balance	\$1,789,514	\$1,837,118
Service cost	87,844	89,864
Interest on the total pension liability	66,610	62,773
Changes in benefit terms	-	-
Difference between expected and actual experience in the measurement of the total pension liability	39,102	-
Changes of assumptions and other inputs	122,762	(42,681)
Benefit payments	(127,722)	(157,560)
Other changes	-	-
	<hr/>	<hr/>
Ending balance of the total pension liability	<u>\$1,978,110</u>	<u>\$1,789,514</u>

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

BURKE COUNTY, NORTH CAROLINA

Schedule 1-2

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Total pension liability	\$1,978,110	\$1,789,514
Covered payroll	3,678,138	3,605,083
Total pension liability as a percentage of covered payroll	53.78%	49.64%

Notes to schedules:

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

BURKE COUNTY, NORTH CAROLINA

Schedule 1-3

**Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
For the Year Ended June 30, 2018**

Total OPEB Liability	
Service cost	\$ 997,857
Interest	502,801
Changes of benefit terms	-
Difference between expected and actual experience	75,144
Changes of assumptions	(838,989)
Benefit payments	<u>(880,155)</u>
Net change in total OPEB liability	(143,342)
Total OPEB liability, beginning	<u>17,141,163</u>
Total OPEB liability, ending	<u>\$ 16,997,821</u>
Covered payroll	\$ 19,792,401
Total OPEB liability as a percentage of covered payroll	85.88%

Notes to Schedule

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

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

BURKE COUNTY, NORTH CAROLINA

Schedule 1-4

**Schedule of County's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Local Governmental Employees' Retirement System
Last Five Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.337%	0.338%	0.330%	0.319%	0.312%
County's proportionate share of the net pension liability (asset) (\$)	\$ 5,151,024	\$ 7,170,158	\$ 1,480,842	\$(1,880,464)	\$ 3,757,182
County's covered payroll	\$20,167,767	\$19,749,501	\$17,498,524	\$17,939,641	\$17,098,689
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.54%	36.30%	8.46%	(10.48%)	21.97%
Plan fiduciary net position as a percentage of the total pension liability	94.18	91.47	98.09%	102.64%	94.35%

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

BURKE COUNTY, NORTH CAROLINA

Schedule 1-5

**Schedule of County Contributions
Required Supplementary Information
Local Governmental Employees' Retirement System
Last Five Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,648,938	\$ 1,504,918	\$ 1,350,003	\$ 1,248,357	\$ 1,279,616
Contributions in relation to the contractually required contribution	<u>1,648,938</u>	<u>1,504,918</u>	<u>1,350,003</u>	<u>1,248,357</u>	<u>1,275,147</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County's covered payroll	<u>\$21,500,564</u>	<u>\$20,167,767</u>	<u>\$19,749,501</u>	<u>\$17,498,524</u>	<u>\$17,939,641</u>
Contributions as a percentage of covered payroll	7.67%	7.46%	6.84%	7.13%	7.13%

BURKE COUNTY, NORTH CAROLINA

Schedule 1-6

**Schedule of County's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Registers of Deeds' Supplemental Pension Fund
Last Five Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	1.105%	1.070%	0.836%	0.768%	0.696%
County's proportionate of the net pension liability (asset) (\$)	\$ (188,558)	\$ (199,982)	\$ (193,630)	\$ (174,018)	\$ (148,651)
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%	193.88%	190.50%

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

BURKE COUNTY, NORTH CAROLINA

Schedule 1-7

**Schedule of County Contributions
Required Supplementary Information
Register of Deeds' Supplemental Pension Fund
Last Five Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,109	\$ 3,929	\$ 8,738	\$ 6,686	\$ 6,268
Contributions in relation to the contractually required contribution	<u>4,109</u>	<u>3,929</u>	<u>8,738</u>	<u>6,686</u>	<u>6,268</u>
Contribution deficiency (excess)	<u>\$ -</u>				

GOVERNMENTAL ACTIVITIES

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally, or by sound financial management, to be accounted for in another fund.

BURKE COUNTY, NORTH CAROLINA

Schedule 2
Page 1 of 7

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$44,685,200	\$45,214,959	\$ 529,759
Prior years	710,000	595,643	(114,357)
Discounts	(470,000)	(472,961)	(2,961)
Penalties, interest and lien costs	<u>285,000</u>	<u>280,960</u>	<u>(4,040)</u>
Total	<u>45,210,200</u>	<u>45,618,601</u>	<u>408,401</u>
Other taxes and licenses:			
Local option sales tax	6,718,490	7,015,309	296,819
Tax garnishments	20,000	32,342	12,342
Alcohol beverage distribution tax	-	100,744	100,744
Gross receipts tax	36,000	38,987	2,987
Occupancy tax	504,700	514,006	9,306
Real estate transfer	220,000	296,710	76,710
Licenses	<u>24,900</u>	<u>26,283</u>	<u>1,383</u>
Total	<u>7,524,090</u>	<u>8,024,380</u>	<u>500,290</u>
Unrestricted intergovernmental revenues:			
Return on alcohol sales	13,680	14,406	726
Medicaid holdharmless	375,000	434,115	59,115
Payment in lieu of taxes	<u>130,000</u>	<u>136,322</u>	<u>6,322</u>
Total	<u>518,680</u>	<u>584,843</u>	<u>66,163</u>
Restricted intergovernmental revenues:			
State and federal grants	16,671,137	11,553,528	(5,117,609)
Court facilities fees	114,130	114,729	599
Other	<u>446,852</u>	<u>484,869</u>	<u>38,017</u>
Total	<u>17,232,119</u>	<u>12,153,126</u>	<u>(5,078,993)</u>

cont.

BURKE COUNTY, NORTH CAROLINA**Schedule 2****Page 2 of 7**

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Permits and fees:			
Tax collection fees	\$ 9,350	\$ 9,803	\$ 453
Cable TV franchise	266,000	257,430	(8,570)
Civil papers	114,000	95,010	(18,990)
Board of elections	3,400	19,324	15,924
Register of deeds	324,650	338,924	14,274
Register of deeds-tech enhancement	38,000	38,398	398
Notary stamp fee	2,500	2,210	(290)
Officer fees	37,200	27,178	(10,022)
Sheriff fees	187,500	166,816	(20,684)
Gun permits	78,000	76,500	(1,500)
Building inspection fees	225,000	316,048	91,048
Jail fees	131,800	133,452	1,652
Emergency ambulance fees	3,000,000	2,934,053	(65,947)
BMS medicaid cost settlement	500,000	433,214	(66,786)
Zoning fees	25,000	37,432	12,432
Telephone commission	17,100	21,090	3,990
Finance reimbursement	13,375	13,375	-
Fingerprint fees	6,000	7,870	1,870
Fire code	8,000	44,299	36,299
Miscellaneous fees	-	990	990
Library fees	43,240	43,382	142
			cont.

BURKE COUNTY, NORTH CAROLINA

Schedule 2

Page 3 of 7

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Health and social services fees:			
CAP DA	\$ 425,100	\$ 546,224	\$ 121,124
Medicaid cost settlement	165,137	120,763	(44,374)
Health fees	501,954	492,829	(9,125)
Social services fees	30,400	49,046	18,646
Environmental fees	<u>10,000</u>	<u>14,748</u>	<u>4,748</u>
 Total	 <u>6,162,706</u>	 <u>6,240,407</u>	 <u>77,701</u>
 Sales and service:			
Insurance settlements	193,350	148,271	(45,079)
Animal shelter fees	27,000	29,367	2,367
Land development revenue	35,755	49,648	13,893
Facility rental	441,525	492,874	51,349
Vending	1,200	4,106	2,906
Garage	9,780	710	(9,070)
Contributions	32,075	12,836	(19,239)
Contributions library	296,000	296,500	500
Town contributions	387,539	280,309	(107,230)
Blue Ridge Healthcare-EMS	446,400	446,400	-
Other reimbursements	201,413	208,538	7,125
Recreation centers	40,000	55,432	15,432
Miscellaneous	<u>61,961</u>	<u>143,922</u>	<u>81,961</u>
 Total	 <u>2,173,998</u>	 <u>2,168,914</u>	 <u>(5,084)</u>
 Investment earnings	 <u>108,000</u>	 <u>300,950</u>	 <u>192,950</u>
 Total revenues	 <u>78,929,793</u>	 <u>75,091,220</u>	 <u>(3,838,572)</u>

cont.

