

BUNCOMBE COUNTY, NORTH CAROLINA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDING
JUNE 30, 2018

BOARD OF COMMISSIONERS

Brownie Newman, Chair
Jasmine Beach-Ferrara, Vice Chair
Joe Belcher
Amanda Edwards
Mike Fryar
Robert Pressley
Al Whitesides

COUNTY MANAGER

Avril Pinder, CPA, ICMA-CM

DIRECTOR OF FINANCE

Donald P. Warn, MPA

Prepared by the Finance Department



**BUNCOMBE
COUNTY**
GOVERNMENT
— NORTH CAROLINA —

Comprehensive Annual Financial Report
 For the Fiscal Year Ending June 30, 2018
 Buncombe County

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Introductory Section



**BUNCOMBE
COUNTY**
GOVERNMENT
— NORTH CAROLINA —



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Buncombe County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



April 30, 2019

To the Board of County Commissioners and the Citizens of Buncombe County, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. State law requires local governments to publish a complete set of financial statements annually.

Management of Buncombe County assumes responsibility for the completeness and reliability of all the information presented in this report based upon a comprehensive framework of internal control that it has established for this purpose. This report consists of management's representations concerning the financial position and results of operations for the fiscal year ended June 30, 2018.

A new audit firm, CliftonLarsonAllen LLP (known as CliftonLarsonAllen or CLA), was engaged this year to conduct the annual audit. CLA is the eight largest accountancy firm in the United States and has brought a wealth of experience and advanced accounting techniques to their audit approach.

CLA has audited the financial statements in accordance with generally accepted auditing standards. The cost of internal control should not exceed anticipated benefits; therefore, the auditor's review is to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. The independent auditors concluded that the statements are presented in conformity with generally accepted accounting principles and there was a reasonable basis for issuing an unmodified opinion on the Buncombe County financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with emphasis on administration of federal grants.



Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides an introduction, overview, and analysis of the basic financial statements. The discussion and analysis complement this letter of transmittal and should be read in combination with it.

Profile of Buncombe County, North Carolina

Buncombe County, established in 1791, is located in the southwestern portion of North Carolina in the heart of the Blue Ridge Mountains. Nicknamed the "Land of the Sky", the County comprises 657 square miles of land and water and is shaped by one of the oldest mountain ranges in the world. With approximately 259,000 residents who call this home, Buncombe is the most populous county in Western North Carolina accounting for over half of the population in the four-county Asheville Metropolitan Area.

The County encompasses six incorporated municipalities, the largest being the City of Asheville (population of approximately 92,000 or approximately 36% of the County), which lies at the geographic center of the County and serves as the County seat. Throughout history Buncombe County has been an important crossroads, being approximately 240 miles west of the state capital, Raleigh, North Carolina; 205 miles north of Atlanta, Georgia; and 120 miles east of Knoxville, Tennessee.

The County operates under a commissioner/manager form of government. Presently, a seven-member Board of County Commissioners governs Buncombe County. The Chair is elected separately by all the qualified voters in Buncombe County every four years. Two commissioners are elected from each of the three House of Representative Districts in Buncombe County to serve staggered four-year terms. Each commissioner is required to reside in and represent one of the districts, and only the qualified voters of that district will be eligible to vote for that district seat.

After the retirement of long-time County Manager Wanda Greene on June 30, 2017, the Board of Commissioners appointed Mandy Stone, former Assistant County Manager, as her successor. Stone served as manager through the 2018 fiscal year and retired on June 30, 2018. The Board appointed George Wood on June 19, 2018 to serve as Interim County Manager and facilitate a national candidate search for a long-term County Manager. Mr. Wood brought 40 years of local government management experience with him and had served most recently as County Manager of the North Carolina counties of Lincoln and Wayne. Avril Pinder was unanimously appointed County Manager by the Board of Commissioners on February 5, 2019, and sworn in on March 5, 2019. Prior to Buncombe County, Pinder served New Hanover County, NC, for 13 years as Finance Director, Assistant Manager, and most recently, Deputy County Manager.

Buncombe County is a caring community in harmony with its environment where citizens succeed, thrive, and realize their potential. The County promotes a healthy, safe, well-educated, and thriving community with a sustainable quality of life. To that effort the County provides a full range of services to meet the complex needs of this unique community including human services, public safety, economic and physical development, environmental protection, cultural and recreational activities and others. The majority of the annual budget is spent on public safety, human services, and support of local public education entities. The County also extends financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. Among these partners are the Asheville City Board of Education, the Buncombe County Board of Education, the Asheville-Buncombe Technical Community College, the Tourism Development Authority, the Land of Sky Regional Council, Buncombe County Service Foundation, and the Vaya Health Managed Care Organization.

The annual budget serves as the base for the County's financial planning and control. Budgets are developed on a departmental basis by expenditure function within a fund. The budgets display all of the County's financial operations including funding for various agencies outside the County's organizational structure. The County Manager submits the annual balanced budget to the Board of Commissioners before June each year. A public hearing on the budget is held in the middle of June with an expected budget adoption by June 30. In accordance with North Carolina statutes, the governing board shall adopt a budget not earlier than 10 days after the budget is presented to the Board and no later than July 1.

The Local Economy

Buncombe County serves as the regional economic center for western North Carolina. The County's economy is supported by a variety of robust and growing industries. Major industries located within the County's boundaries include the region's growing healthcare system, a thriving tourism and hospitality industry, strong educational and public sector systems, and a resurgent manufacturing industry. In addition, small businesses and entrepreneurship are active engines fueling the region's diverse business landscape. Approximately 97% of establishments in the Metro area have fewer than 50 employees.

Buncombe County's economic development growth is driven by businesses innovating in advanced manufacturing, science and technology, healthcare and knowledge-based entrepreneurship. These industries are supported by a highly skilled workforce, steady population growth and reputable educational institutions meeting the talent needs of top-tier companies. The area stands as a hub for technology and business innovation and growth, making it an attractive destination for corporate relocation. Thanks to its remarkable quality of life, Buncombe County is a thriving center for outdoor recreation, creative arts and

mountain cultures, as well as a budding community for entrepreneurs across all industries. Economic development in the region is supported by strong workforce development initiatives which work to ensure that the region has a globally competitive workforce that encourages business growth and relocation. Workforce Development anticipates and delivers the types of education and training that are relevant to the local economy, provides transferable skills that benefit individuals into the future and ensures that the region's workforce is capable of meeting the ever-changing demands of the business world.

Strong growth continues to support a record economy in Buncombe County, which has maintained its place within North Carolina as the county with the lowest unemployment rate at 3.20%, compared to 3.9% for the State and 4.0% for the nation. Wage growth continues at a slower but steady pace, with the average wage per employee increasing about 1.3% from 2016 to 2017 according to the Bureau of Labor Statistics.

The Buncombe County housing market remains dynamic, with the average home spending only 66 days on market before being sold, almost 100 days less than in 2012. However, the number of closed sales are down year-over-year by about 4%, and the median sales price has increased 6% from 2017 to 2018.

Buncombe County maintained its Triple-A credit ratings from Moody's and Standard and Poor's for general obligation debt as part of the credit opinion received for the 2018 Limited Obligation Bonds issuance. Buncombe continues to be in an exclusive group of governments with two Triple-A ratings and this strongly affirms the County's financial strength and position to support the needs of the community as well as encouraging business development.

Long-term Financial Planning and Major Initiatives

The County uses a Capital Improvement Program (CIP) to identify all capital projects for the next budget year and five additional years. The CIP is formulated under the direction of the County Manager for financial planning purposes. A capital project is defined as purchases over \$250,000. These items are generally for major information technology projects, buildings, land, vehicle replacement programs, etc. All capital projects are reviewed by the CIP committee around November of each year. After the projects are reviewed and prioritized, they are submitted to the Board of Commissioners for further discussion and approval. Each capital project includes detailed descriptions, estimated total cost, impact on operating budget and funding source. The CIP budget through fiscal year 2024 includes projects such as Elections facilities, radio system and fleet replacements for emergency services, parks and recreation upgrades, and detention center facility expansion.

A major achievement in fiscal year 2018 was the successful, on-schedule and under-budget implementation of the Workday Enterprise Resource Planning (ERP) system. This cloud-based software system manages all the human resources and financial transactions in the County, and has provided a single system of electronic workflows, documentation, and auditability for all of these transactions moving forward.

The Board of County Commissioners adopted a new Procurement Manual which mandates new processes and policies around the review, execution, and approval of all contracts and purchases occurring within Buncombe County. Concurrently, the Contracts Management System from Cobblestone Software was selected as a solution to adhering to the new policy and control process, with “go-live” on this new platform planned for March of 2019.

Senate Bill 888 reinstated a five-member commission for the School Capital Commission Fund to review and prioritize funding requests from the public school districts. Several critical priorities were quickly identified, including major maintenance and renovations for the Asheville High School, Community High School additions, and many others. This commission continues to provide a new level of stewardship for the Article 39 sales tax revenues dedicated to school capital projects.

Relevant Financial Policies

Fund balance is an accounting term defined as the difference between assets and liabilities in a governmental fund. The term *reserves* is often used by public finance practitioners, but is not a governmental accounting term. It refers to the portion of fund balance held in reserve to buffer against financial distress or risk. The North Carolina State Treasurer recommends a minimum unallocated general fund balance of 8%. However, the County policy is more restrictive, requiring a minimum unallocated general fund balance of 15% of the total actual expenditures and transfers. Each year County management challenges all County departments to generate savings throughout the year so that appropriated fund balance is never used.

If fund balance is appropriated to balance the following year’s budget in an amount that, if spent, would reduce the percentage below 15%, an explanation and a plan to save or replenish the fund balance will be included in this transmittal letter. The County has a strong history of meeting the challenge to realize cost savings and avoid spending appropriated fund balance. It has not had to tap into this resource for over a decade.

The County’s debt policy is the operational rulebook for the issuance and management of debt. This policy was updated this year to better align its policy ratios with those tracked by rating agencies. These policy ratios restrict direct debt to less than 3% of the assessed value

of the property tax base and keep payments on debt to less than 18% of total governmental fund expenditures. Parameters such as these ensure that debt is issued responsibly, affordably, and in keeping with the best interests of tax payers.

In addition, Buncombe County has adopted a Sustainability Plan dedicated to strengthening the quality of life for our region by taking fiscally and socially responsible actions to ensure future prosperity. This Sustainability Plan was created through the development of goals and objectives that address the wide-reaching and interconnected needs and desires of the community. By setting these goals, the County defines what it wants to achieve within its environment, community, and economy through the adoption of this Plan. Buncombe County will revisit the plan every five years to ensure both the relevancy of the plan and to maintain positive direction for its community in the years ahead.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Buncombe County for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This marks the thirty-ninth consecutive year that Buncombe County has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County also received the GFOA's Award for Distinguished Budget Presentation for its 2018 annual budget document. This is the seventeenth year that the award has been presented to the County. In order to qualify for this award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization. The Budget Department believes the fiscal year 2019 budget document continues to conform to program requirements and has submitted it to the GFOA to determine eligibility for another award.

Many professional staff members in the Finance Department contributed to the preparation of this report. Their hard work, dedication, and continuing efforts to produce and improve the quality of this report are a direct benefit to all that read and use it. We would also like to commend each County department for their cooperation and assistance throughout the year


in the efficient administration and commitment to the vision, mission and goals of Buncombe County Government. We also thank CliftonLarsonAllen LLP for their hard work and efforts throughout the audit process.

Recognition and appreciation are also extended to the Board of County Commissioners for their leadership and dedication to serving the people of Buncombe County. This report is a testament to their continued support and desire for maintaining the highest standards in fiscal management and accountability.