BURKE COUNTY, NORTH CAROLINA

Schedule 2

Page 4 of 7

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

Expenditures:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
General government:			
Governing body	\$ 236,679	\$ 208,211	\$ 28,468
County manager	271,012	267,215	3,797
Board of elections	404,056	397,639	6,417
Finance	512,166	494,277	17,889
Human resources	323,987	323,327	660
Legal	289,800	288,987	813
Management information	1,115,207	1,117,088	(1,881)
Tax collections	498,156	460,948	37,208
Tax administration	790,992	767,310	23,682
Tax revaluation	176,730	178,426	(1,696)
Register of deeds	367,600	366,980	620
County garage	285,102	(25,619)	310,721
Maintenance and operations	1,931,350	1,563,560	367,790
EMS collections	238,625	197,567	41,058
Superior and district courts	22,140	21,317	823
Employee wellness clinic	151,300	148,003	3,297
Retired employees	<u>143,017</u>	<u>150,597</u>	<u>(7,580)</u>
Total	<u>7,757,919</u>	<u>6,925,833</u>	<u>832,086</u>
Public safety:			
Sheriff	6,153,389	6,144,846	8,543
Jail	3,795,251	3,794,905	346
Fire marshal	774,420	563,831	210,589
Communications	2,476,673	2,132,883	343,790
Medical examiners	126,500	98,300	28,200
Building inspections	247,765	245,464	2,301
Emergency medical services	5,689,873	5,546,906	142,967
Animal control	<u>356,450</u>	<u>345,192</u>	<u>11,258</u>
Total	<u>19,620,321</u>	<u>18,872,326</u>	<u>747,995</u>
Transportation	<u>54,582</u>	<u>54,582</u>	<u>-</u>

cont.

BURKE COUNTY, NORTH CAROLINA

Schedule 2

Page 5 of 7

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services:			
Health department:			
Administration	\$ 76,507	\$ 52,008	\$ 24,499
Services	<u>3,081,750</u>	<u>3,047,056</u>	<u>34,694</u>
Total	<u>3,158,257</u>	<u>3,099,064</u>	<u>59,193</u>
Social services:			
Administration	8,712,124	8,441,047	271,077
Services	<u>10,598,881</u>	<u>6,996,512</u>	<u>3,602,369</u>
Total	<u>19,311,005</u>	<u>15,437,559</u>	<u>3,873,446</u>
Other human services:			
Veterans service	46,844	39,590	7,254
Mental health	265,000	265,000	-
JCPC grants	327,694	318,595	9,099
East Burke senior center	94,773	94,291	482
Nutrition	199,002	195,561	3,441
Senior center	<u>231,068</u>	<u>203,492</u>	<u>27,576</u>
Total	<u>1,164,381</u>	<u>1,116,529</u>	<u>47,852</u>
Total human services	<u>23,633,643</u>	<u>19,653,152</u>	<u>3,980,491</u>

cont.

BURKE COUNTY, NORTH CAROLINASchedule 2
Page 6 of 7**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Morganton/Burke library	\$ 1,710,909	\$ 1,472,227	\$ 238,682
Recreation	<u>613,349</u>	<u>609,668</u>	<u>3,681</u>
Total	<u>2,324,258</u>	<u>2,081,894</u>	<u>242,364</u>
Education:			
Burke County Board of Education-Current	15,707,147	15,707,145	2
WPCC-Current	<u>2,811,762</u>	<u>2,394,000</u>	<u>417,762</u>
Total	<u>18,518,909</u>	<u>18,101,145</u>	<u>417,764</u>
Environmental protection:			
Soil and water conservation	<u>113,181</u>	<u>112,978</u>	<u>203</u>
Total	<u>113,181</u>	<u>112,978</u>	<u>203</u>
Economic and physical development:			
Cooperative extension agency	354,232	349,904	4,328
Land records management	204,843	198,810	6,033
Planning	417,634	399,926	17,708
Code enforcement	109,497	126,435	(16,938)
Economic development	<u>2,720,890</u>	<u>1,609,565</u>	<u>1,111,325</u>
Total	<u>3,807,096</u>	<u>2,684,640</u>	<u>1,122,456</u>
Aids and donations	<u>288,577</u>	<u>281,705</u>	<u>6,872</u>
Other expenses	<u>2,104,600</u>	<u>1,630,814</u>	<u>473,786</u>
Debt service	<u>7,115,475</u>	<u>7,113,971</u>	<u>1,504</u>
Total expenditures	<u>85,338,561</u>	<u>77,513,039</u>	<u>7,825,522</u>
Revenues over (under) expenditures	<u>(6,408,768)</u>	<u>(2,421,819)</u>	<u>3,986,950</u>

cont.

BURKE COUNTY, NORTH CAROLINA**Schedule 2
Page 7 of 7****General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
(To) from Special Revenue Funds	4,473,918	4,834,305	360,387
(To) from Capital Projects Funds	(1,695,000)	(1,407,517)	287,483
(To) from Enterprise Fund	(5,672)	(5,518)	154
Appropriated fund balance	<u>3,635,522</u>	<u>-</u>	<u>(3,635,522)</u>
Total other financing sources (uses)	<u>6,408,768</u>	<u>3,421,270</u>	<u>(2,987,498)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>999,451</u>	<u>\$ 999,451</u>
Fund balances:			
Beginning of year, previously reported		22,257,032	
Restatement		<u>(117,779)</u>	
Beginning of year, restated		<u>22,139,253</u>	
End of year		<u>\$23,138,704</u>	

COMBINING STATEMENTS FOR NON-MAJOR FUNDS

BURKE COUNTY, NORTH CAROLINA

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018**

	<u>Special Revenue Funds</u>		
	<u>Emergency Telephone System Fund</u>	<u>Fire Districts Fund</u>	<u>Community Development Block Grant Projects Fund</u>
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 1,282,636	\$ 172,531	\$ 72,711
Taxes receivable	-	174,682	-
Accounts receivable	-	-	-
Due from other governmental agencies	<u>83,807</u>	<u>38,812</u>	<u>65,550</u>
Total assets	<u>\$ 1,366,443</u>	<u>\$ 386,026</u>	<u>\$ 138,262</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued expenses	<u>\$ 43,500</u>	<u>\$ 208,600</u>	<u>\$ 37,243</u>
Total liabilities	<u>43,500</u>	<u>208,600</u>	<u>37,243</u>
Deferred inflows of resources	<u>-</u>	<u>178,646</u>	<u>-</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	83,807	-	-
Emergency telephone system	1,239,136	-	-
Projects	-	-	101,019
Fire protection	<u>-</u>	<u>(1,220)</u>	<u>-</u>
Total fund balances	<u>1,322,943</u>	<u>(1,220)</u>	<u>101,019</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,366,443</u>	<u>\$ 386,026</u>	<u>\$ 138,262</u>

Schedule 3-1

	Special Revenue Funds		Capital Projects Funds		
	Total Non-Major Special Revenue Funds	Capital Project Fund	School One-Half Cent Sales Tax Fund	Total Non-Major Capital Project Funds	Total Non-Major Governmental Funds
<u>Assets</u>					
Current assets:					
Cash and investments	\$ 1,527,878	\$ 807,652	\$ 3,105,640	\$ 3,913,292	\$ 5,441,170
Taxes receivable	174,682	-	-	-	174,682
Accounts receivable	-	-	7,068	7,068	7,068
Due from other governmental agencies	188,168	-	711,743	711,743	899,911
Total assets	<u>\$ 1,890,731</u>	<u>\$ 807,652</u>	<u>\$ 3,824,451</u>	<u>\$ 4,632,104</u>	<u>\$ 6,522,830</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 289,343	\$ -	\$ -	\$ -	\$ 289,343
Total liabilities	<u>289,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,343</u>
Deferred inflows of resources	178,646	-	-	-	178,646
Fund balances:					
Restricted:					
Stabilization by State Statute	83,807	-	718,819	718,819	802,626
Emergency telephone system	1,239,136	-	-	-	1,239,136
Projects	101,019	807,652	3,105,632	3,913,284	4,014,303
Fire protection	(1,220)	-	-	-	(1,220)
Total fund balances	<u>1,422,741</u>	<u>807,652</u>	<u>3,824,451</u>	<u>4,632,103</u>	<u>6,054,845</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,890,731</u>	<u>\$ 807,652</u>	<u>\$ 3,824,451</u>	<u>\$ 4,632,103</u>	<u>\$ 6,522,830</u>

BURKE COUNTY, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018**

	<u>Special Revenue Funds</u>		
	<u>Emergency Telephone System Fund</u>	<u>Fire Districts Fund</u>	<u>Community Development Block Grant Projects Fund</u>
Revenues:			
Ad valorem taxes:			
Fire district taxes	\$ -	\$ 3,834,748	\$ -
Other taxes:			
Sales taxes	-	-	-
Restricted intergovernmental revenues:			
Grants	-	-	87,578
ABC profits	-	-	-
Permits and fees:			
Fees charged	664,021	-	-
Investment earnings	14,143	-	883
Total revenues	<u>678,164</u>	<u>3,834,748</u>	<u>88,461</u>
Expenditures:			
Public safety	527,378	3,835,968	-
Economic and physical development	-	-	86,843
Education	-	-	-
Total expenditures	<u>527,378</u>	<u>3,835,968</u>	<u>86,843</u>
Revenues over (under) expenditures	<u>150,786</u>	<u>(1,220)</u>	<u>1,618</u>
Other Financing Sources (Uses):			
Transfers from other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>150,786</u>	<u>(1,220)</u>	<u>1,618</u>
Fund balances (deficit) - beginning, previously reported	1,054,378	-	99,401
Restatement	117,779	-	-
Fund balances (deficit) - beginning, restated	<u>1,172,157</u>	<u>-</u>	<u>99,401</u>
Fund balances (deficit) - ending	<u>\$ 1,322,943</u>	<u>\$ (1,220)</u>	<u>\$ 101,019</u>

Schedule 3-2

	Special Revenue Funds		Capital Projects Funds		
	Total Non-Major Special Revenue Funds	Capital Project Fund	School One-Half Cent Sales Tax Fund	Total Non-Major Capital Project Funds	Total Non-Major Governmental Funds
Revenues:					
Ad valorem taxes:					
Fire district taxes	\$ 3,834,748	\$ -	\$ -	\$ -	\$ 3,834,748
Other taxes:					
Sales taxes	-	-	2,649,725	2,649,725	2,649,725
Restricted intergovernmental revenues:					
Grants	87,578	-	-	-	87,578
ABC profits	-	-	74,414	74,414	74,414
Permits and fees:					
Fees charged	664,021	35,003	-	35,003	699,024
Investment earnings	15,026	9,806	41,072	50,878	65,904
Total revenues	<u>4,601,373</u>	<u>44,809</u>	<u>2,765,211</u>	<u>2,810,018</u>	<u>7,411,393</u>
Expenditures:					
Public safety	4,363,346	-	-	-	4,363,346
Economic and physical development	86,843	-	-	-	86,843
Education	-	-	1,991,370	1,991,370	1,991,370
Total expenditures	<u>4,450,189</u>	<u>-</u>	<u>1,991,370</u>	<u>1,991,370</u>	<u>6,441,559</u>
Revenues over (under) expenditures	<u>151,184</u>	<u>44,809</u>	<u>773,841</u>	<u>818,648</u>	<u>969,833</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	-	250,000	250,000	250,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Net change in fund balance	<u>151,184</u>	<u>44,809</u>	<u>1,023,841</u>	<u>1,068,648</u>	<u>1,219,833</u>
Fund balances (deficit) - beginning, previously reported	1,153,779	762,843	2,800,610	3,563,453	4,717,232
Restatement	117,779	-	-	-	117,779
Fund balances (deficit) - beginning, restated	<u>1,271,558</u>	<u>762,843</u>	<u>2,800,610</u>	<u>3,563,453</u>	<u>4,835,011</u>
Fund balances (deficit) - ending	<u>\$ 1,422,741</u>	<u>\$ 807,652</u>	<u>\$ 3,824,451</u>	<u>\$ 4,632,103</u>	<u>\$ 6,054,845</u>

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SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

- **Emergency Telephone System Fund -**
Established in accordance with North Carolina law to account for the revenues received by the Communication Center from 911 charges and the expenditure of those funds for the emergency telephone system
 - **Fire District Funds -**
The County maintains fourteen separate fire district funds under its budgetary control to account for tax receipts and disbursements to the fire districts
 - **Community Development Block Grant Projects Fund -**
To account for the accumulation of various grants for the financing of infrastructure needs for low-income families and other community projects
-

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BURKE COUNTY, NORTH CAROLINA

Schedule 3-3

**Emergency Telephone System Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Permits and fees:			
E911 NC board	\$ 662,000	\$ 664,021	\$ 2,021
Interest earned	-	14,143	14,143
Total revenues	<u>662,000</u>	<u>678,164</u>	<u>16,164</u>
Expenditures:			
E911 fund functions	93,542	-	93,542
Travel	5,000	-	5,000
Communications	258,920	255,605	3,315
Program supplies	18,760	10,346	8,414
Training	32,700	17,052	15,648
Maintenance and repair	314,850	232,725	82,125
Purchased service	-	(6)	6
Capital outlay	76,700	11,655	65,045
Total expenditures	<u>800,472</u>	<u>527,378</u>	<u>273,094</u>
Revenues over (under) expenditures	<u>(138,472)</u>	<u>150,786</u>	<u>289,258</u>
Other Financing Sources (Uses)			
Appropriated fund balance	138,472	-	(138,472)
Total other financing sources (uses)	<u>138,472</u>	<u>-</u>	<u>(138,472)</u>
Net change in fund balance	<u>\$ -</u>	150,786	<u>\$ 150,786</u>
Fund balance:			
Beginning of year, previously reported		1,054,378	
Restatement		<u>117,779</u>	
Beginning of year, restated		1,172,157	
End of year		<u>\$ 1,322,943</u>	

BURKE COUNTY, NORTH CAROLINA

Schedule 3-4

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**Fire Districts Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

Revenues:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Ad valorem tax - current year and prior year:			
Jonas Ridge	\$ 160,796	\$ 160,795	\$ (1)
Shared area - Powerhouse Road North	-	13,428	13,428
Shared area - East Shores	1,940	72,874	70,934
Shared area - Smokey Creek/North Catawba	28,814	22,086	(6,728)
Shared area - Smokey Creek/Triple Community	7,990	7,990	-
Triple Community	333,915	333,994	79
Carbon City	9,949	9,947	(2)
Brendletown	223,523	223,388	(135)
Chesterfield	144,032	144,039	7
George Hildebran	208,721	208,468	(253)
Icard Township	583,562	583,633	71
Lake James	178,982	178,794	(188)
Oak Hill	387,481	387,401	(80)
Salem	300,582	300,488	(94)
West End	322,831	322,862	31
Lovelady	457,294	456,619	(675)
Glen Alpine	104,998	20,675	(84,323)
Enola	108,085	106,997	(1,088)
Drowning Creek	72,053	72,100	47
South Mountain	92,005	93,006	1,001
Longtown	<u>115,171</u>	<u>115,167</u>	<u>(4)</u>
 Total revenues	 <u>3,842,724</u>	 <u>3,834,748</u>	 <u>(7,973)</u> cont.

BURKE COUNTY, NORTH CAROLINA

Schedule 3-4, cont.

Page 2 of 2

**Fire Districts Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

Expenditures:	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Jonas Ridge	\$ 160,796	\$ 160,795	\$ 1
Glen Alpine shared area	13,420	13,420	-
Lake James shared area	72,890	72,891	(1)
Smokey Creek/North Catawba shared area	28,814	22,086	6,728
Smokey Creek/Triple Community shared area	7,990	7,990	-
Triple Community	333,915	333,915	-
Carbon City	9,949	9,947	2
Brendletown	223,523	223,519	4
Chesterfield	144,032	144,032	-
George Hildebran	208,721	208,720	1
Icard Township	583,562	583,562	-
Lake James	178,982	178,981	1
Oak Hill	387,481	387,479	2
Salem	300,582	300,582	-
West End	322,831	322,831	-
Lovelady	457,294	457,291	3
Glen Alpine	20,628	20,621	7
Enola	108,085	108,085	-
Drowning Creek	72,053	72,053	-
South Mountain	92,005	92,005	-
Longtown	<u>115,171</u>	<u>115,167</u>	<u>4</u>
Total expenditures	<u>3,842,724</u>	<u>3,835,968</u>	<u>6,752</u>
Revenues over (under) expenditures	<u>\$ -</u>	(1,220)	<u>\$ (1,220)</u>
Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ (1,220)</u>	

BURKE COUNTY, NORTH CAROLINA

Schedule 3-5

**Community Development Block Grant Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Interest	-	-	883	883	883
Highway 18 South Rhoney Road:					
CDBG funds	<u>2,000,000</u>	<u>-</u>	<u>87,578</u>	<u>87,578</u>	<u>(1,912,422)</u>
Total revenues	<u>2,000,000</u>	<u>-</u>	<u>88,461</u>	<u>88,461</u>	<u>(1,911,539)</u>
Expenditures:					
Economic and Physical Development					
Highway 18 South Rhoney Road:					
Administration/Management	190,000	735	57,403	58,138	131,862
Water connections	169,500	-	-	-	169,500
Water improvements	<u>1,640,500</u>	<u>-</u>	<u>29,440</u>	<u>29,440</u>	<u>1,611,060</u>
Total	<u>2,000,000</u>	<u>735</u>	<u>86,843</u>	<u>87,578</u>	<u>1,912,422</u>
Total expenditures	<u>2,000,000</u>	<u>735</u>	<u>86,843</u>	<u>87,578</u>	<u>1,912,422</u>
Revenues over (under) expenditures	<u>-</u>	<u>(735)</u>	<u>1,618</u>	<u>883</u>	<u>883</u>
Other Financing Sources (Uses):					
Closed projects	-	70,636	-	70,636	70,636
Transfers from other funds	<u>-</u>	<u>29,500</u>	<u>-</u>	<u>29,500</u>	<u>29,500</u>
Total other financing sources (uses)	<u>-</u>	<u>100,136</u>	<u>-</u>	<u>100,136</u>	<u>100,136</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 99,401</u>	1,618	<u>\$101,019</u>	<u>\$ 101,019</u>
Fund balance:					
Beginning of year			<u>99,401</u>		
End of year			<u>\$101,019</u>		

CAPITAL PROJECTS FUNDS

To account for financial resources to be used for the acquisition or construction of major capital projects.