Respectfully submitted,

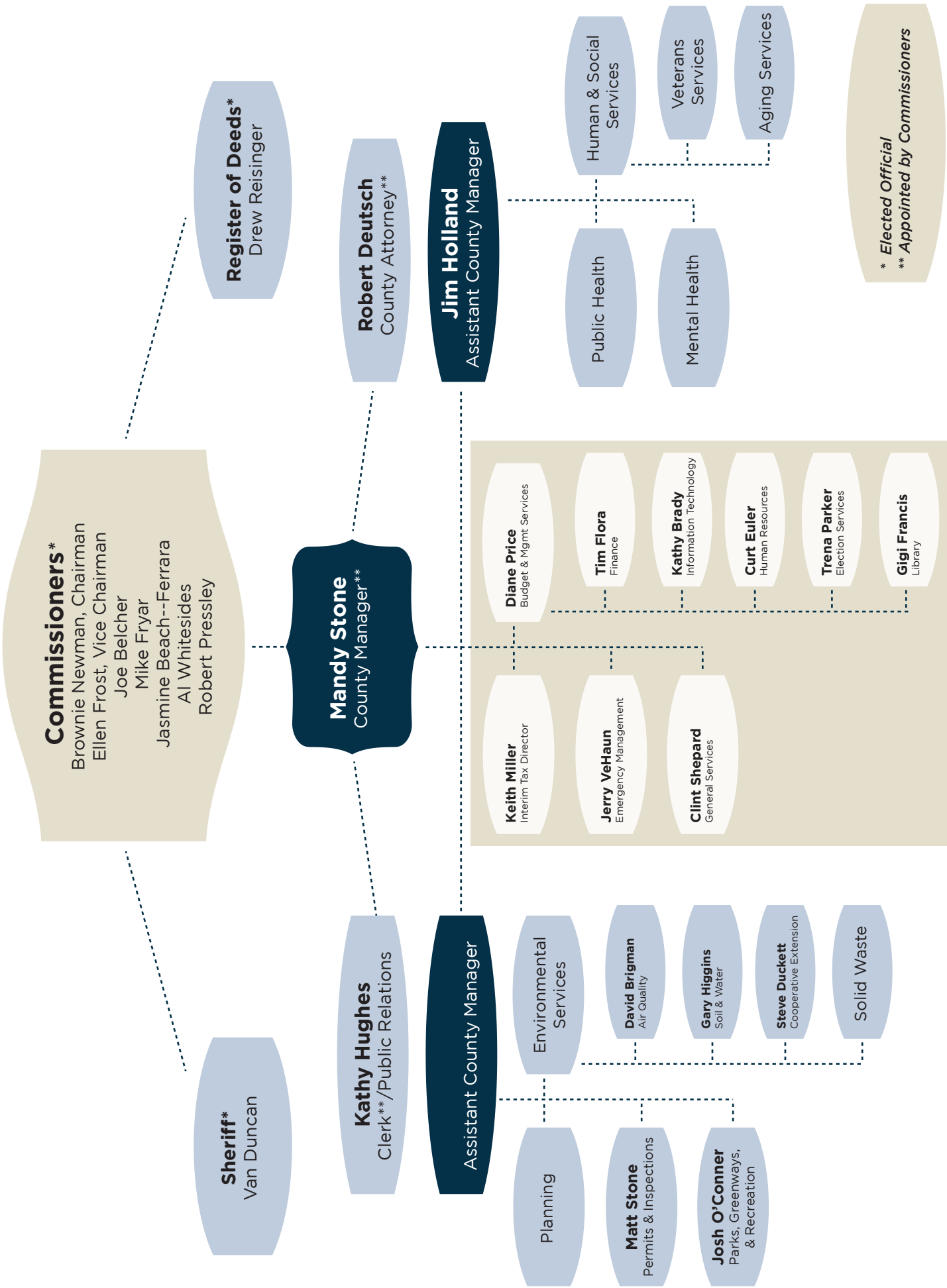


Avril Pinder, CPA, ICMA-CM
County Manager



Donald P. Warn, MPA
Finance Director

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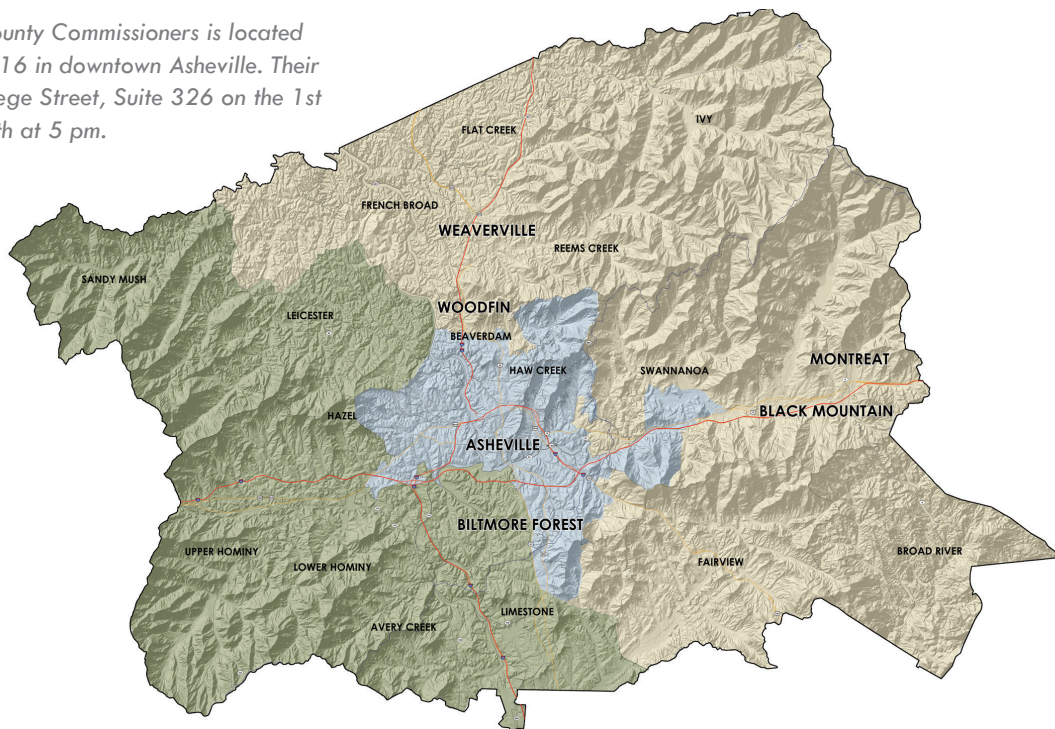
As of June 30, 2018

BOARD OF COMMISSIONERS

As of June 30, 2018

The office of the Buncombe County Commissioners is located at 200 College Street, Suite 316 in downtown Asheville. Their meetings are held at 200 College Street, Suite 326 on the 1st and 3rd Tuesday of each month at 5 pm.

-  DISTRICT 1
-  DISTRICT 2
-  DISTRICT 3



MIKE FRYAR
COMMISSIONER - District 2

JOE BELCHER
COMMISSIONER - District 3

ELLEN FROST
COMMISSIONER - District 2

BROWNIE NEWMAN
CHAIRMAN

JASMINE BEACH-FERRARA
COMMISSIONER - District 1

ROBERT PRESSLEY
COMMISSIONER - District 3

AL WHITESIDES
COMMISSIONER - District 1

COUNTY OFFICIALS

As of June 30, 2018

Amanda Stone, MSW

Jim Holland

Diane Price, MBA

Gary Roberts

Jerry Vehaun

Drew Reisinger

Van Duncan

Tim Flora, CPA

Kathy Brady

Kathy Hughes

Pat Freeman

Trena Parker, MPA

Gigi Francis, MSLIS

Josh O'Conner

Matt Stone

Curt Euler, JD

Gary Higgins

Steve Duckett

Clint Shepherd

County Manager

Asst. County Manager/Human Services Director

Budget and Management Services Director

Tax Director

Emergency Services Director

Register of Deeds

Sheriff

Chief Financial Officer

Information Technology Director

Clerk to the Board/PR Director

City/County Bureau of Identification Director

Elections Director

Library Manager

Recreation Manager

Permits & Inspections Director

Human Resources Director

Soil & Water Conservation Director

Cooperative Extension Director

General Services Director

Financial Section



**BUNCOMBE
COUNTY**
GOVERNMENT
— NORTH CAROLINA —



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Buncombe County, North Carolina
Asheville, 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 Buncombe County, North Carolina (the County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 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 the County as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the occupancy tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As described in Note 10 to the financial statements, during the year ended June 30, 2018 the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of these standards, the County reported a restatement for the change in accounting principle. Our opinion was not modified with respect to this matter.

Correction of Error

As described in Note 10 to the financial statements, the County restated beginning balances resulting from the correction of accounting errors related to the reporting entity and reporting of capital assets that occurred in the prior period. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-15, the pension schedules on pages 83-85, and the other post-employment benefit schedules on pages 86-88 (collectively referred to as required supplementary information) 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 the County's basic financial statements. The introductory section, the combining and individual fund statements and schedules, the other schedules, and the statistical section 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, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State Single Audit Implementation Act, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and Individual fund statements and schedules, the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019 April 29, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the County'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 County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Buncombe County (the County), we offer readers of the financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information here in conjunction with additional information we have furnished in the County's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR

- The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$138.2 million (net position).
- The County's total net position decreased by \$13 million during the fiscal year, excluding the effect of the restatement for GASB 75. The decrease was caused by the governmental activities, primarily education spending.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$181.5 million, an increase of \$16 million from the prior year. Approximately 56% of this total amount, or \$102 million, is restricted or nonspendable.
- The County's General Fund increased fund balance by approximately \$4.7 million during the fiscal year.
- At June 30, 2018, available fund balance for the General Fund was \$62.9 million, or 21.4% of total general fund expenditures and transfers for the fiscal year which is 6.4% higher than the County's minimum fund balance policy.
- At June 30, 2018, the total amount of outstanding long-term debt was \$474.3 million, an increase of \$27 million from the previous fiscal year.
- Under State law, the County is responsible for providing capital funding for the school systems and community college. At the end of the fiscal year, approximately \$256.2 million or 54% of the outstanding debt on the County's financial statements is related to assets to be included in the respective entity's statements.
- The County received a Aaa bond rating from Moody's Investor Service and maintained its AAA bond rating from Standard and Poor's Rating Service.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 readers' understanding of the fiscal condition of the County.

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 10) 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

statements; 2) the budgetary comparison statements; 3) the proprietary funds statements; and 4) the fiduciary funds 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 and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by general statutes can also 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. These statements are prepared under the full-accrual basis of accounting where all the current year's revenues and expenses are included regardless of when cash is received or paid. The government-wide statements provide short and long-term information about the County's financial status as a whole.

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

The government-wide financial statements are divided into the following three types of activities:

Governmental Activities – These activities of the County include general government, public safety, human services, economic and physical development, education, and cultural and recreation. Property taxes and state and federal grant funds finance most of these activities.

Business-type Activities – The County charges fees to recover the costs associated with providing certain services. These activities include Solid Waste Disposal and Inmate Commissary/Welfare.

Component Units – The government-wide financial statements include not only the County of Buncombe (known as the primary government), but also a legally separate tourism development authority and a legally separate air quality agency for which the County of Buncombe is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government.

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 used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 the modified accrual accounting method which provides a current financial resources focus. As a result, the governmental fund financial

MANAGEMENT'S DISCUSSION AND ANALYSIS

statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported on 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. A detailed reconciliation can be found in the notes to the financial statements.

The County adopts an annual budget for its General Fund as required by the NC 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 of Commissioners 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 – The County has two kinds of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste and inmate commissary/welfare operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an internal service fund to account for its insurance programs. Because this operation benefits predominately governmental rather than business-type activities, the internal service fund has been included with the governmental activities in the government-wide financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Buncombe County's own programs. Buncombe County has eight fiduciary funds. One is a trust fund for the future health insurance benefits for retirees and the others are agency funds. Information about these funds can be found on Exhibits 9 and 10 as well as the budgetary statements following the notes.

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 follow the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide health insurance benefits to retirees and pension benefits to its law enforcement officers. Required supplementary information can be found after the notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial condition. As shown in Figure 1, the County's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$138.2 million at June 30, 2018. The County's net position decreased by \$13 million for the fiscal year ended June 30, 2018. The largest portion of Buncombe County's net position is reflected in the County's Net Investment in Capital Assets. Buncombe County uses these capital assets to provide services to citizens;

MANAGEMENT'S DISCUSSION AND ANALYSIS

consequently, these assets are not available for future spending. Although Buncombe 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.

Figure 1
Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 238.6	\$ 214.0	\$ 21.2	\$ 23.8	\$ 259.8	\$ 237.8
Capital assets	257.9	262.4	30.1	25.2	288.0	287.6
Total assets	496.5	476.4	51.3	49.0	547.8	525.4
Total deferred outflows of resources	22.3	30.0	0.2	0.3	22.5	30.3
Long-term liabilities outstanding	635.0	461.9	25.6	20.2	660.6	482.1
Other liabilities	34.8	66.7	1.5	0.5	36.3	67.2
Total liabilities	669.8	528.6	27.1	20.7	696.9	549.3
Total deferred inflows of resources	11.5	2.9	0.1	-	11.6	2.9
Net position:						
Net investment in capital assets	63.8	69.3	28.1	23.0	91.9	92.3
Restricted	60.8	62.1	-	-	60.8	62.1
Unrestricted	(287.1)	(156.5)	(3.8)	5.6	(290.9)	(150.9)
Total net position (deficit)	\$ (162.5)	\$ (25.1)	\$ 24.3	\$ 28.6	\$ (138.2)	\$ 3.5

Note: The 2017 amounts have not been restated for any changes in accounting principles or the correction of errors as discussed in Note 10.