- **Capital Project Fund -
To account for the financing and construction of various general government capital projects.**
 - **School One-Half Cent Sales Tax Fund -
To account for the accumulation of funds to provide Capital Outlay to Burke County Public Schools**
 - **School One Cent Sales Tax Fund (Major Fund) -
To account for the accumulation of funds to provide Capital Outlay to Burke County Public Schools**
 - **Grant Projects Fund (Major Fund) -
To account for the financing and construction of major general government capital projects.**
-
-

BURKE COUNTY, NORTH CAROLINA

Schedule 3-6

**Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Crescent South Point fees	\$ 292,000	\$ 292,000	\$ 12,825	\$ 304,825	\$ 12,825
Morganton surcharge	90,100	308,809	22,178	330,987	240,887
Investment earnings:					
Interest earned	<u>171,500</u>	<u>195,700</u>	<u>9,806</u>	<u>205,506</u>	<u>34,006</u>
Total revenues	<u>553,600</u>	<u>796,508</u>	<u>44,809</u>	<u>841,318</u>	<u>287,718</u>
Expenditures:					
General government:					
Computer technology	<u>38,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,200</u>
Total general government	<u>38,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,200</u>
Economic development:					
East Burke Senior Center	650,000	650,000	-	650,000	-
Water and sewer	<u>752,400</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>502,400</u>
Total economic development	<u>1,402,400</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u>	<u>502,400</u>
Total expenditures	<u>1,440,600</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u>	<u>540,600</u>
Revenues over (under) expenditures	<u>(887,000)</u>	<u>(103,492)</u>	<u>44,809</u>	<u>(58,682)</u>	<u>828,318</u>
Other Financing Sources (Uses):					
Transfer from (to) Water and Sewer Fund	237,000	247,334	-	247,334	10,334
Transfer from (to) General Fund	<u>650,000</u>	<u>619,000</u>	<u>-</u>	<u>619,000</u>	<u>(31,000)</u>
Total other financing sources (uses)	<u>887,000</u>	<u>866,334</u>	<u>-</u>	<u>866,334</u>	<u>(20,666)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 762,843</u>	44,809	<u>\$ 807,652</u>	<u>\$ 807,652</u>
Fund balance:					
Beginning of year			<u>762,843</u>		
End of year			<u>\$ 807,652</u>		

BURKE COUNTY, NORTH CAROLINA

Schedule 3-7

**School One-Half Cent Sales Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses:			
One-half cent sales tax	\$2,583,000	\$2,649,725	\$ 66,725
Restricted intergovernmental revenues:			
ABC profits	77,000	74,414	(2,586)
Investment earnings:			
Interest earned	<u>-</u>	<u>41,072</u>	<u>41,072</u>
Total revenues	2,660,000	2,765,211	105,211
Expenditures:			
Education:			
Capital outlay	<u>2,910,000</u>	<u>1,991,370</u>	<u>918,630</u>
Revenues over (under) expenditures	<u>(250,000)</u>	<u>773,841</u>	<u>1,023,841</u>
Other Financing Sources (Uses):			
Operating transfer in from General Fund	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>1,023,841</u>	<u>\$1,023,841</u>
Fund balance:			
Beginning of year		<u>2,800,610</u>	
End of year		<u>\$3,824,451</u>	

BURKE COUNTY, NORTH CAROLINA

Schedule 3-8

**School One Cent Sales Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses:			
One cent sales tax	\$4,471,200	\$4,822,580	\$ 351,380
Lottery school capital funds	252,718	1,695,000	1,442,282
Investment earnings:			
Interest earned	<u>-</u>	<u>118,298</u>	<u>118,298</u>
Total revenues	4,723,918	6,635,878	1,911,960
Expenditures:			
Education:			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>4,723,918</u>	<u>6,635,878</u>	<u>1,911,960</u>
Other Financing Sources (Uses):			
Appropriated fund balance	1,178,147	-	(1,178,147)
Operating transfer out to School One-Half Cent Sales Tax Fund	(1,178,147)	-	1,178,147
Operating transfer out to General Fund	<u>(4,723,918)</u>	<u>(5,084,305)</u>	<u>(360,387)</u>
Total other financing sources (uses)	<u>(4,723,918)</u>	<u>(5,084,305)</u>	<u>(360,387)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	1,551,572	<u>\$ 1,551,572</u>
Fund balance:			
Beginning of year		<u>8,060,732</u>	
End of year		<u>\$9,612,304</u>	

BURKE COUNTY, NORTH CAROLINA

Schedule 3-9

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Grant Projects Fund

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

From Inception and for the Year Ended June 30, 2018

	<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>
Mountain View Elementary School:					
Revenues:					
Transfer from school one cent sales tax fund	\$ 1,178,147	\$ -	\$ -	\$ -	\$ (1,178,147)
Proceeds of financing	23,200,853	21,075,000	-	21,075,000	(2,125,853)
Original issue premium	-	2,125,852	-	2,125,852	2,125,852
Interest	-	13,969	155,454	169,423	169,423
Miscellaneous	-	6,284	-	6,284	6,284
Total revenues	<u>24,379,000</u>	<u>23,221,105</u>	<u>155,454</u>	<u>23,376,559</u>	<u>(1,002,441)</u>
Expenditures:					
Professional services	159,000	36,629	80,000	116,629	42,371
Buildings	20,040,000	1,716,159	15,085,413	16,801,572	3,238,428
Engineering-Geotechnical	185,000	34,434	124,336	158,770	26,231
Furniture and equipment	2,042,000	-	360,676	360,676	1,681,324
Architectural services	1,200,000	969,996	212,706	1,182,702	17,298
Land	140,750	116,082	15,000	131,082	9,668
Surveying	112,250	86,880	25,349	112,229	21
Financing cost	310,000	303,296	4,250	307,546	2,454
Property clearance	190,000	189,300	-	189,300	700
Total expenditures	<u>24,379,000</u>	<u>3,452,776</u>	<u>15,907,729</u>	<u>19,360,505</u>	<u>5,018,495</u>
Total revenues over (under) expenditures	<u>-</u>	<u>19,768,329</u>	<u>(15,752,275)</u>	<u>4,016,054</u>	<u>4,016,054</u>
Jail/Justice Center					
Revenues:					
Proceeds of capital financing	20,010,000	-	20,010,000	20,010,000	-
Original issue premium	1,774,257	-	1,774,256	1,774,256	(1)
Interest	-	-	80,904	80,904	80,904
Transfer from General Fund	2,322,517	1,210,000	1,112,517	2,322,517	-
Total revenues	<u>24,106,774</u>	<u>1,210,000</u>	<u>22,977,678</u>	<u>24,187,678</u>	<u>80,904</u>
Expenditures:					
Engineering-Geotechnical	44,455	13,390	15,692	29,082	15,373
Buildings	22,000,000	-	4,649,089	4,649,089	17,350,911
Architectural services	1,366,500	792,742	488,832	1,281,574	84,926
Property clearance	5,000	2,490	2,219	4,709	291
Inspection services	156,774	-	56,701	56,701	100,074
Permits	26,195	-	20,287	20,287	5,908
Noncapital supplies	75,000	-	-	-	75,000
Equipment	100,000	-	-	-	100,000
Financing cost	300,000	-	259,196	259,196	40,804
Surveying	32,850	22,120	10,192	32,312	538
Total expenditures	<u>24,106,774</u>	<u>830,742</u>	<u>5,502,207</u>	<u>6,332,949</u>	<u>17,773,825</u>
Total revenues over (under) expenditures	<u>-</u>	<u>379,258</u>	<u>17,475,471</u>	<u>17,854,729</u>	<u>17,854,729</u>
East Burke Library/Senior Center					
Revenues:					
Transfer from General Fund	3,550,000	3,550,000	-	3,550,000	-
Donations and other	10,000	37,927	-	37,927	27,927
Transfer from Capital Reserve Fund	650,000	650,000	-	650,000	-
Total revenues	<u>4,210,000</u>	<u>4,237,927</u>	<u>-</u>	<u>4,237,927</u>	<u>27,927</u>

cont.