Buncombe County has a negative balance of \$290.9 million in unrestricted net position (deficit). As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due to the portion of the County's outstanding debt incurred for the benefit of local educational entities: the Buncombe County Board of Education, the City of Asheville Board of Education, and AB-Tech Community College. Under North Carolina law, the County is responsible for providing capital funding for these institutions. The County has chosen to meet its legal obligation by using a mixture of County funds and debt financing. The assets funded by the County, however, are owned and utilized by these institutions. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$256.2 million (or 54%) of the outstanding debt on the County's financial statements was related to assets included in the financial statements of the school systems and community college. The unrestricted fund balance deficit increased by \$126.5 million, or 83.8%, from fiscal year 2017 due to the implementation of GASB 75 to record net OPEB liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

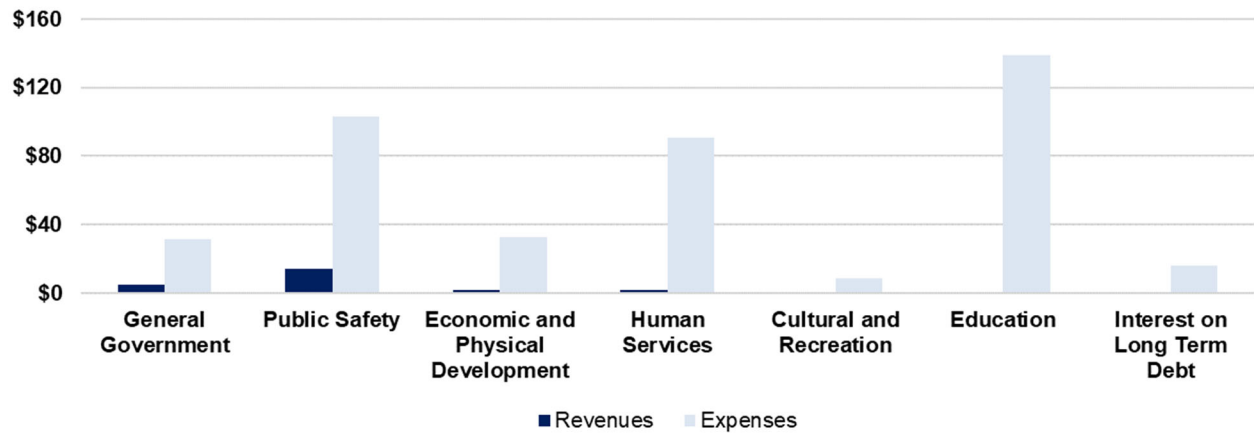
Figure 2
Change in Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 23.5	\$ 23.0	\$ 8.8	\$ 8.7	\$ 32.3	\$ 31.7
Operating grants and contributions	48.7	60.7	0.6	0.4	49.3	61.1
Capital grants and contributions	3.4	2.2	-	-	3.4	2.2
General revenues:						
Property taxes	216.2	201.5	-	-	216.2	201.5
Other taxes	115.6	107.3	-	-	115.6	107.3
Other	5.1	3.5	0.3	0.2	5.4	3.7
Total revenues	<u>412.5</u>	<u>398.2</u>	<u>9.7</u>	<u>9.3</u>	<u>422.2</u>	<u>407.5</u>
Expenses:						
General government	31.7	36.0	-	-	31.7	36.0
Public safety	103.4	97.5	-	-	103.4	97.5
Economic and physical development	32.8	36.6	-	-	32.8	36.6
Human services	91.0	99.8	-	-	91.0	99.8
Culture and recreation	8.8	9.1	-	-	8.8	9.1
Education	138.9	108.4	-	-	138.9	108.4
Interest on long-term debt	16.1	15.7	-	-	16.1	15.7
Solid waste disposal	-	-	12.0	8.5	12.0	8.5
Other	-	-	0.5	0.4	0.5	0.4
Total expenses	<u>422.7</u>	<u>403.1</u>	<u>12.5</u>	<u>8.9</u>	<u>435.2</u>	<u>412.0</u>
Increase (decrease) in net position	(10.2)	(4.9)	(2.8)	0.4	(13.0)	(4.5)
Net position, beginning of year, restated	<u>(152.3)</u>	<u>(20.2)</u>	<u>27.1</u>	<u>28.2</u>	<u>(125.2)</u>	<u>8.0</u>
Net position (deficit), ending	<u>\$ (162.5)</u>	<u>\$ (25.1)</u>	<u>\$ 24.3</u>	<u>\$ 28.6</u>	<u>\$ (138.2)</u>	<u>\$ 3.5</u>

Note: The 2017 amounts have not been restated for any changes in accounting principles or the correction of errors as discussed in Note 10.

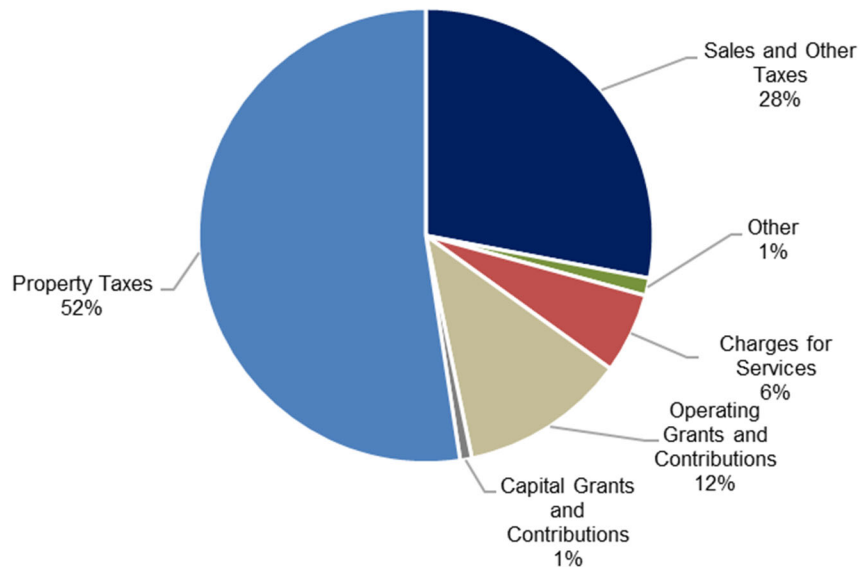
MANAGEMENT’S DISCUSSION AND ANALYSIS

Figure 3
2018 Expenses and Program Revenues - Governmental Activities
 (in millions)



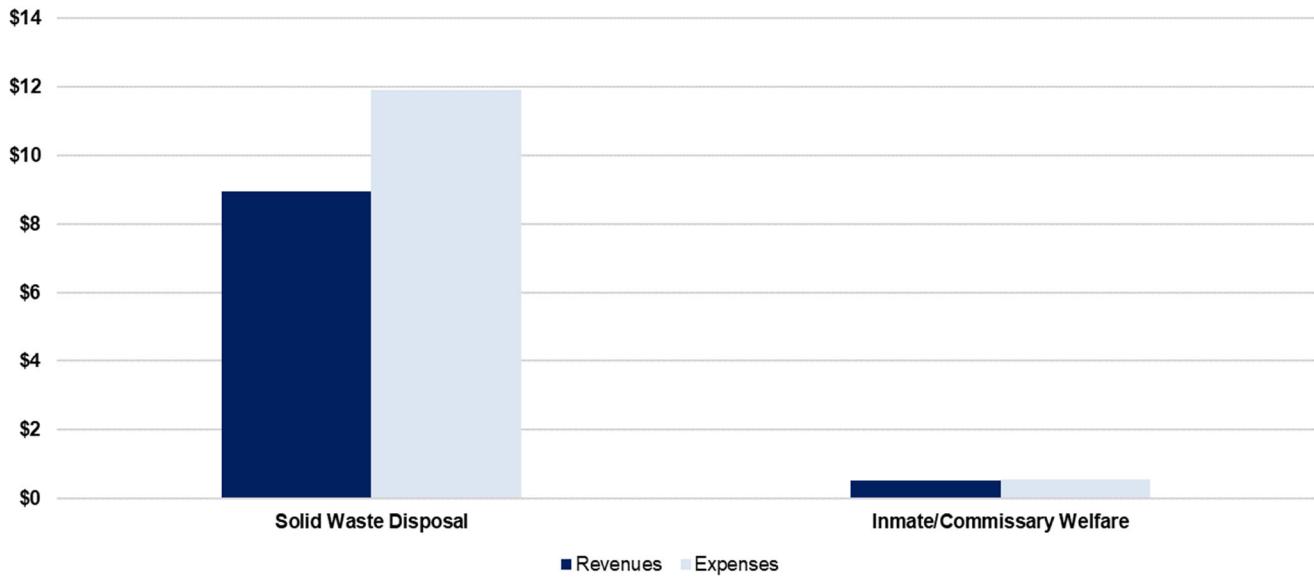
Governmental Activities. Governmental activities decreased the County’s net position \$10.2 million. The key element of this decrease is due to spending for capital projects related to AB Tech, Buncombe County Schools and Asheville City Schools.

Figure 4
2018 Revenues By Source
Governmental Activities



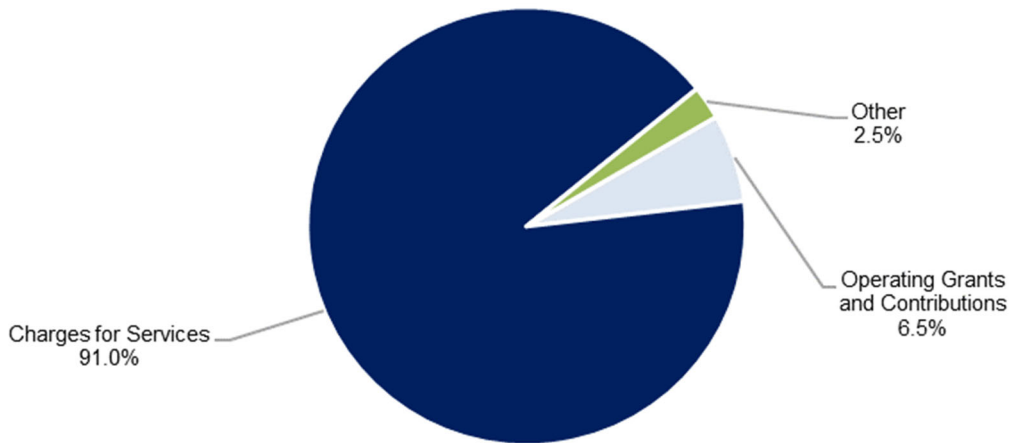
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 5
2018 Expenses and Program Revenues - Business-Type Activities
 (in millions)



Business-type Activities. Business-type activities decreased Buncombe County’s overall net position by \$2.8 million in fiscal year ending June 30, 2018.

Figure 6
2018 Revenues By Source
Business-Type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the 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 County's major governmental funds include the General Fund, the School Capital Commission Fund, the AB Tech Capital Projects Fund, the Public School ADM Project Fund, and the Occupancy Tax Fund. The remaining governmental funds are considered non-major.

At June 30, 2018, the governmental funds of Buncombe County reported a combined fund balance of \$181.5 million, a \$16 million increase from last year. Of the total governmental fund balance, \$102 million, or 57%, is considered nonspendable or legally restricted as to use.

The General Fund is the chief operating fund of Buncombe County. At the end of the current fiscal year, Buncombe County's fund balance available in the General Fund was \$53.9 million, while total fund balance reached \$82.3 million. The Board of Commissioners has determined that the County should maintain an available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 21.4% of general fund expenditures and transfers.

During the fiscal year, the County revised the General Fund 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 revenue \$1.5 million. The actual revenue collected was less than the final budget amount by \$5.26 million. This can be primarily attributed to decreased restricted intergovernmental revenues for Human Services. It should be noted that there is a direct correlation between Human Services revenue and expenditures, as expenditures decrease, so do revenues.

The fund balance of the County's General Fund saw an increase of approximately \$4.7 million from the previous year; savings in all functional areas contributed to this increase. This is the sixteenth consecutive year that the County has seen an increase in its General Fund fund balance.

The School Capital Commission Fund accounts for revenues restricted for public school capital outlay projects. The total fund balance increased \$24.4 million from \$22.1 million in fiscal year 2017 to \$46.6 million in 2018. Total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions. The most significant cause to the increase is due to debt issued for approved projects.

The AB Tech Capital Project Fund accounts for revenues restricted for use on capital projects benefiting AB Tech Community College. The total fund balance decreased \$1.1 million from \$23.8 million in fiscal year 2017 to \$22.7 million in 2018. New capital projects with debt not yet issued is the reason for the decrease. Similar to other capital project funds, total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions.

Occupancy Tax Fund accounts for the revenues from the room occupancy tax to fund the development and implementation of strategies to promote tourism in Buncombe County. Occupancy tax net of collection fees is remitted to the component unit (Tourism Development Authority) to achieve this purpose.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds. The 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 Solid Waste Disposal Fund at the end of the fiscal year amounted to a deficit of \$4.3 million primarily due to the significant increase in landfill closure and postclosure care costs. Other factors concerning the finances of these funds have already been addressed in the discussion of Buncombe County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2018, the County's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities totaled \$288 million. These assets include land, buildings and improvements, equipment, automotive equipment, and construction in progress. This is an increase of \$3 million, or 1.05%, from fiscal year 2017. This increase is due to an increase in construction in progress in governmental activities. See Figure 7.

Major capital asset events during the current fiscal year included the following:

- Completion of the new Human Services Complex that will encompass a new 7 story building to house the Department of Social Services and the Health Department as well as an attached parking deck for citizens and employees.
- Continued major maintenance of older buildings to maintain safety and extend their useful lives.
- Completion of an indoor firing range at the Public Safety Training Facility.

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

Figure 7
Capital Assets - Net of Depreciation
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 As Restated	2018	2017	2018	2017 As Restated
Land	\$ 21.6	\$ 20.4	\$ 6.8	\$ 6.8	\$ 28.4	\$ 27.2
Buildings and improvements	175.7	186.1	13.7	15.8	189.4	201.9
Equipment	6.4	8.5	1.0	1.1	7.4	9.6
Automotive equipment	7.4	2.8	0.1	0.1	7.5	2.9
Intangibles	3.8	3.3	-	-	3.8	3.3
Construction in progress	43.0	38.7	8.5	1.4	51.5	40.1
Total capital assets	\$ 257.9	\$ 259.8	\$ 30.1	\$ 25.2	\$ 288.0	\$ 285.0

Outstanding Debt. As of June 30, 2018, the County's total debt outstanding was \$474.3 million, of which \$21.5 million is debt backed by the full faith and credit of the County. Installment notes account for the remaining \$452.8 million. Collateral for these notes are the assets purchased or constructed

As mentioned earlier, the County is required by State law to provide capital funding for the two local public school systems and the community college. At the end of the fiscal year, the outstanding balance of the debt for these activities is approximately \$230 million, of which \$160 million is for the school systems and \$70 million is for the community college.