BURKE COUNTY, NORTH CAROLINA

Schedule 3-9
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**Grant Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
East Burke Library/Senior Center cont.					
Expenditures:					
Legal services	6,500	-	-	-	6,500
Engineering-geotechnical	27,000	20,855	1,714	22,569	4,431
Architectural services	183,000	171,857	2,572	174,429	8,571
Land	517,902	517,830	-	517,830	72
Permits	500	375	-	375	125
Surveying	15,098	15,092	-	15,092	6
Supplies	86,400	19,151	69,300	88,451	(2,051)
Furniture and fixtures	115,600	84,116	24,089	108,205	7,395
Buildings	3,258,000	2,927,115	283,910	3,211,025	46,975
Total expenditures	<u>4,210,000</u>	<u>3,756,391</u>	<u>381,585</u>	<u>4,137,976</u>	<u>72,024</u>
Total revenues over (under) expenditures	<u>-</u>	<u>481,536</u>	<u>(381,585)</u>	<u>99,951</u>	<u>99,951</u>
Overmountain Victory Trail					
Revenues:					
Contributions	\$ 656,600	\$ 656,600	\$ -	\$ 656,600	\$ -
Total revenues	<u>656,600</u>	<u>656,600</u>	<u>-</u>	<u>656,600</u>	<u>-</u>
Expenditures:					
Engineering	135,000	-	-	-	135,000
Design services	48,100	-	44,000	44,000	4,100
Planning services	80,000	-	15,000	15,000	65,000
Advertising	1,000	-	860	860	140
Program supplies	10,000	-	2,523	2,523	7,477
Surveying	15,000	-	-	-	15,000
Easements	10,000	-	-	-	10,000
Buildings	70,000	-	-	-	70,000
Improvements other than buildings	270,600	-	325	325	270,275
Equipment	16,900	-	17,120	17,120	(220)
Total expenditures	<u>656,600</u>	<u>-</u>	<u>79,828</u>	<u>79,828</u>	<u>576,772</u>
Total revenues over (under) expenditures	<u>-</u>	<u>656,600</u>	<u>(79,828)</u>	<u>576,772</u>	<u>576,772</u>
Fonta Flora County Park & Trail					
Revenues:					
Transfer from General Fund	289,000	84,000	205,000	289,000	-
NC Grant	35,443	35,443	-	35,443	-
Contributions	550,000	547,099	-	547,099	(2,901)
Total revenues	<u>874,443</u>	<u>666,542</u>	<u>205,000</u>	<u>871,542</u>	<u>(2,901)</u>
Expenditures:					
Engineering	93,000	50,950	40,950	91,900	1,100
Design services	43,800	82,800	(39,000)	43,800	-
Planning services	35,000	25,000	-	25,000	10,000
Other purchased services	500	295	-	295	205
Advertising	3,000	729	-	729	2,271
Program supplies	10,000	3,652	689	4,341	5,659
Surveying	10,000	600	3,982	4,582	5,418
Easements	4,500	120	136	256	4,244
Improvements other than buildings	664,643	258,189	392,921	651,110	13,533
Equipment	10,000	5,650	467	6,117	3,883
Total expenditures	<u>874,443</u>	<u>427,985</u>	<u>400,145</u>	<u>828,130</u>	<u>46,313</u>
Total revenues over (under) expenditures	<u>-</u>	<u>238,557</u>	<u>(195,145)</u>	<u>43,412</u>	<u>43,412</u>
Total revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 21,524,280</u>	<u>1,066,638</u>	<u>\$ 22,590,918</u>	<u>\$ 22,590,918</u>
Fund balance:					
Beginning of year			21,524,280		
End of year			<u>\$ 22,590,918</u>		

BUSINESS-TYPE ACTIVITIES

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.

- **Water and Sewer Enterprise Fund -
To account for the County's water and sewer activities**
 - **Waste Disposal Enterprise Fund -
To account for the operations of the County's solid waste disposal activities**
 - **Waste Collection Enterprise Fund -
To account for the operating of the County's solid waste collection activities**
-

BURKE COUNTY, NORTH CAROLINA

Schedule 3-10
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**Water and Sewer Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Service charge - water	\$ 992,250	\$ 840,931	\$ (151,319)
Service charge - sewer	535,500	529,172	(6,328)
Water tap fees	15,000	72,800	57,800
Sewer tap fees	1,000	1,000	-
Morganton surcharge	7,500	8,555	1,055
Meter fees	4,000	15,700	11,700
Late fees	35,000	45,361	10,361
Reconnect fees	10,000	7,244	(2,756)
Irrigation taps and fees	650	660	10
Other revenue	-	6,777	6,777
Total operating revenues	<u>1,600,900</u>	<u>1,528,199</u>	<u>(72,701)</u>
Nonoperating revenues:			
Morganton water tank rental	38,930	39,100	170
NC DOT waterline relocation	-	64,785	64,785
Sale of fixed assets	-	23,300	23,300
Investment earnings	183	8,794	8,611
Total nonoperating revenues	<u>39,113</u>	<u>135,979</u>	<u>96,866</u>
Other Financing Sources (Uses):			
Appropriated net position	29,363	-	(29,363)
Total other financing sources	<u>29,363</u>	<u>-</u>	<u>(29,363)</u>
Total revenues	<u>\$ 1,669,376</u>	<u>\$ 1,664,179</u>	<u>\$ (5,197)</u> cont.

BURKE COUNTY, NORTH CAROLINA

Schedule 3-10, cont.

Page 2 of 2

**Water and Sewer Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
Salaries	\$ 122,036	\$ 121,716	\$ 320
Overtime pay	7,000	4,250	2,750
Social Security	7,876	7,694	182
Medicare tax	1,846	1,800	46
Cell phone allowance	480	480	-
Group insurance	33,900	32,363	1,537
Workers compensation	2,500	4,390	(1,890)
Retirement	9,824	9,525	299
401 (k)/457 contribution	393	276	117
Utilities	380,000	362,827	17,173
Maintenance and repairs	89,580	52,420	37,160
NC DOT waterline relocation	64,785	64,785	-
Auto maintenance and supplies	19,000	10,908	8,092
Supplies and materials	27,150	21,584	5,566
Purchased service	34,200	3,837	30,363
Purchase for resale - water	316,000	326,824	(10,824)
Uniform rental	2,700	1,862	838
Advertising	200	-	200
Communications	10,640	9,592	1,048
Unemployment insurance	-	488	(488)
Staff training	500	-	500
Miscellaneous	19,440	15,930	3,510
Total	<u>1,150,050</u>	<u>1,053,552</u>	<u>96,498</u>
Budgetary appropriations:			
Debt service	12,135	12,134	1
Transfer to other funds	300,328	300,328	-
Capital outlay	206,863	208,905	(2,042)
Total budgetary appropriations	<u>519,326</u>	<u>521,367</u>	<u>(2,041)</u>
Total expenditures	<u>\$ 1,669,376</u>	<u>\$ 1,574,919</u>	<u>\$ 94,457</u>
Note: Prepared on the budgetary basis which is modified accrual.			
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Total revenues		\$ 1,664,179	
Total expenditures		<u>1,574,919</u>	
Excess of revenues over (under) expenditures		89,260	
Decrease in accrued salaries and vacation pay		(3,425)	
Depreciation		(679,579)	
Decrease in other post employment benefits		548	
Decrease in deferred outflows of resources - pensions		(10,442)	
Increase in deferred outflows of resources - OPEB		246	
Decrease in net pension liability		9,611	
Increase in deferred inflows of resources - pensions		(15)	
Increase in deferred inflows of resources - OPEB		(2,745)	
Capital contributions		57,536	
Capital outlay		205,379	
Principal payment on debt		12,134	
Net income (loss)		<u>\$ (321,493)</u>	

BURKE COUNTY, NORTH CAROLINA

Schedule 3-11
Page 1 of 2

**Waste Disposal Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Solid waste disposal fee	\$ 1,470,000	\$ 1,750,956	\$ 280,956
Solid waste tax charge	2,632,875	2,715,620	82,745
Solid waste disposal tax	46,000	48,504	2,504
Recycling	60,000	84,643	24,643
Scrap tire disposal tax	120,000	119,960	(40)
Construction and demolition fee	262,500	409,802	147,302
Late charges and miscellaneous	<u>18,000</u>	<u>5,799</u>	<u>(12,201)</u>
Total operating revenues	<u>4,609,375</u>	<u>5,135,285</u>	<u>525,910</u>
Nonoperating revenues:			
Appropriated net position	187,415	-	(187,415)
Sale of fixed assets	-	(7,875)	(7,875)
Investment earnings	<u>-</u>	<u>13,244</u>	<u>13,244</u>
Total nonoperating revenues	<u>187,415</u>	<u>5,369</u>	<u>(182,046)</u>
Total revenues	<u>\$ 4,796,790</u>	<u>\$ 5,140,654</u>	<u>\$ 343,864</u>
Expenditures:			
Salaries	\$ 393,217	\$ 392,348	\$ 869
Part-time pay	9,800	9,961	(161)
Overtime pay	41,000	47,539	(6,539)
Other holiday pay	5,500	7,818	(2,318)
Social Security	27,188	27,487	(299)
Medicare tax	6,365	6,429	(64)
Cellphone allowance	400	300	100
Group insurance	90,398	103,872	(13,474)
Workers compensation	15,000	21,741	(6,741)
Retirement	33,465	33,846	(381)
401 (k)/457 contributions	5,039	5,835	(796)
Communications	2,700	3,731	(1,031)
Utilities	21,500	16,662	4,838
Insurance	1,000	1,000	-
Maintenance and repairs	164,875	135,869	29,006
Auto maintenance and supplies	59,000	93,854	(34,854)
			cont.

BURKE COUNTY, NORTH CAROLINA

Schedule 3-11, cont.

Page 2 of 2

**Waste Disposal Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Supplies and materials	\$ 11,585	\$ 9,678	\$ 1,907
Transportation of waste	2,455,000	2,524,435	(69,435)
Purchased services	360,000	206,030	153,970
Uniform rental	6,700	7,827	(1,127)
Grinding services	50,000	49,441	559
White goods	2,220	-	2,220
Scrap tire disposal	108,000	105,184	2,816
Taxes	15,000	26,952	(11,952)
Operating permits	13,500	14,040	(540)
Miscellaneous	8,290	11,407	(3,117)
Total solid waste disposal	<u>3,906,742</u>	<u>3,863,286</u>	<u>43,456</u>
Budgetary appropriations:			
Transfer from General Fund	(151,000)	(150,846)	(154)
Transfer to waste collection fund	686,685	728,343	(41,658)
Capital outlay	354,363	322,562	31,801
Total budgetary appropriations	<u>890,048</u>	<u>900,058</u>	<u>(10,010)</u>
Total expenditures	<u>\$ 4,796,790</u>	<u>\$ 4,763,345</u>	<u>\$ 33,446</u>
Note: Prepared on the budgetary basis which is modified accrual.			
Reconciliation of Modified Accrual to the Full			
Accrual Basis:			
Total revenues		\$ 5,140,654	
Total expenditures		<u>4,763,345</u>	
Revenues over (under) expenditures		377,310	
Decrease in accrued salaries and vacation pay	\$ (4,076)		
Decrease in closure and post-closure accrual	269,555		
Decrease in other post employment benefits	1,736		
Increase in deferred outflows of resources - OPEB	779		
Decrease in deferred outflows of resources - pensions	(32,707)		
Increase in net pension liability	30,106		
Increase in deferred inflows of resources - pensions	(47)		
Increase in deferred inflows of resources - OPEB	(8,701)		
Fixed assets capitalized	277,763		
Depreciation	<u>(235,187)</u>	<u>299,221</u>	
Net income (loss)		<u>\$ 676,530</u>	

BURKE COUNTY, NORTH CAROLINA

Schedule 3-12

**Waste Collection Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018**

	<u>Actual</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Miscellaneous	\$ -	\$ 98	\$ 98
Other financing sources:			
Transfers from other funds	878,785	883,343	4,558
Total revenues and other financing sources	<u>\$ 878,785</u>	<u>\$ 883,440</u>	<u>\$ 4,655</u>
Expenditures:			
Salaries	\$ 133,914	\$ 133,278	\$ 636
Overtime pay	15,000	10,417	4,583
Part-time pay	205,000	207,533	(2,533)
Other holiday pay	2,200	2,126	74
Social security	21,976	21,854	122
Medicare tax	5,142	5,111	31
Cell phone allowance	300	425	(125)
Group insurance	33,428	27,269	6,159
Retirement	11,504	11,009	495
401 (k) contribution	996	635	361
Workers compensation	20,000	14,174	5,826
Communications	9,000	8,585	415
Utilities	12,250	10,110	2,140
Maintenance and repairs	52,400	36,833	15,567
Equipment rental	4,500	4,914	(414)
Supplies and materials	102,600	159,627	(57,027)
Uniform rental	7,800	5,399	2,401
Miscellaneous	16,775	5,954	10,821
Land lease	9,000	9,000	-
Total solid waste collection	<u>663,785</u>	<u>674,252</u>	<u>(10,467)</u>
Budgetary appropriations:			
Capital outlay	215,000	204,522	10,478
Total budgetary appropriations	<u>215,000</u>	<u>204,522</u>	<u>10,478</u>
Total expenditures	<u>\$ 878,785</u>	<u>\$ 878,774</u>	<u>\$ 10</u>
Note: Prepared on the budgetary basis which is modified accrual.			
Reconciliation of Modified Accrual to the Full Accrual Basis:			
Total revenues		\$ 883,440	
Total expenditures		<u>878,774</u>	
Excess of revenues over expenditures		4,666	
Decrease in accrued salaries and vacation pay	\$ 1,078		
Decrease in other post employment benefits	549		
Fixed assets capitalized	204,522		
Increase in deferred outflows of resources - OPEB	247		
Decrease in deferred outflows of resources - pensions	(28,408)		
Decrease in net pension liability	26,148		
Increase in deferred inflows of resources - pensions	(41)		
Increase in deferred inflows of resources - OPEB	(2,754)		
Depreciation	<u>(102,191)</u>		
		99,150	
Net income (loss)		<u>\$ 103,815</u>	

AGENCY FUNDS

(Fiduciary Fund Types)

Agency Funds are used to account for funds held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

- **Fines and Forfeitures Fund -**
Accounts for various legal fines and forfeitures that the County is required to remit to Burke County Public Schools
 - **Ad Valorem and Motor Vehicles Tax Fund -**
Accounts for monies collected by the County and remitted to municipalities in the County
 - **DSS Beneficiaries Fund -**
Accounts for monies held by the Social Services Department for the benefit of certain individuals for whom the County serves as agent
-
-

BURKE COUNTY, NORTH CAROLINA

Schedule 3-13

**Agency Funds
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Fines and Forfeitures				
Assets	<u>\$ 649</u>	<u>\$ 380,559</u>	<u>\$ 381,208</u>	<u>\$ -</u>
Liabilities	<u>\$ 649</u>	<u>\$ 380,559</u>	<u>\$ 381,208</u>	<u>\$ -</u>
Ad Valorem and Motor Vehicle Tax				
Assets	<u>\$ 10,975</u>	<u>\$2,044,580</u>	<u>\$1,817,994</u>	<u>\$ 237,561</u>
Liabilities	<u>\$ 10,975</u>	<u>\$2,044,580</u>	<u>\$1,817,994</u>	<u>\$ 237,561</u>
DSS Beneficiaries				
Assets	<u>\$ 79,172</u>	<u>\$ 85,975</u>	<u>\$ 84,250</u>	<u>\$ 80,897</u>
Liabilities	<u>\$ 79,172</u>	<u>\$ 85,975</u>	<u>\$ 84,250</u>	<u>\$ 80,897</u>
Total - All Agency Funds				
Assets	<u>\$ 90,796</u>	<u>\$2,511,114</u>	<u>\$2,283,452</u>	<u>\$ 318,458</u>
Liabilities	<u>\$ 90,796</u>	<u>\$2,511,114</u>	<u>\$2,283,452</u>	<u>\$ 318,458</u>

OTHER SCHEDULES

- **This section contains additional information required on property taxes.**
 - **Schedule of Ad Valorem Taxes Receivable**
 - **Analysis of Current Tax Levy**
-
-