MANAGEMENT'S DISCUSSION AND ANALYSIS

State law also requires the County to provide court facilities for the State of North Carolina. At the end of the fiscal year, the outstanding balance of the debt related to courthouse facilities was \$35.6 million, or 9% of the total outstanding debt of the County.

As mentioned in the financial highlights section of this document, Buncombe County maintained its AAA bond rating from Standard and Poor's Corporation and received a Aaa rating with Moody's Investor Service. These bond ratings are a clear indication of the sound financial condition of Buncombe County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Buncombe County is \$2.4 billion.

Figure 8
Outstanding Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 21.5	\$ 24.4	\$ -	\$ -	\$ 21.5	\$ 24.4
Installment Notes Payable	450.9	420.9	1.9	2.3	452.8	423.2
Total Outstanding Debt	\$ 472.4	\$ 445.3	\$ 1.9	\$ 2.3	\$ 474.3	\$ 447.6

Additional information regarding the County's long-term debt can be found in the notes of the financial statements.

FISCAL YEAR 2019 BUDGET HIGHLIGHTS

The total operating budget for Buncombe County is \$331.3 million. The General Fund budget for fiscal year 2019 is \$316.8 million. This is a decrease of 4.3% from the fiscal year 2018 amended General Fund budget.

The tax rate for fiscal year 2019 is set at 53.9 cents per \$100 of property value, the tax rate remained the same as 2018.

The FY2019 budget includes increased investment in Education to recognize, retain, and recruit the best teachers and staff and to provide the support needed for our students to reach their full potential. This includes \$2,890,000 for Buncombe County Schools and \$510,000 for Asheville City Schools funding for teacher supplement increases, as well as funding to cover State-proposed increases in certified and non-certified personnel pay, health insurance premiums, and retirement contribution rates.

Buncombe County Commissioners continue their commitment to carbon emission reduction and cleaner, smarter energy in the FY2019 budget by allocating the following:

- \$119,178 - Sustainability Office to work with County departments to develop sustainability initiatives and build partnerships with external agencies to achieve carbon emission reduction goals county-wide
- \$350,000 - Community Clean Energy Projects and Energy Audits
- \$35,000 - Energy Efficiency Home Repair

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other major items funded in the FY2019 budget include:

- \$1.9M for employee cost of living adjustments based on the Consumer Price Index and authorized in the Personnel Ordinance
- \$898k in Information Technology for cyber security, licensing and personnel
- \$865k in the Sheriff's Office for body camera replacements and personnel in schools, detention and county security
- \$386k in Library to adjust for security cameras and upgrades to public printing and wireless service

The fiscal year 2019 budget includes a fund balance appropriation of \$6.8 million. Fund balance appropriation is one of the available means to lower the burden on property tax owners. The County appropriates fund balance each year with the challenge to save the appropriated amount.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, PO Box 7526, Asheville, NC 28802. You can also call the Finance Department at 828-250-4130, visit our website at www.buncombecounty.org or send an email to FinanceInfo@buncombecounty.org.



Basic Financial Statements

Buncombe County, North Carolina



BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Net Position

JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 158,317,977	\$ 19,902,168	\$ 178,220,145
Investments	37,291	-	37,291
Receivables (net)	7,020,160	1,249,132	8,269,292
Due from other governments	30,972,678	-	30,972,678
Inventories	-	29,733	29,733
Prepays	424,734	-	424,734
Restricted cash and cash equivalents	38,888,264	-	38,888,264
Net pension asset	599,939	-	599,939
Long-term receivables	2,286,174	-	2,286,174
Capital assets:			
Land and construction in progress	64,684,086	15,313,581	79,997,667
Other capital assets, net of depreciation	193,265,413	14,800,394	208,065,807
Total capital assets	257,949,499	30,113,975	288,063,474
Total assets	496,496,716	51,295,008	547,791,724
DEFERRED OUTFLOWS OF RESOURCES	22,292,133	223,930	22,516,063
LIABILITIES			
Accounts payable and accrued expenses	22,521,303	1,451,660	23,972,963
Accrued interest payable	2,115,644	3,468	2,119,112
Payable from restricted cash	1,329,074	-	1,329,074
Other liabilities	4,427,290	-	4,427,290
Due to component unit	4,442,539	-	4,442,539
Long-term liabilities:			
Net pension liability - LEOSSA	7,076,534	-	7,076,534
Net pension liability - LGERS	20,453,437	259,584	20,713,021
Net OPEB liability	123,234,365	1,564,027	124,798,392
Due within one year	40,331,923	387,982	40,719,905
Due in more than one year	443,866,664	23,408,751	467,275,415
Total long-term liabilities	634,962,923	25,620,344	660,583,267
Total liabilities	669,798,773	27,075,472	696,874,245
DEFERRED INFLOWS OF RESOURCES	11,508,283	107,405	11,615,688
NET POSITION			
Net investment in capital assets	63,771,597	28,170,350	91,941,947
Restricted for:			
Stabilization by State statute	26,455,546	-	26,455,546
Product development	-	-	-
Capital projects	30,567,564	-	30,567,564
Public safety	3,060,878	-	3,060,878
Other	707,662	-	707,662
Unrestricted (deficit)	(287,081,454)	(3,834,289)	(290,915,743)
Total net position (deficit)	\$ (162,518,207)	\$ 24,336,061	\$ (138,182,146)

Exhibit 1

	Component Units	
	Tourism Development Authority	WNC Regional Air Quality Agency
ASSETS		
Cash and cash equivalents	\$ 2,885,319	\$ 556,120
Investments	23,406,508	-
Receivables (net)	-	-
Due from other governments	-	20
Due from primary government	4,442,539	-
Inventories	-	-
Prepays	-	-
Restricted cash and cash equivalents	-	-
Net pension asset	-	-
Long-term receivables	-	-
Capital assets:		
Land and construction in progress	-	-
Other capital assets, net of depreciation	-	28,355
Total capital assets	-	28,355
Total assets	30,734,366	584,495
DEFERRED OUTFLOWS OF RESOURCES	-	107,298
LIABILITIES		
Accounts payable and accrued expenses	2,897,315	32,100
Accrued interest payable	-	-
Payable from restricted cash	-	-
Other liabilities	447,170	-
Due to component unit	-	-
Long-term liabilities:		
Total pension liability - LEOSSA	-	-
Net pension liability - LGERS	-	108,163
Net OPEB liability	-	724,074
Due within one year	-	378,496
Due in more than one year	-	-
Total long-term liabilities	-	1,210,733
Total liabilities	3,344,485	1,242,833
DEFERRED INFLOWS OF RESOURCES	-	45,974
NET POSITION		
Net investment in capital assets	-	28,355
Restricted for:		
Stabilization by State statute	4,442,539	-
Product development	18,229,529	-
Capital projects	-	-
Public safety	-	-
Other	-	-
Unrestricted (deficit)	4,717,813	(625,369)
Total net position (deficit)	\$ 27,389,881	\$ (597,014)

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 31,735,854	\$ 5,206,280	\$ 1,338,184	\$ -
Public safety	103,351,595	14,253,115	5,511,954	-
Economic and physical development	32,751,395	1,840,544	255,192	-
Human services	90,982,306	1,790,538	41,369,201	-
Cultural and recreational	8,758,786	413,519	217,454	-
Education	138,902,609	-	-	3,420,608
Interest on long-term debt	16,124,173	-	-	-
Total governmental activities	422,606,718	23,503,996	48,691,985	3,420,608
BUSINESS-TYPE ACTIVITIES:				
Solid Waste Disposal	11,911,302	8,326,404	631,261	-
Inmate Commissary/Welfare	525,854	512,433	-	-
Total business-type activities	12,437,156	8,838,837	631,261	-
Total primary government	\$ 435,043,874	\$ 32,342,833	\$ 49,323,246	\$ 3,420,608
COMPONENT UNITS:				
Tourism Development Authority	\$ 18,503,320	\$ 145,522	\$ 22,974,267	\$ -
WNC Regional Air Quality Agency	1,159,362	463,390	262,045	-
Total component units	\$ 19,662,682	\$ 608,912	\$ 23,236,312	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Payments in lieu of taxes

Grants and contributions, unrestricted

Miscellaneous, unrestricted

Gain on sale of assets

Total general revenues

Change in net position

Net position, beginning of year, as originally reported

Prior period adjustments (Note 10)

Net position, beginning of year, as restated

Net position (deficit), ending

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

Exhibit 2

Net (Expense) Revenue and Change in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Tourism Development Authority	WNC Regional Air Quality Agency
\$ (25,191,390)	\$ -	\$ (25,191,390)		
(83,586,526)	-	(83,586,526)		
(30,655,659)	-	(30,655,659)		
(47,822,567)	-	(47,822,567)		
(8,127,813)	-	(8,127,813)		
(135,482,001)	-	(135,482,001)		
(16,124,173)	-	(16,124,173)		
<u>(346,990,129)</u>	<u>-</u>	<u>(346,990,129)</u>		
	(2,953,637)	(2,953,637)		
	(13,421)	(13,421)		
	<u>(2,967,058)</u>	<u>(2,967,058)</u>		
<u>(346,990,129)</u>	<u>(2,967,058)</u>	<u>(349,957,187)</u>		
			\$ 4,616,469	\$ -
			-	(433,927)
			<u>4,616,469</u>	<u>(433,927)</u>
216,163,406	-	216,163,406	-	-
84,964,773	-	84,964,773	-	-
30,567,315	-	30,567,315	-	156,604
2,261,540	234,592	2,496,132	251,928	6,837
491,248	-	491,248	-	-
715,572	-	715,572	-	-
1,483,421	-	1,483,421	2,353	-
192,891	6,039	198,930	-	-
<u>336,840,166</u>	<u>240,631</u>	<u>337,080,797</u>	<u>254,281</u>	<u>163,441</u>
<u>(10,149,963)</u>	<u>(2,726,427)</u>	<u>(12,876,390)</u>	<u>4,870,750</u>	<u>(270,486)</u>
(25,146,613)	28,621,663	3,475,050	22,519,131	409,456
(127,221,631)	(1,559,175)	(128,780,806)	-	(735,984)
<u>(152,368,244)</u>	<u>27,062,488</u>	<u>(125,305,756)</u>	<u>22,519,131</u>	<u>(326,528)</u>
<u>\$ (162,518,207)</u>	<u>\$ 24,336,061</u>	<u>\$ (138,182,146)</u>	<u>\$ 27,389,881</u>	<u>\$ (597,014)</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 3

Balance Sheet

Governmental Funds

JUNE 30, 2018

	General	Occupancy Tax	School Capital Commission	AB Tech Capital Projects	Public Schools ADM Sales Tax/ Lottery Projects	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 78,944,783	\$ 2,094,242	\$ 13,913,726	\$ 19,221,631	\$ -	\$ 24,212,734	\$ 138,387,116
Investments	37,291	-	-	-	-	-	37,291
Restricted cash and cash equivalents	13,357	-	29,833,310	-	-	9,041,597	38,888,264
Receivables, net	3,445,791	2,384,096	-	-	-	303,230	6,133,117
Due from other governments	15,849,229	-	5,317,130	3,625,589	4,013,050	2,167,680	30,972,678
Due from other funds	1,645,980	-	-	-	-	-	1,645,980
Prepaid items	40,734	-	-	-	-	-	40,734
Long-term receivable	-	-	-	-	-	2,286,174	2,286,174
Total assets	<u>\$ 99,977,165</u>	<u>\$ 4,478,338</u>	<u>\$ 49,064,166</u>	<u>\$ 22,847,220</u>	<u>\$ 4,013,050</u>	<u>\$ 38,011,415</u>	<u>\$ 218,391,354</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 11,620,789	\$ 35,799	\$ 1,204,047	\$ 95,804	\$ 4,013,049	\$ 4,046,974	\$ 21,016,462
Payable from restricted cash	-	-	1,261,437	-	-	67,637	1,329,074
Miscellaneous liabilities	2,106,418	-	-	6,505	-	2,314,367	4,427,290
Due to component unit	-	4,442,539	-	-	-	-	4,442,539
Due to other funds	-	154	-	-	14	1,645,812	1,645,980
Total liabilities	<u>13,727,207</u>	<u>4,478,492</u>	<u>2,465,484</u>	<u>102,309</u>	<u>4,013,063</u>	<u>8,074,790</u>	<u>32,861,345</u>
DEFERRED INFLOWS OF RESOURCES	3,959,896	-	-	-	-	22,823	3,982,719
FUND BALANCES							
Nonspendable	40,734	-	-	-	-	2,286,174	2,326,908
Restricted for:							
Stabilization by State statute	16,981,104	-	5,317,130	3,625,589	-	531,723	26,455,546
Capital projects	13,357	-	41,281,552	19,119,322	-	9,041,597	69,455,828
Public safety	-	-	-	-	-	3,060,878	3,060,878
Other	-	-	-	-	-	707,662	707,662
Committed	2,340,038	-	-	-	-	-	2,340,038
Assigned	9,042,094	-	-	-	-	14,285,768	23,327,862
Unassigned	53,872,735	(154)	-	-	(14)	-	53,872,567
Total fund balances	<u>82,290,062</u>	<u>(154)</u>	<u>46,598,682</u>	<u>22,744,911</u>	<u>(14)</u>	<u>29,913,802</u>	<u>181,547,289</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 99,977,165</u>	<u>\$ 4,478,338</u>	<u>\$ 49,064,166</u>	<u>\$ 22,847,220</u>	<u>\$ 4,013,049</u>	<u>\$ 38,011,415</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different:

Reconciliation to full accrual basis of accounting (see Note 1)	(344,065,496)
Net position (deficit) of governmental activities	<u>\$ (162,518,207)</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds

Exhibit 4

FOR THE YEAR ENDED JUNE 30, 2018

	General	Occupancy Tax	School Capital Commission	AB Tech Capital Projects	Public Schools ADM Sales Tax/ Lottery Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Ad valorem taxes	\$ 195,644,200	\$ -	\$ -	\$ -	\$ -	\$ 20,442,791	\$ 216,086,991
Incremental Tax Revenue	-	-	-	-	-	491,248	491,248
Local option sales taxes	31,217,621	-	19,534,805	13,147,672	14,840,727	6,223,948	84,964,773
Other taxes and licenses	7,243,037	23,324,278	-	-	-	-	30,567,315
Unrestricted intergovernmental	715,572	-	-	-	-	-	715,572
Restricted intergovernmental	42,270,448	-	187,622	42,526	3,190,460	6,990,191	52,681,247
Permits and fees	4,520,695	-	-	-	-	143,701	4,664,396
Sales and services	16,722,799	-	-	-	-	1,337,258	18,060,057
Investment earnings	1,380,935	-	322,313	295,927	-	236,559	2,235,734
Miscellaneous	835,180	-	-	-	-	893,957	1,729,137
Total revenues	<u>300,550,487</u>	<u>23,324,278</u>	<u>20,044,740</u>	<u>13,486,125</u>	<u>18,031,187</u>	<u>36,759,653</u>	<u>412,196,470</u>
EXPENDITURES							
Current:							
General government	29,244,966	-	-	-	-	3,500	29,248,466
Public safety	66,120,095	-	-	-	-	28,660,254	94,780,349
Economic and physical development	7,175,512	23,324,432	-	-	-	1,233,873	31,733,817
Human services	84,590,710	-	-	-	-	5,810,773	90,401,483
Cultural and recreational	7,580,495	-	-	-	-	-	7,580,495
Intergovernmental:							
Education	80,815,035	-	-	-	-	-	80,815,035
Capital outlay	-	-	38,851,033	1,205,340	18,031,201	16,376,861	74,464,435
Debt service:							
Principal retirement	12,668,021	-	11,262,760	5,049,786	-	40,000	29,020,567
Interest and fees	8,819,150	-	6,572,253	4,012,096	-	522,848	19,926,347
Total expenditures	<u>297,013,984</u>	<u>23,324,432</u>	<u>56,686,046</u>	<u>10,267,222</u>	<u>18,031,201</u>	<u>52,648,109</u>	<u>457,970,994</u>
Revenues over (under) expenditures	3,536,503	(154)	(36,641,306)	3,218,903	(14)	(15,888,456)	(45,774,524)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	8,033,521	-	-	1,520,000	-	9,832,322	19,385,843
Transfers to other funds	(6,961,472)	-	-	(5,800,000)	-	(6,624,371)	(19,385,843)
Installment obligations issued	-	-	54,730,000	-	-	-	54,730,000
Installment obligations issued - refunding	-	-	-	-	-	-	-
Premium on installment obligations	-	-	6,371,796	-	-	-	6,371,796
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Sales of capital assets	96,810	-	-	-	-	573,685	670,495
Total other financing sources (uses)	<u>1,168,859</u>	<u>-</u>	<u>61,101,796</u>	<u>(4,280,000)</u>	<u>-</u>	<u>3,781,636</u>	<u>61,772,291</u>
Net changes in fund balances	4,705,362	(154)	24,460,490	(1,061,097)	(14)	(12,106,820)	15,997,767
Fund balances, beginning of year							
as originally reported	77,584,700	-	22,138,192	23,806,008	-	41,760,599	165,289,499
Restatement	-	-	-	-	-	260,023	260,023
Fund balances, beginning as restated	<u>77,584,700</u>	<u>-</u>	<u>22,138,192</u>	<u>23,806,008</u>	<u>-</u>	<u>42,020,622</u>	<u>165,549,522</u>
Fund balances, end of year	<u>\$ 82,290,062</u>	<u>\$ (154)</u>	<u>\$ 46,598,682</u>	<u>\$ 22,744,911</u>	<u>\$ (14)</u>	<u>\$ 29,913,802</u>	<u>\$ 181,547,289</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different:

Net changes in fund balances - total governmental funds	\$ 15,997,767
Reconciliation to full accrual basis of accounting (see Note 1)	(26,147,730)
Total change in net position (deficit) of governmental activities	<u>\$ (10,149,963)</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 5

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

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 193,479,766	\$ 193,479,766	\$ 195,644,200	\$ 2,164,434
Local option sales taxes	30,229,304	30,229,304	31,217,621	988,317
Other taxes and licenses	6,581,520	7,011,520	7,243,037	231,517
Unrestricted intergovernmental	700,000	700,000	715,572	15,572
Restricted intergovernmental	52,082,940	52,505,396	42,270,448	(10,234,948)
Permits and fees	3,839,365	3,839,365	4,520,695	681,330
Sales and services	15,784,604	16,724,703	16,722,799	(1,904)
Investment earnings	500,000	500,000	1,380,935	880,935
Miscellaneous	1,052,931	824,831	835,180	10,349
Total revenues	304,250,430	305,814,885	300,550,487	(5,264,398)
EXPENDITURES				
Current:				
General government	30,591,118	31,742,099	29,244,966	2,497,133
Public safety	70,384,508	69,897,426	66,120,095	3,777,331
Economic and physical development	10,057,327	7,845,347	7,175,512	669,835
Human services	100,479,635	101,524,641	84,590,710	16,933,931
Cultural and recreational	8,598,870	8,164,787	7,580,495	584,292
Intergovernmental:				
Education	82,164,166	80,957,604	80,815,035	142,569
Total current expenditures	302,275,624	300,131,904	275,526,813	24,605,091
Debt service:				
Principal retirement			12,668,021	
Interest and other charges			8,819,150	
Total debt service	24,154,266	24,133,577	21,487,171	2,646,406
Total expenditures	326,429,890	324,265,481	297,013,984	27,251,497
Revenues over (under) expenditures	(22,179,460)	(18,450,596)	3,536,503	21,987,099
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	11,001,141	11,123,709	8,033,521	(3,090,188)
Transfers to other funds	(4,305,498)	(7,062,917)	(6,961,472)	101,445
Sales of capital assets	120,000	120,000	96,810	(23,190)
Appropriated fund balance	15,363,817	14,269,804	-	(14,269,804)
Total other financing sources (uses)	22,179,460	18,450,596	1,168,859	(17,281,737)
Net changes in fund balance	\$ -	\$ -	4,705,362	\$ 4,705,362
Fund balance, beginning of year			77,584,700	
Fund balance, end of year			\$ 82,290,062	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 6

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Occupancy tax	\$ 24,014,005	\$ 23,324,278	\$ (689,727)
EXPENDITURES			
Current:			
Economic and physical development:			
Tourism development	24,014,005	23,324,432	689,573
Revenues over expenditures	-	(154)	(154)
Net change in fund balance	\$ -	(154)	\$ (154)
Fund balance, beginning of year		-	
Fund balance, end of year		\$ (154)	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 7

Statement of Net Position

Proprietary Funds

JUNE 30, 2018

	Enterprise Funds			Internal
	Solid Waste	Nonmajor	Total	Service Fund
	Disposal	Enterprise		Insurance
	Fund	Fund		Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,278,938	\$ 623,230	\$ 19,902,168	\$ 19,930,855
Receivables, net	1,247,804	1,328	1,249,132	676,192
Prepays	-	-	-	384,000
Inventories	29,733	-	29,733	-
Total current assets	20,556,475	624,558	21,181,033	20,991,047
Noncurrent assets:				
Capital assets:				
Land, improvements, and construction in progress	15,313,581	-	15,313,581	-
Other capital assets, net of depreciation	14,800,394	-	14,800,394	-
Total capital assets	30,113,975	-	30,113,975	-
Total noncurrent assets	30,113,975	-	30,113,975	-
Total assets	50,670,450	624,558	51,295,008	20,991,047
DEFERRED OUTFLOWS OF RESOURCES	210,725	13,205	223,930	-
LIABILITIES				
Current liabilities:				
Accounts payable	1,315,319	47,590	1,362,909	1,478,700
Accrued interest payable	3,468	-	3,468	-
Salaries and payroll taxes payable	85,366	3,385	88,751	26,141
Compensated absences	99,754	3,228	102,982	-
Other liabilities	-	-	-	-
Installment obligations payable, current portion	285,000	-	285,000	-
Total current liabilities	1,788,907	54,203	1,843,110	1,504,841
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	21,750,126	-	21,750,126	-
Net OPEB liability	1,471,792	92,235	1,564,027	-
Installment obligations payable	1,658,625	-	1,658,625	-
Net pension liability - LGERS	244,276	15,308	259,584	-
Total noncurrent liabilities	25,124,819	107,543	25,232,362	-
Total liabilities	26,913,726	161,746	27,075,472	1,504,841
DEFERRED INFLOWS OF RESOURCES	101,071	6,334	107,405	-
NET POSITION				
Net investment in capital assets	28,170,350	-	28,170,350	-
Unrestricted	(4,303,972)	469,683	(3,834,289)	19,486,206
	\$ 23,866,378	\$ 469,683	\$ 24,336,061	\$ 19,486,206

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 8

Statement of Revenues, Expenses, and Change in Net Position
Proprietary Funds

FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Fund	Total	Insurance Fund
OPERATING REVENUES				
Charges for services	\$ 8,326,404	\$ 512,433	\$ 8,838,837	\$ 34,343,100
Miscellaneous	631,261	-	631,261	693,840
Total operating revenues	8,957,665	512,433	9,470,098	35,036,940
OPERATING EXPENSES				
Salaries, wages, and fringe benefits	1,895,782	99,860	1,995,642	793,755
Contracted services	1,219,483	261,897	1,481,380	-
Cost of products sold	-	131,298	131,298	-
Maintenance and repairs	713,556	-	713,556	-
Other operating expenses	1,616,631	24,707	1,641,338	2,282,649
Landfill closure and postclosure care costs	4,297,026	-	4,297,026	-
Depreciation	2,146,921	8,092	2,155,013	-
Insurance premiums	-	-	-	511,387
Claims	-	-	-	27,409,610
Total operating expenses	11,889,399	525,854	12,415,253	30,997,401
Operating income (loss)	(2,931,734)	(13,421)	(2,945,155)	4,039,539
NONOPERATING REVENUES (EXPENSES)				
Interest and investment revenue	228,152	6,440	234,592	-
Interest and other charges	(21,903)	-	(21,903)	-
Gain on disposal of assets	6,039	-	6,039	-
Total nonoperating revenues (expenses)	212,288	6,440	218,728	-
Change in net position	(2,719,446)	(6,981)	(2,726,427)	4,039,539
Net position, beginning of year	28,052,733	568,930	28,621,663	15,446,667
Prior period adjustment (note 10)	(1,466,909)	(92,266)	(1,559,175)	-
Net position, beginning, as restated	26,585,824	476,664	27,062,488	15,446,667
Net position, end of year	\$ 23,866,378	\$ 469,683	\$ 24,336,061	\$ 19,486,206

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Fund	Total	Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,881,862	\$ 511,871	\$ 8,393,733	\$ 34,343,100
Cash paid for goods and services	(3,119,836)	(439,964)	(3,559,800)	(31,513,091)
Cash paid to employees for services	(1,886,971)	(102,430)	(1,989,401)	(813,901)
Other operating revenue	631,261	-	631,261	693,840
Net cash provided (used) by operating activities	3,506,316	(30,523)	3,475,793	2,709,948
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(6,485,185)	-	(6,485,185)	-
Sale of capital assets	6,039	-	6,039	-
Principal paid on installment obligation	(280,000)	-	(280,000)	-
Interest paid on long-term debt	(52,806)	-	(52,806)	-
Net cash used by capital and related financing activities	(6,811,952)	-	(6,811,952)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	228,152	6,440	234,592	-
Net cash provided by investing activities	228,152	6,440	234,592	-
Net increase (decrease) in cash and cash equivalents	(3,077,484)	(24,083)	(3,101,567)	2,709,948
Cash and cash equivalents, beginning of year	22,356,422	647,313	23,003,735	17,220,907
Cash and cash equivalents, end of year	\$ 19,278,938	\$ 623,230	\$ 19,902,168	\$ 19,930,855