BURKE COUNTY, NORTH CAROLINA

Schedule 4-1

**Ad Valorem Taxes Receivable
June 30, 2018**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 52,511,766	\$ 51,803,914	\$ 707,852
2016-2017	875,479	-	638,077	237,402
2015-2016	302,762	-	161,444	141,318
2014-2015	191,946	-	80,721	111,225
2013-2014	169,121	-	52,300	116,821
2012-2013	90,043	-	4,016	86,027
2011-2012	86,933	-	24,046	62,887
2010-2011	65,990	-	3,436	62,554
2009-2010	68,877	-	19,821	49,056
2008-2009	53,618	-	2,468	51,150
2007-2008	48,403	-	48,403	-
Total	<u>\$ 1,953,172</u>	<u>\$ 52,511,766</u>	<u>\$ 52,838,646</u>	1,626,292
Less allowance for uncollectible ad valorem taxes receivable				<u>1,215,178</u>
Ad valorem taxes receivable - net				<u>\$ 411,114</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund:				
Taxes collected			\$ 45,337,641	
Penalties, interest and lien costs			<u>280,960</u>	
				\$ 45,618,601
Fire district tax collected				3,834,748
Amount written off per statute of limitations				46,773
Discounts				472,961
Releases - prior year's taxes				559,229
Landfill user fee collected				<u>2,587,294</u>
Subtotal				53,119,606
Less interest collected (not charged to receivable)				<u>280,960</u>
Total				<u>\$ 52,838,646</u>

BURKE COUNTY, NORTH CAROLINA

Schedule 4-2

**Analysis of Current Tax Levy
County - Wide Levy
For the Year Ended June 30, 2018**

	<u>County Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year rate	\$7,097,259,856	0.695	\$ 49,325,956	\$ 44,825,967	\$ 4,499,989
Penalties	-		80,532	80,532	-
Total	<u>7,097,259,856</u>		<u>49,406,488</u>	<u>44,906,499</u>	<u>4,499,989</u>
Discoveries:					
Current year taxes	148,220,144	0.695	1,030,130	1,030,130	-
Abatements	<u>(82,691,079)</u>		<u>(574,703)</u>	<u>(574,703)</u>	<u>-</u>
Total property valuation	<u>\$7,162,788,921</u>				
Net levy			49,861,915	45,361,926	4,499,989
Uncollected taxes at June 30, 2018			<u>(707,852)</u>	<u>(707,852)</u>	<u>-</u>
Current year's tax collected			<u>\$ 49,154,063</u>	<u>\$ 44,654,074</u>	<u>\$ 4,499,989</u>
Current levy collection percentage			<u>98.58%</u>	<u>98.43%</u>	<u>100.00%</u>
Net levy (above)			\$ 49,861,915		
Landfill user fee			<u>2,649,851</u>		
Total 2017 - 2018 additions (schedule 4-1)			<u>\$ 52,511,766</u>		
Current year's tax collected (above)			\$ 49,154,063		
Landfill user fee collected			2,587,294		
Other collected			62,557		
Total 2017 - 2018 collections and credits (schedule 4-1)			<u>\$ 51,803,914</u>		
Uncollected taxes (above)			\$ 707,852		
Total 2017 - 2018 uncollected taxes (schedule 4-1)			<u>\$ 707,852</u>		

BURKE COUNTY, NORTH CAROLINA

Schedule 4-2a

**Analysis of Current Tax Levy
County - Wide Levy
For the Year Ended June 30, 2018**

Secondary Market Disclosures

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 5,296,190,556
Personal Property	1,604,352,580
Public Service Companies	<u>262,245,785</u>
Total Assessed Valuation	<u>\$ 7,162,788,921</u>
Tax Rate per \$100	0.695
Levy (includes discoveries, releases and abatements)	<u>\$ 49,861,915</u>

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2018

Fire Protection Districts	<u>\$ 3,436,876</u>
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BURKE COUNTY, NORTH CAROLINA

Schedule 4-2b

**Ten Largest Taxpayers
County - Wide Levy
For the Year Ended June 30, 2018**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2018 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Duke Energy Corp	Utility	\$ 139,202,665	1.94%
Continental Automotive Systems	Manufacturing	97,044,258	1.35%
SGL Carbon Corporation	Manufacturing	38,439,742	0.54%
Rutherford Electric Membership Corp.	Utility	37,310,169	0.52%
Piedmont Natural Gas Company	Utility	27,803,418	0.39%
Case Farms Processing, Inc	Food Processing	25,575,996	0.36%
Levition Manufacturing Co. Inc.	Manufacturing	23,318,371	0.33%
Seiren North America, LLC	Manufacturing	20,694,527	0.29%
SAFT America, Inc.	Manufacturing	20,311,142	0.28%
Grace Properties	Real Estate	<u>19,314,892</u>	<u>0.27%</u>
		<u>\$ 449,015,180</u>	<u>6.27%</u>

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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
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 Questioned Costs

Corrective Action Plan

Summary Schedule of Prior Year Audit Findings

Schedule of Expenditures of Federal and State Awards

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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 Commissioners of
Burke County
Morganton, 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 Burke County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Burke County, North Carolina's basic financial statements and have issued our report thereon dated January 16, 2019. Our report includes a reference to other auditors who audited the financial statements of Burke County Tourism Development Authority, as described in our report on Burke 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. The financial statements of Burke County Tourism Development Authority were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burke 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 Burke County, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Burke 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burke 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

Burke County, North Carolina's Response to Findings

Burke County, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Burke 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 16, 2019

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

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

**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
Burke County
Morganton, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Burke 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 Burke County, North Carolina's major federal programs for the year ended June 30, 2018. Burke County, North Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Burke 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Burke County, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Burke County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Burke 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 Burke 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 Burke 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.

Lowmyer Church & Co., L.L.P.

Morganton, North Carolina
January 16, 2019

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

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
Burke County
Morganton, North Carolina

Report on Compliance for Each Major State Program

We have audited Burke County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Burke County, North Carolina's major State programs for the year ended June 30, 2018. Burke County, North Carolina's major State programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Burke County, North Carolina'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 audit requirements of Title 2 U.S. Code of State Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State 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 State program occurred. An audit includes examining, on a test basis, evidence about Burke 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 State program. However, our audit does not provide a legal determination of Burke County, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, Burke 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, 2018.

Report on Internal Control over Compliance

Management of Burke 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 Burke 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 Burke 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.

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
January 16, 2019

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted	_____ yes	<u> X </u> no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	_____ none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
93.568	Low-Income Home Energy Assistance Block Grant
93.778	Medical Assistance Program - Administration
93.658 & 93.659	Foster Care and Adoption Cluster

Dollar threshold used to distinguish

between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

cont.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section III. Federal Award Findings and Questioned Costs

U. S. Department of Health and Human Services

Passed through the N. C. Dept. of Health and Human Services
Program Name: Title IV-E Adoption Assistance - Direct Benefit Payment
CDEA # 93.659
Grant Number: 1801NCFOST

Finding: 2018-001

SIGNIFICANT DEFICIENCY/
NONCOMPLIANCE

Eligibility

Criteria: In accordance with 45 CFR 1355-1356 and in the State law N.C.G.S. 180-A-49, the requirement applicable in this case, applicant files should contain certain eligibility forms.

Condition: Five cases examined did not include all of the required forms.

Questioned Costs: \$36,172. This amount was determined by totaling all the aid received by the five cases.

Context: Of the 210 case files, we examined 21 and determined that five case files did not contain all of the required documents, two cases did not have documents relating to background checks on adoptive parents, three cases did not have signed adoption assistance agreements and adoption assistance eligibility checklists.

Effect: Five applicants received assistance for which they may not have been eligible.

Cause: Cases are currently being scanned into a paperless system. It is possible that the needed information was misfiled.

Recommendation: Procedures should continue to ensure that all required forms are completed and are included in the scanning process prior to being discarded.

Views of the responsible officials and planned corrective actions: The County agrees to the recommendations and continued current process of checks and balances to ensure that forms are timely completed and filed accurately.

Section IV. State Award Findings and Questioned Costs

None reported.

**Corrective Action Plan
For the Year Ended June 30, 2018**

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

Finding: 2018-001

Name of Contact Persons: Durraine Hernandez, Director
Kathy Craig, Service Program Administrator

Corrective Action: Current procedures will continue to ensure that all of the required documents are completed and are included and scanned into the paperless filing system prior to any hard document destruction.

Proposed Completion Date: Immediately

Section IV. State Award Findings and Questioned Costs

None reported.

BURKE COUNTY, NORTH CAROLINA

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2018**

None reported.

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	\$ 635,642	\$ -	\$ -
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	<u>457,625</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,093,267</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grants	14.228	XXXX	<u>87,578</u>	<u>-</u>	<u>-</u>

cont.