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

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Fund	Total	Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,931,734)	\$ (13,421)	\$ (2,945,155)	\$ 4,039,539
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,146,921	8,092	2,155,013	-
Landfill closure and postclosure care costs	4,283,298	-	4,283,298	-
Changes in assets, liabilities and deferred outflow and inflows of resources:				
Accounts receivable	(444,542)	(561)	(445,103)	(676,192)
Inventories	(14,717)	-	(14,717)	-
Deferred outflows of resources - pensions	110,928	9,410	120,338	-
Net pension liability	(99,992)	(9,081)	(109,073)	-
Deferred inflows of resources - pensions	(2,220)	(270)	(2,490)	-
Accounts payable	458,279	(22,063)	436,216	(633,253)
Salaries and payroll taxes payable	(31,928)	(3,272)	(35,200)	-
Deferred outflows of resources - OPEB	(20,975)	(1,314)	(22,289)	-
Net OPEB liability	(74,526)	(4,670)	(79,196)	-
Deferred inflows of resources - OPEB	87,226	5,466	92,692	-
Accrued compensated absences	40,298	1,161	41,459	(20,146)
Total adjustments	6,438,050	(17,102)	6,420,948	(1,329,591)
Net cash provided (used) by operating activities	\$ 3,506,316	\$ (30,523)	\$ 3,475,793	\$ 2,709,948

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 10

Statement of Fiduciary Net Position

JUNE 30, 2018

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 22,092,416	\$ 2,617,102
Accounts receivable	-	832,667
	<u>\$ 22,092,416</u>	<u>\$ 3,449,769</u>
LIABILITIES		
Accounts payable	\$ -	\$ 57,623
Due to other taxing units	-	2,412,810
Intergovernmental payable - State of North Carolina	-	22,495
Due to beneficiaries	-	956,841
Total liabilities	<u>-</u>	<u>\$ 3,449,769</u>
NET POSITION		
Restricted for OPEB	<u>\$ 22,092,416</u>	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 11

Statement of Changes in Fiduciary Net Position

FOR THE YEAR ENDED JUNE 30, 2018

	<u>OPEB Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 8,680,277
Investment income:	
Interest and dividends	118,340
Gain (loss) on sales of investments	(11,231)
Net appreciation (depreciation) in fair value of investments	1,399,220
Less: investment management fees	<u>(3,644)</u>
Investment income, net	<u>1,502,685</u>
Total additions	<u>10,182,962</u>
DEDUCTIONS	
Benefit payments	7,680,277
Administrative expense	-
Total deductions	<u>7,680,277</u>
Change in net position	2,502,685
NET POSITION	
Restricted for OPEB	
Beginning of year	<u>19,589,731</u>
End of year	<u>\$ 22,092,416</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Buncombe County and its discretely presented 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 seven-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. Buncombe County Industrial Facility and Pollution Control Financing Authority (the 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. Buncombe County Tourism Development Authority (the Tourism Development Authority) and Western North Carolina Regional Air Quality Agency (the Agency), which have a June 30 year-end, are presented as if they are separate governmental funds of the County (discrete presentation). The discretely presented component units presented below are reported in a separate column in the County's financial statements in order to emphasize that they are legally separate from the County. Buncombe County Service Foundation, Inc. (the Foundation) meets the blending requirements of Governmental Accounting Standards Board (GASB) Statement No. 80, and is therefore presented as a special revenue fund of the County.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Buncombe 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 (no amounts have been presented because no financial transactions or account balances exist).
Buncombe County Tourism Development Authority	Discrete	The Tourism Development Authority is governed by members appointed by the County Commissioners, the Asheville City Council, and the Asheville Area Chamber of Commerce. The Development Authority derives its revenues through a special room occupancy tax which is authorized by, and may be repealed by, the decision of the County Commissioners.	Tourism Development Authority Post Office Box 1010 Asheville, North Carolina 28812

Buncombe County Service Foundation, Inc.	Blended	The Foundation is a 501(c)(3) nonprofit organization that supports the programs of Buncombe County Government with an emphasis on health and human services activities. The Foundation undertakes projects to improve access to health, safety, independence, wellness, recreation, and community services in alignment with Buncombe County sustainability goals. The Foundation is managed through a seven member board of directors, as appointed by the Buncombe County Manager. The Foundation’s budget is included in the County’s annual budget process.	None issued.
Western North Carolina Regional Air Quality Agency	Discrete	The Agency was established by an interlocal agreement between the City of Asheville and the County pursuant to State statute. The governing authority is selected by the County Commissioners and the Asheville City Council. The County and the City are responsible for financing any operating deficits of the Agency and the County shall provide personnel and financial services in that all employees of the Agency shall be County employees subject to the Buncombe County personnel plan in all respects except for the Agency Director which shall serve at the pleasure of the Agency Board. The County will also provide financial, payroll and bookkeeping services for the Agency with cost of services and personnel to be reimbursed by the Agency in accordance with the County cost allocation plan. The Agency’s budget is included in the County’s annual budget process.	None issued.

(B) Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County’s funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and

enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

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

School Capital Commission Fund: This fund accounts for the construction of local public schools with article 39 sales tax. Sales tax, general obligation bonds, and installment obligations are used to finance these projects. Once constructed, the assets will be capitalized by the local school units.

AB Tech Capital Projects Fund: This fund is used to account for capital improvements to Asheville-Buncombe Technical Community College (ABTCC). Sales tax and installment obligations are used to finance these projects. Once completed, these assets will be capitalized by ABTCC.

Public School ADM Project Fund: This fund accounts for major capital maintenance projects for local public schools with article 40/42 sales tax and lottery funds. Once constructed, the assets will be capitalized by the local school units.

Occupancy Tax Fund: This fund accounts for the revenues from the room occupancy tax to fund the development and implementation of strategies to promote tourism in Buncombe County. Occupancy tax net of collection fees is remitted to the component unit (Tourism Development Authority) to achieve this purpose.

The County reports the following major enterprise fund:

Solid Waste Disposal Fund: This fund accounts for landfill operations.

The County reports the following fund types:

Internal Service Fund: The Internal Service fund is used to account for the accumulation and allocation of costs associated with the County's self-insured group health and dental insurance program, and other insurance and risk-related programs.

OPEB Trust Fund: A fiduciary fund is used to account for the trust fund that is used for the accumulation of funds and the payment of other post-employment benefit costs related to health benefits.

Agency Funds: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds:

The Inmate Trust Fund, which accounts for the revenues and expenditures of activity funds belonging to inmates during the period of incarceration; the General Agency Accounts, which account for ad valorem and local option sales taxes collected for other taxing units as well as the \$6.20 of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and is remitted to the State Treasurer on a monthly basis; the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; and the Sondley Estate Trust, which accounts for certain monies held by the County which was appointed as fiscal agent by the Courts.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

Sales taxes and certain intergovernmental revenues, 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 general revenues.

(C) Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Volunteer Fire Departments, Emergency Telephone System, Occupancy Tax, Register of Deeds Automation, Drug Forfeitures, and Transportation Special Revenue Funds, the Buncombe County Service Foundation, Inc. and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the County Capital Projects Fund, the School Capital Commission Fund, the AB Tech Capital Project Fund, the Public School ADM Project Fund, the Grant Projects Fund, the Special Projects Funds, the PDF Woodfin Downtown Fund, and the Enterprise Capital Projects Funds, which are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$75,000. The governing board must approve all amendments. The County Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$75,000 per expenditure; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$75,000 per expenditure must be approved by the governing board. Budgetary transfers by the Manager must be reported to the County Commissioners at the next board meeting and recorded in the minutes. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

(1) Deposits and Investments

All deposits of the County, Buncombe County Tourism Development Authority, and Western North Carolina Regional Air Quality Agency (Agency), are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, Tourism Development Authority, and Agency may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, Tourism Development Authority, and Agency 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, Tourism Development Authority, and Agency to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

General Statute 159-30.1 allows the County to establish an Other Postemployment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC and G.S. 159-30(g) allows the County to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b)(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the Bond Index Fund (BIF) consisting of high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6), and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund authorized under G.S. 147-69.2(b)(8).

The County, Tourism Development Authority, and Agency's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost. The securities of the NCCMT 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. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The BIF is also valued at \$1 per share. The MSCI ACWI EQ Index Non-Lendable Class B Fund is priced at \$21.2727 per share at June 30, 2018.

(2) Cash and Cash Equivalents

The County pools monies from several funds, except the OPEB Trust Fund, to facilitate disbursement and investment and to maximize the investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) Restricted Assets

Unexpended bond proceeds are classified as restricted assets within the governmental funds because their use is completely restricted to the purpose for which the bonds were originally issued.

Buncombe County Restricted Cash

Governmental Activities	
County Capital Projects Fund	\$ 9,041,597
School Capital Projects Fund	29,833,310
General Fund	<u>13,357</u>
Total Restricted Cash	<u><u>\$ 38,888,264</u></u>

(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.

(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 and the age of individual outstanding balances.

(6) Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

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.

(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. The minimum capitalization cost is \$25,000 (except for land and vehicles, which are capitalized regardless of cost). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Buncombe County Board of Education, Asheville City Board of Education and AB-Tech Community College properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs. Agreements between the County and the respective boards give the school system full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the board once all restrictions of the financing agreements have been met. The properties are reflected as capital assets in the financial statements of the school systems.

Capital assets of the County and Western North Carolina Regional Air Quality Agency are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Improvements	20
Furniture and equipment	5-10
Intangibles	5
Vehicles	3-5

(8) Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category – advance receipt of ad valorem taxes, various receivables, other pre-payments, pension and OPEB 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 on the statements of net position. Bond and installment note premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Bond and installment notes payable are reported net of the applicable bond premiums or discount. Debt issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred.

In fund financial statements, governmental fund types recognize bond and note premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(10) Compensated Absences

County personnel policies permit an employee to accumulate vacation earned in the equivalent of two years of service, any accrual in excess of two years shall be converted to sick leave on January 1 of each year. In addition, non-exempt employees who work beyond the normal working day in conducting County business earn compensatory time at one and one-half hours for each hour actually worked. Upon termination any unexpired entitlement is due to the employee. For the County’s government-wide financial statements and proprietary fund types in the fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The County's sick leave policies provide 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.

(11) Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as 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 items: Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

Long-term revolving loans: Portion of fund balance that is not an available resource because it represents the long-term amount of loans and notes receivable.

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

Restricted for Stabilization by State Statute: Portion of fund balance that is restricted by State Statute [G.S. 159-8(a)], totaling \$26,455,545 at June 30, 2018.

Restricted for Capital Projects: Portion of fund balance that is restricted by revenue source for capital project expenditures, including fund balance that can only be used for School Capital per G.S. 159-18-22, totaling \$69,455,828 at June 30, 2018.

Restricted for Public Safety: Portion of fund balance that is restricted by revenue source for public safety purposes, totaling \$3,060,878 at June 30, 2018.

Other restricted fund balance:

Restricted for Register of Deeds: 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, totaling \$207,500 at June 30, 2018.

Restricted for Human Services: Portion of fund balance that is restricted by revenue source for human services purposes, totaling \$145,819 at June 30, 2018.

Restricted for Grant Projects: Portion of fund balance that is restricted by revenue source for various grant projects, totaling \$354,343 at June 30, 2018.

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

Committed for Retirement Incentive: Portion of fund balance to be used for payments made under the 2014 Buncombe County Employee Retirement Incentive Plan, totaling \$2,340,038 at June 30, 2018.

Assigned Fund Balance: Portion of fund balance that the Buncombe County Board of Commissioners has budgeted.

Subsequent Year's Expenditures: Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed, totaling \$8,678,762 at June 30, 2018. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$75,000.

Tax Reappraisal: Portion of fund balance that has been designated by the Board of Commissioners for tax reappraisal costs, totaling \$363,332 at June 30, 2018.

Assigned for Capital Projects: Portion of fund balance that has been budgeted or designated by the Board of Commissioners for capital projects, totaling \$14,285,768 at June 30, 2018.

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

Buncombe County has a revenue spending guideline for programs with multiple revenue sources. The Finance Director uses 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 Director may deviate from this policy if it is in the best interest of the County.