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
<u>U.S. National Endowment for the Arts</u>					
Passed-through the Office of Library Services Library Services and Technology Act Program	45.310	XXXX	\$ 25,734	\$ -	\$ -
<u>U.S Environmental Protection Agency</u>					
Brownfield Assessment and Cleanup Cooperative Agreements	68.818	00D61017	143,578	-	-
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety:					
Emergency Management Performance Grant	97.042	EMA-2017-EP-0005-S01-17012	53,017	-	-
Active Shooter Exercise Grant	97.067	EMW-2016-SS-00011-S01-1604-20	12,176	-	-
WNC Search and Rescue Exercise Grant	97.067	EMW-2017-SS-00085-S01-1704-01	38,472	-	-
CBRNE Boat and Trailer Package	97.067	EMW-2017-SS-00085-S01-1745	37,644	-	-
Total U.S. Department of Homeland Security			141,309	-	-
<u>U.S. Department of Health and Human Services</u>					
Administration on Aging					
Aging Cluster:					
Passed-through Western Piedmont Council of Governments:					
Title III C1 - Congregate Nutrition	93.045	XXXX	12,423	731	-
Title III C2 - Home Delivered Meals	93.045	XXXX	123,796	7,282	-
Senior Center		XXXX	-	38,587	-
Nutrition Services Incentive Program	93.053	XXXX	20,692	-	-
Total Aging Cluster			156,911	46,600	-
Passed-through Western Piedmont Council of Governments:					
Seniors Health Insurance Information Program	93.779	XXXX	4,539	-	-
MIPPA	93.779	XXXX	3,943	-	-

cont.

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
Passed-through the N.C. Department of Health and Human Services					
Division of Social Services					
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families/Work First	93.558	1801NCTANF	\$ 133,378	\$ -	\$ -
Child Support Enforcement	93.563	XXXX	577,153	-	-
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568	G18B1NCLIEA	56,051	-	-
Direct Benefit Payments	93.568	G18B1NCLIEA	353,498	-	-
Crisis Intervention Payments	93.568	G18B1NCLIEA	341,092	-	-
Permanency Planning	93.645	G1801NCCWSS	27,804	-	-
Family Preservation	93.556	1801NCFPSS	47,805	-	-

cont.

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
<u>Foster Care and Adoption Cluster: (Note 3)</u>					
Adoption/Foster Care Special Provision	93.658	1801NCFOST	\$ 146,415	\$ -	\$ -
Title IV-E Foster Care Maintenance	93.658	1801NCFOST	460,648	76,253	-
Title IV-E Adoption Assistance - Direct Benefit Payment	93.659	1801NCFOST	<u>1,744,558</u>	<u>473,130</u>	-
Total Foster Care and Adoption Cluster (Note 3)			2,351,621	549,383	-
Social Services Block Grant	93.667	G1801NCSOSR	477,820	5,143	-
Chafee Foster Care Independence - Direct Benefit Payment	93.674	XXXX	19,176	4,794	-
Division of Child Development:					
Subsidized Child Care (Note 3)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services					
Child Care Development Fund - Administration	93.596	XXXX	97,796	-	-
Division of Child Development					
Child Care and Development Fund Discretionary	93.575	G1801NCCDF	4,840	-	-
Child Care and Development Fund-Mandatory	93.596	XXXX	184	-	-
Child Care and Development Fund Match	93.596	XXXX	<u>(64)</u>	<u>249</u>	-
Total Child Care Development Fund Cluster			102,756	249	-
Foster Care Title IV-E	93.658	1801NCFOST	-	26,582	-
Emergency Contingency Fund for Temporary Assistance for Needy Families	93.558	1801NCTANF	150	-	-
TANF - MOE	93.575	G1801NCCCDF	<u>926</u>	-	-
Total Subsidized Child Care (Note 3)			<u>103,832</u>	<u>26,831</u>	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93.778	XXXX	2,279,298	14,845	-

cont.

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
North Carolina Health Choice Direct Benefit Payments:	93.767	XXXX	\$ 51,565	\$ 16	\$ -
Passed-through the N.C. Department of Health and Human Services					
Division of Public Health:					
PPHF Capacity Building Assistance	93.539	XXXX	25,408	-	-
Project Grants for TB Control	93.116	XXXX	50	-	-
HPP & PHEP	93.074	XXXX	34,132	-	-
Maternal and Child Health Services Block Grant	93.994	XXXX	70,352	-	-
Preventive Health and Health Service Block Grant	93.758	XXXX	49,900	-	-
Sexually Transmitted Diseases Control Grants	93.977	XXXX	692	-	-
Family Planning Services	93.217	XXXX	39,546	-	-
Temporary Assistance for Needy Families	93.558	XXXX	12,594	-	-
Total U.S. Department of Health and Human Services			<u>7,218,160</u>	<u>647,612</u>	<u>-</u>
<u>Other Federal Financial Assistance</u>					
U.S. Forest Service:					
Forest funds passed through to Burke County					
Board of Education	10.666	FY 2017 SRS	<u>9,406</u>	<u>-</u>	<u>9,406</u>
Total federal awards			<u>8,719,032</u>	<u>647,612</u>	<u>9,406</u>

cont.

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
State Awards:					
<u>N.C. Department of Health and Human Services:</u>					
Division of Social Services:					
Adoption Subsidy	N/A	XXXX	\$ -	\$ 467,333	\$ -
State Foster Care Benefits Program	N/A	XXXX	-	737,869	-
Division of Public Health:					
General	N/A	XXXX	-	114,459	-
HIV/STD SSBG Aid	N/A	XXXX	-	500	-
Gonorrhea Partner Services	N/A	XXXX	-	1,251	-
Tuberculosis	N/A	XXXX	-	18,741	-
Communicable Diseases	N/A	XXXX	-	1,610	-
Child Health	N/A	XXXX	-	279	-
Family Planning	N/A	XXXX	-	16,387	-
Maternal Health	N/A	XXXX	-	5,477	-
WHSF	N/A	XXXX	-	9,899	-
School Nurse Funding Incentive	N/A	XXXX	-	100,000	-
STD Drugs	N/A	XXXX	-	250	-
Food and Lodging Fees	N/A	XXXX	-	11,943	-
Total N.C. Department of Health and Human Services			-	<u>1,485,998</u>	-
<u>N.C. Department of Public Safety</u>					
Division of Emergency Management					
Tier II-2017	N/A	T2-2017-MOA1715	-	995	-
Chestnut Knob Fire Reimbursement	N/A	121817-4174	-	119,786	60,153
Division of Administration, Community Programs					
Juvenile Crime Prevention Program	N/A	XXXX	-	<u>318,551</u>	<u>318,551</u>
Total N.C. Department of Public Safety			-	<u>439,332</u>	<u>378,704</u>

cont.

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
<u>N.C. Department of Cultural and Natural Resources</u>					
Recreational trails program	N/A	RTP-17	\$ -	\$ 34,731	\$ -
Division of State Library: Aid to Public Libraries Fund	N/A	XXXX	-	145,533	-
Total N.C. Department of Cultural and Natural Resources			-	180,264	-
<u>N.C. Department of Administration</u>					
Veteran service	N/A	XXXX	\$ -	2,175	\$ -
<u>N.C. Department of Environmental Quality</u>					
Abandoned Mobile Home Grant	N/A	XXXX	-	1,259	-
<u>N.C. Department of Commerce</u>					
Rural Center Development Grant - Fonta Flora	N/A	2016-057-3201-2587	-	150,000	150,000
Rural Center Development Grant - Spartacraft, Inc.	N/A	XXXX	-	58,051	58,051
Total N.C. Department of Environmental Quality			-	208,051	208,051
<u>N.C. Department of Transportation</u>					
State Public Access Project - EMS Base	N/A	DOT-18	-	18,235	-
<u>N.C. Department of Agriculture & Consumer Services</u>					
Soil Conservation Assistance	N/A	XXXX	-	3,600	-
Soil Conservation Technician Cost Sharing	N/A	XXXX	-	26,550	-
Spay & Neuter Program	N/A	XXXX	-	12,833	12,833
Total N.C. Department of Agriculture & Consumer Services			-	42,983	12,833
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds	N/A	XXXX	-	1,695,000	-
Total State awards			-	4,073,297	599,588
Total federal and State awards			\$ 8,719,032	\$ 4,720,909	\$ 608,994

cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

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 Burke County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 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 Burke County, North Carolina, it is not intended to, and does not, present the financial position, changes in net position or cash flows of Burke County, North Carolina.

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 principal contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Burke County, North Carolina 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.