Buncombe County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures. Any portion of the General Fund balance in excess of 15% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

(12) Defined Benefit Pension and OPEB Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Government Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered, defined benefit pension plans"), administers a single-employer Law Enforcement Officers' Special Separation Allowance (LEOSSA) defined benefit pension plan, and administers one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension 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 and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value. 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 funds Balance Sheet and the government-wide Statement of Net Position. The governmental funds Balance Sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide Statement of Net Position. The net adjustment 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)	\$ 387,806,868
Less accumulated depreciation	(129,857,369)
Net capital assets	<u>257,949,499</u>
Net pension asset	599,939
Contributions to LGERS and ROD pension plans in the current fiscal year are deferred outflows of resources on the statement of net position	6,384,004
Benefit Payments and administrative costs for LEOSSA are deferred outflows of resources on the statement of net position	200,949
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	210,851
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide statements	1,092,762
The assets and liabilities of the internal service fund, which is used by management to charge the cost of insurance to individual funds, are included in governmental activities in the statement of net position	19,486,206
Deferred charges related to advance refunding bonds issued – included on government-wide statement of net position but are not current financial resource	4,072,180
Pension related deferrals	8,563,911
OPEB related deferrals	(5,547,230)
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 and installment financing	(472,446,343)
Compensated absences	(8,213,789)
Total pension liability - LEOSSA	(7,076,534)
Net OPEB liability	(123,234,365)
Net pension liability - LGERS	(20,453,437)
Accrued salaries related to retirement incentive	(2,340,038)
Pension spiking liability	(1,198,417)
Accrued interest payable	<u>(2,115,644)</u>
Total	<u>\$ (344,065,496)</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 for the 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 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net position	\$ 13,401,306
Cost of disposed assets not recorded in fund statements	(477,604)
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	(14,840,479)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the statement of net activities – only the government-wide statement of net position is affected.	
Proceeds from the issuance of debt	(61,101,796)
Principal payments on long-term debt	29,020,567
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	6,384,004
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	200,949
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:	
Accrued interest payable on long-term debt	(557,542)
Amortization of premium on long-term debt	4,863,555
Amortization of refunding costs not recorded on fund statements	(503,840)
Compensated absences	(129,771)
OPEB expense	692,923
County’s portion of collective pension expense - LGERS and ROD	(7,768,407)
Payments related to the 2014 Retirement Incentive	(320,734)
Pension spiking liability	882,206
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Difference in interest revenue between fund statements (modified accrual) and government-wide statements (full accrual)	25,806
Increase of deferred inflows of resources – taxes receivable – at June 30, 2018	76,415
Increase of deferred inflows of resources – EMS receivable – at June 30, 2018	210,889
Decrease in deferred inflows of resources - other receivable - at June 30, 2018	(245,716)
Net expense, including transfers, of internal service funds determined to be governmental type	<u>4,039,539</u>
Total	<u>\$ (26,147,730)</u>

(F) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Detail Notes on All Funds

(A) Assets

(1) Deposits

All deposits of the County, Tourism Development Authority, and Western North Carolina Regional Air Quality Agency are either insured or collateralized by using the Pooling Method. 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, Tourism Development Authority, and Western North Carolina Regional Air Quality Agency, 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, Tourism Development Authority, and Western North Carolina Regional Air Quality Agency or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, Tourism Development Authority, and Western North Carolina Regional Air Quality Agency 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, Tourism Development Authority, and Western North Carolina Regional Air Quality Agency 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.

At June 30, 2018, the County's (including Western North Carolina Regional Air Quality) deposits had a carrying amount of \$13,731,010 and a bank balance of \$14,736,623. Of the bank balance, \$250,000 was covered by federal depository insurance and \$14,486,623 was covered by collateral held under the Pooling Method. These amounts include \$2,617,102 held by the County in its fiduciary capacity for its agency funds.

At June 30, 2018, Buncombe County had \$8,900 cash on hand.

At June 30, 2018, the Tourism Development Authority's deposits had a carrying amount of \$2,885,319 and a bank balance of \$6,057,336. Of the bank balance, \$250,000 was covered by federal depository insurance and \$5,807,336 was covered by collateral held under the Pooling Method.

(2) Investments

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

Investment Type	Measurement Method	Value	30 Days	1-6 Months	6-12 Months	12-24 Months
US Government Agencies	Fair Value-Level 2	\$ 24,827,802		\$ 24,827,802	\$ -	\$ -
US Treasuries	Fair Value-Level 1	43,835,556	16,989,462	26,846,094	-	-
Municipal Bonds	Fair Value-Level 2	39,989	-	-	-	39,989
NCCMT - Government Portfolio	Amortized Cost	108,911,785	108,911,785	-	-	-
NCCMT - Term Portfolio*	Fair Value-Level 1	28,963,880	-	28,963,880	-	-
Total		\$ 206,579,012	\$ 125,901,247	\$ 80,637,776	\$ -	\$ 39,989

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of 1-6 months.

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

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

At June 30, 2018, the Tourism Development Authority's investments consisted of \$23,406,508 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

The County typically holds investments until maturity. The calculation of realized gains is independent of the calculation of the net increases in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investment reported in the prior year. There were no realized gains or losses on the County's or Tourism Development Authority's investments during 2018.

Investments with maturity dates of greater than one year at the time of purchase are reported at fair value using quoted market prices or the best available estimate thereof. All unrealized gains and losses arising from changes in fair value are included in investment earnings in the accompanying statements.

A reconciliation of deposits and investments to the government-wide financial statements is as follows:

	Primary Government	Tourism Development Authority	WNC Regional Air Quality
Deposits	\$ 13,731,010	\$ 2,885,319	\$ -
Cash on hand	8,900	-	-
Investments	206,579,012	23,406,508	-
	220,318,922	26,291,827	-
Reported in Component Units	(556,120)		556,120
	<u>\$ 219,762,802</u>	<u>\$ 26,291,827</u>	<u>\$ 556,120</u>
Reported on government-wide statement of net position:			
Cash and cash equivalents	\$ 178,220,145	\$ 2,885,319	\$ 556,120
Investments	37,291	23,406,508	-
Restricted cash	38,888,264	-	-
	217,145,700	<u>\$ 26,291,827</u>	<u>\$ 556,120</u>
Reported in agency funds:			
Cash and cash equivalents	2,617,102		
	<u>\$ 219,762,802</u>		

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy mitigates interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The County's investment policy also requires that the portfolio be diversified by security type and institution as well as limiting all securities to a final maturity of no more than three years.

Credit Risk

The County's policy is to limit 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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Agencies are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Buncombe County Investment Policy mitigates custodial credit risk by stating that all trades where applicable will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

Concentration of Credit Risk

The County’s investments in the Federal Home Loan Bank (FHLB) represent 12.02% of the County’s total investments. The County’s investment policy limits commercial paper to \$5 million per issuer and less than or equal to 25% of the portfolio in total. Management also employs an internal target holding allocation to limit concentrations of credit risk.

State Treasurer’s OPEB Fund

At June 30, 2018, the Buncombe County Healthcare Benefits (HCB) Plan Fund had \$22,092,416 invested in the State Treasurer’s Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 159-30.1. The State Treasurer’s OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes.

At year-end, the State Treasurer’s OPEB Fund was invested as follows:

	<u>Fair Value</u>	<u>Percent of Total</u>
State Treasurer’s Long-Term Investment Fund (BIF)	\$ 1,899,269	8.60%
State Treasurer’s Short-Term Investment Fund (STIF)	4,912,576	22.24%
BlackRock’s MSCI ACWI EQ Index Non-Lendable Class B Fund	<u>15,280,571</u>	<u>69.17%</u>
Total	<u>\$ 22,092,416</u>	<u>100.00%</u>

Interest Rate Risk

The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer’s Short Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.4 years at June 30, 2018. The State Treasurer’s Bond Index Fund (BIF) is classified in Level 2 of the fair value hierarchy. Ownership rates in the LTIF are determined monthly at fair market value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. At year-end, the BIF had a weighted average maturity of 8.24 years and did not have a credit rating.

Credit Risk

The County does not have a formal investment policy regarding credit risk for the HCB Plan Fund. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer’s STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The BIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer’s BIF is invested in high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6).

(3) Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2015	\$ 3,941,407	\$ 936,084	\$ 4,877,491
2016	3,946,712	582,140	4,528,852
2017	4,634,354	266,475	4,900,829
2018	4,143,135	-	4,143,135
Total	<u>\$ 16,665,608</u>	<u>\$ 1,784,700</u>	<u>\$ 18,450,307</u>

(4) Receivables

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

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Total
Governmental Activities:				
General	\$ 4,023,839	\$ 583,037	\$ 15,849,229	\$ 20,456,105
Occupancy Tax	-	2,384,096	-	2,384,096
School Capital Commission	-	-	5,317,130	5,317,130
AB Tech Capital Projects	-	-	3,625,589	3,625,589
Public Schools ADM	-	-	4,013,050	4,013,050
Internal Service Fund	676,192	-	-	676,192
Other Governmental	85,987	227,026	2,167,680	2,480,693
Accrual Adjustments	-	210,851	-	210,851
	<u>4,786,018</u>	<u>3,405,010</u>	<u>30,972,678</u>	<u>39,163,706</u>
Allowance for doubtful accounts	(932,720)	(238,148)	-	(1,170,868)
Total - governmental activities	<u>\$ 3,853,298</u>	<u>\$ 3,166,862</u>	<u>\$ 30,972,678</u>	<u>\$ 37,992,838</u>
Business-type Activities:				
Solid Waste Disposal	\$ 1,287,208	\$ -	\$ -	\$ 1,287,208
Other Business-type	1,328	-	-	1,328
	<u>1,288,536</u>	<u>-</u>	<u>-</u>	<u>1,288,536</u>
Allowance for doubtful accounts	(39,404)	-	-	(39,404)
Total - business-type activities	<u>\$ 1,249,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,249,132</u>

Due from other governments owed to the County consists of the following:

Local option sales tax	\$ 23,061,050
Other	7,911,628
Total	<u>\$ 30,972,678</u>

No allowance for uncollectible accounts has been recorded by the Tourism Development Authority or Western North Carolina Regional Air Quality Agency.

(5) Capital Assets

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

Governmental Activities:	Beginning Balances, As Restated	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 20,422,463	\$ 1,165,420	\$ -	\$ 21,587,883
Construction in progress	38,740,913	14,090,362	9,735,072	43,096,203
Total assets not being depreciated	<u>59,163,376</u>	<u>15,255,782</u>	<u>9,735,072</u>	<u>64,684,086</u>
Capital assets being depreciated				
Buildings	202,166,111	518,956	716,185	201,968,882
Other improvements	71,539,574	-	71,452	71,468,122
Equipment	30,396,297	191,086	3,013,231	27,574,152
Intangibles	3,693,359	4,593,033	12,832	8,273,560
Vehicles	13,522,226	2,577,523	2,261,683	13,838,066
Total assets being depreciated	<u>321,317,567</u>	<u>7,880,598</u>	<u>6,075,383</u>	<u>323,122,782</u>
Less accumulated depreciation for:				
Buildings	68,599,528	6,393,009	262,601	74,729,936
Other improvements	19,038,272	4,081,404	71,452	23,048,224
Equipment	21,798,312	2,425,146	3,013,231	21,210,227
Intangibles	426,797	465,252	12,832	879,217
Vehicles	10,751,760	1,475,668	2,237,663	9,989,765
Total accumulated depreciation	<u>\$ 120,614,669</u>	<u>\$ 14,840,479</u>	<u>\$ 5,597,779</u>	<u>129,857,369</u>
Total capital assets being depreciated, net	<u>200,702,898</u>			<u>193,265,413</u>
Governmental activities capital assets, net	<u>\$ 259,866,274</u>			<u>\$ 257,949,499</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 2,935,107
Public Safety	8,642,737
Economic and Physical Development	835,134
Human Services	1,139,307
Cultural and Recreational	1,288,194
Total depreciation expense	<u>\$ 14,840,479</u>

BUNCOMBE COUNTY, NORTH CAROLINA
continued

Notes to the financial statements

Business-Type Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Solid Waste Disposal				
Capital assets not being depreciated:				
Land	\$ 6,842,138	\$ -	\$ -	\$ 6,842,138
Construction in progress	1,403,673	7,067,773	-	8,471,446
Total capital assets not being depreciated	<u>8,245,811</u>	<u>7,067,773</u>	<u>-</u>	<u>15,313,584</u>
Capital assets being depreciated:				
Buildings and improvements	43,681,529	-	-	43,681,529
Equipment	3,186,040	-	19,382	3,166,658
Vehicles	2,493,089	-	42,611	2,450,478
Total capital assets being depreciated	<u>49,360,658</u>	<u>-</u>	<u>61,993</u>	<u>49,298,665</u>
Less accumulated depreciation for:				
Buildings and improvements	27,975,830	1,910,792	-	29,886,622
Equipment	2,037,871	199,234	19,382	2,217,723
Vehicles	2,399,645	36,895	42,611	2,393,929
Total accumulated depreciation	<u>32,413,346</u>	<u>2,146,921</u>	<u>61,993</u>	<u>34,498,274</u>
Total capital assets being depreciated, net	<u>16,947,312</u>			<u>14,800,391</u>
Solid Waste Disposal capital assets, net	<u>25,193,123</u>			<u>30,113,975</u>
Other Business-Type Activities:				
Capital assets being depreciated:				
Equipment	57,938	-	57,938	-
Vehicles	29,129	-	-	29,129
Total capital assets being depreciated	<u>87,067</u>	<u>-</u>	<u>57,938</u>	<u>29,129</u>
Less accumulated depreciation for:				
Equipment	57,938	-	57,938	-
Vehicles	21,038	8,091	-	29,129
Total accumulated depreciation	<u>78,976</u>	<u>\$ 8,091</u>	<u>\$ 57,938</u>	<u>29,129</u>
Total capital assets being depreciated, net	<u>8,091</u>			<u>-</u>
Other Business-type capital assets, net	<u>8,091</u>			<u>-</u>
Business-type capital assets, net	<u>\$ 25,201,214</u>			<u>\$ 30,113,975</u>

Net investment in capital assets on the Statement of Net Position is calculated as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets, net	\$ 257,949,499	\$ 30,113,975	\$ 288,063,474
Debt:			
General obligation bonds	(21,498,148)	-	(21,498,148)
Installment notes	(450,948,195)	(1,943,625)	(452,891,820)
Gross debt	(472,446,343)	(1,943,625)	(474,389,968)
Add portion of debt that has not given rise to capital assets:			
Unspent bond and note proceeds	9,041,597	-	9,041,597
Debt relating to schools and community college	256,236,010	-	256,236,010
Debt relating to economic development	12,990,834	-	12,990,834
Net debt	(194,177,902)	(1,943,625)	(196,121,527)
Capital assets, net of related debt	\$ 63,771,597	\$ 28,170,350	\$ 91,941,947

Construction commitments

The County has the following commitments with contractors for active construction projects at June 30, 2018:

Project	Spent-to-date	Remaining Commitment
AB Tech Allied Health Building	\$ 899,126	\$ 225,865
AB Tech Capital Plan Maintenance	182,166	166,029
ACS Ira B Jones HVAC	397,044	718,796
Asheville High School Campus-wide Renovations	18,070,486	7,024,744
Ira B. Jones Elem School Roof Decking	1,010,890	18,270
Montford School 2018 Funding Approval	3,106,813	605,811
Montford School 2019 Funding Approval	480,707	103,199
50 Coxe Renovations	26,130	32,540
ADA Accessible Playground Equipment	10,145	173,741
Buncombe County Health Clinic	71,218	9,458
Carbon Reduction Measures FY18	51,007	69,017
County Buildings Major Maintenance	4,655,853	49,760
Courthouse Exterior Renovations	22,617	14,400
East Asheville Library	55,218	57,854
Enka Library Renovations	36,608	12,952
First Floor Renovations and Meeting Rooms	34,012	9,458
Human Services Building Expansion	41,569,179	1,074,837
Roofing Projects	6,000	51,981
Woodfin Greenway	121,239	19,796
Phase 6 C&D Landfill Expansion	401,937	44,250
Subtitle D Vertical Expansion	382,008	4,788
Transfer Facility	6,480,802	3,302,208
Total construction commitments	\$ 78,071,205	\$ 13,789,754

Discretely presented component units

Activity for WNC Regional Air Quality for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Equipment	\$ 149,260	\$ -	\$ 117,458	\$ 31,802
Vehicles	53,569	-	-	53,569
Total capital assets being depreciated	<u>202,829</u>	<u>-</u>	<u>117,458</u>	<u>85,371</u>
Less accumulated depreciation for:				-
Equipment	117,725	3,180	117,458	3,447
Vehicles	53,569	-	-	53,569
Total accumulated depreciation	<u>171,294</u>	<u>\$ 3,180</u>	<u>\$ 117,458</u>	<u>57,016</u>
WNC Regional Air Quality capital assets, net	<u>\$ 31,535</u>			<u>\$ 28,355</u>

(B) Liabilities

(1) Payables

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

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental Activities:				
General	\$ 6,153,318	\$ 7,573,889	\$ -	\$ 13,727,207
Occupancy Tax	35,799	-	-	35,799
School Capital Commission	2,465,484	-	-	2,465,484
AB Tech Capital Projects	102,309	-	-	102,309
Public Schools ADM	4,013,049	-	-	4,013,049
Internal Service Fund	1,478,700	26,141	-	1,504,841
Other Governmental	6,414,642	14,336	-	6,428,978
Accrual Adjustments			2,115,644	2,115,644
Total - governmental activities	<u>\$ 20,663,301</u>	<u>\$ 7,614,366</u>	<u>\$ 2,115,644</u>	<u>\$ 30,393,311</u>
Business-type Activities				
Solid Waste Disposal	\$ 1,315,319	\$ 85,366	\$ 3,468	\$ 1,404,153
Other Business-type	47,590	3,385	-	50,975
Total - business-type activities	<u>\$ 1,362,909</u>	<u>\$ 88,751</u>	<u>\$ 3,468</u>	<u>\$ 1,455,128</u>

(2) Pension Plan and Other Postemployment Obligations

(a) Local Governmental Employees' Retirement System

1. Plan Description.

Buncombe County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S.

Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees’ Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454 or at www.osc.nc.gov.

2. Benefits Provided.

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

3. Contributions.

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County’s contractually required contribution rate for the year ended June 30, 2018 was 8.25% of compensation for law enforcement officers and 7.54% 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 \$6,437,477 for the year ended June 30, 2018.

4. Refunds of Contributions.

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

5. 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 \$20,713,021 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 1.356%, which was a decrease of 0.011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the County recognized pension expense of \$7,208,086. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,193,262	\$ 586,320
Changes of assumptions	2,958,106	-
Net difference between projected and actual earnings on pension plan investments	5,029,146	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	471,609	587,664
Employer contributions subsequent to the measurement date	6,437,477	-
Total	<u>\$ 16,089,600</u>	<u>\$ 1,173,984</u>

\$6,437,477 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 1,248,466
2020	5,990,172
2021	2,867,534
2022	(1,628,032)
2023	-
Thereafter	-
	<u>\$ 8,478,140</u>

At June 30, 2018, the WNC Regional Air Quality Agency reported a liability of \$108,163 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 Agency's proportion of the net pension liability was based on a projection of the Agency'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, 2018, the Agency's proportion was 0.0071%, which was an increase of 0.0003% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Agency recognized pension expense of \$45,329. At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,231	\$ 3,062
Changes in assumptions	15,447	-
Net difference between projected and actual earnings on pension plan investments	26,263	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,143	-
Employer contributions subsequent to the measurement date	35,895	-
Total	<u>\$ 96,979</u>	<u>\$ 3,062</u>

\$35,895 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 10,902
2020	35,054
2021	18,817
2022	(6,752)
2023	-
Thereafter	-
	<u>\$ 58,021</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%
Salary increases	3.50% to 7.75%, including inflation and productivity factor
Investment rate of return	7.20%, 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:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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 liability to changes in the discount rate. The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
County’s proportionate share of the net pension liability (asset)	\$ 62,180,958	\$ 20,713,021	\$ (13,899,615)
WNC Regional Air Quality Agency’s proportionate share of the net pension liability (asset)	\$ 324,707	\$ 108,163	\$ (72,583)

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

1. Plan Description.

Buncombe 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, and have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement. 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 (valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	27
Active plan members	<u>257</u>
Total	<u>284</u>

2. Summary of Significant Accounting Policies.

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

3. Actuarial Assumptions.

The entry age normal actuarial cost method was used in the December 31, 2016 valuation. 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	2.5%
Salary increases	3.50% to 7.35%, including inflation and productivity factor
Discount rate	3.16%

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 mortality tables base rates projected to the valuation date using MP-2015.

4. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefits 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. Administrative costs of the Separation Allowance are paid as they come due. The County paid \$346,831 as benefits came due for the measurement period.

5. 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 \$7,076,534. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$581,835.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,418
Changes in assumptions and other inputs	354,463	100,665
County benefit payments and administrative expenses paid subsequent to the measurement date	200,949	-
Total	\$ 555,412	\$ 141,083

The County paid \$199,455 in benefit payments and \$1,494 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 outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase to Pension Expense
2019	\$ 76,890	\$ 33,259	\$ 43,631
2020	76,890	33,259	43,631
2021	76,890	33,259	43,631
2022	76,890	33,259	43,631
2023	46,903	8,047	38,856
Thereafter	-	-	-
	\$ 354,463	\$ 141,083	\$ 213,380

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%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
County's proportionate share of the net pension liability (asset)	\$ 7,643,862	\$ 7,076,534	\$ 6,555,377

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2016	\$ 6,504,557
Changes for the year:	
Service cost at end of year	292,258
Interest	244,382
Change in benefit terms	-
Difference between expected & actual experience	(49,185)
Changes of assumptions and other inputs	431,353
Benefit payments	(346,831)
Other	-
Net changes	<u>571,977</u>
Total pension liability as of December 31, 2017	<u>\$ 7,076,534</u>

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

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

1. Plan Description.

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy.

Article 12E of G.S. Chapter 143 requires the County contribute each month an amount equal to 5% of each officer's salary. The County has opted to fund at an amount equal to 8%. All amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The County contributed \$982,648 for the reporting year. No amounts were forfeited.

(d) Supplemental Retirement Income Plan for Non-Law Enforcement Officers 401(k) Plan

1. Plan Description.

The County contributes to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees of the County who are members of the Local Government Employees' Retirement System. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

2. Funding Policy.

The Board of Commissioners has directed that the County contribute each month an amount equal to 8% of each qualified non-law enforcement employee's salary which is vested immediately. Also, the employees may elect to make voluntary contributions to the plan.

The County contributed \$5,125,409 for the reporting year. No amounts were forfeited.

(e) Register of Deeds' Supplemental Pension Fund

1. Plan Description.

Buncombe County also contributes to the Register of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. The 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, 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, or by calling (919) 981-5454, or online at www.osc.nc.gov.

2. Benefits Provided.

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

3. Contributions.

Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$27,204 for the year ended June 30, 2018.

4. 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 \$599,938 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 3.515%, which was an increase of 0.05% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$67,945. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,298	\$ 1,933
Changes of assumptions	101,226	-
Net difference between projected and actual earnings on pension plan investments	50,999	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	12,566
Employer contributions subsequent to the measurement date	27,204	-
Total	<u>\$ 189,727</u>	<u>\$ 14,499</u>

\$27,204 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 84,307
2020	44,878
2021	5,835
2022	13,001
2023	-
Thereafter	-
	<u>\$ 148,021</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	3.00%
Salary increases	3.50% to 7.75%, including inflation and productivity factor
Investment rate of return	3.75%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, 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%, 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%) or 1-percentage-point higher (4.75%) than the current rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
County’s proportionate share of the net pension liability (asset)	\$ (471,543)	\$ (599,938)	\$ (707,912)

Pension plan fiduciary net pension. 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 RODSPF 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 the Law Enforcement Officers’ Special Separation Allowance (LEOSSA) was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County’s proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	RODSPF	LEOSSA	Total
County’s proportionate share of the net pension liability (asset)	\$ 20,713,021	\$ (599,938)	\$ -	\$ 20,113,083
County’s proportion of the net pension liability (asset)	1.35581%	-3.51478%	N/A	
Total pension liability	-	-	\$ 7,076,534	\$ 7,076,534
Pension expense	\$ 7,208,086	\$ 67,945	\$ 581,835	\$ 7,857,866

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>RODSPF</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 1,193,262	\$ 10,298	\$ -	\$ 1,203,560
Changes of assumptions	2,958,106	101,226	354,463	3,413,795
Net difference between projected and actual earnings on pension plan investments	5,029,146	50,999	-	5,080,145
Changes in proportion and differences between employer contributions and proportionate share of contributions	471,609	-	-	471,609
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	6,437,477	27,204	200,949	6,665,630
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 586,320	\$ 1,933	\$ 40,418	\$ 628,671
Changes of assumptions	-	-	100,665	100,665
Changes in proportion and differences between employer contributions and proportionate share of contributions	587,664	12,566	-	600,230

(f) Other Post-Employment Benefits

Healthcare Benefits

1. Plan Description.

Under a County resolution, Buncombe County provides healthcare benefits to employees hired before July 1, 2008 through the Healthcare Benefits Plan (the HCB Plan) as a single-employer defined benefit plan to cover retirees of the County and the WNC Regional Air Quality component unit who participate in the North Carolina Local Governmental Employees' Retirement System (System). Employees who are hired on or after July 1, 2008 and before July 1, 2015 and have at least 20 years of creditable service with the County are covered by the HCB plan. The County pays the full cost of coverage for these benefits. Retirees may also purchase coverage for their dependents at the County's group rates. The HCB Plan is available to qualified retirees at 100% until the age of 65 or until Medicare eligible, whichever is sooner. Employees hired after June 30, 2015 will not be eligible to receive health insurance coverage upon retirement.

Management of the HCB Plan is vested with the Buncombe County Board of Commissioners.

Membership of the County's HCB Plan consisted of the following at June 30, 2016, the valuation date:

	<u>2016</u>
Inactive plan members or beneficiaries currently receiving benefit payments	453
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>1,290</u>
Total	<u><u>1,743</u></u>

2. Benefits Provided.

Employees will have the full cost for the eligible retiree’s individual health insurance coverage paid for by the County until the retiree attains age sixty-five. Retiring members that elected to retire under the provisions of the 2006 Buncombe County Cost Reduction Incentive Plan will receive either a monthly flat dollar amount (either \$268 or \$371) to purchase the Medicare Supplement Plan of their choice or the County will purchase Medicare Supplement Plan F and Medicare Part D prescription drug coverage on their behalf. This benefit begins at age 65 and continues for the retirees’ life time. Employees hired after June 30, 2014 will not be eligible for the 2006 Buncombe County Cost Reduction Incentive Plan. Retiring members that elect to retire under the 2014 Buncombe County Employee Retirement Incentive Plan will receive one year of the employee’s annual salary at retirement paid on a bi-weekly basis over three (3) years. In addition, the retiree can elect to receive a monthly flat dollar amount of \$268 to purchase the Medicare Supplement Plan of their choice, or receive a one-time payment of one-half of the retiree’s annual salary. The Medicare Supplement Plan option benefit begins at age 65 and continues for the retirees’ lifetime.

3. Contributions.

The County pays the cost of retiree health insurance coverage as it comes due. In addition, it is the intent of the Board of Commissioners to fully or partially fund the County’s annual required contributions (ARC) when possible. Determinations are made on an annual basis. For the year ended June 30, 2018, contributions to the plan consisted of \$7,680,277 in retirees’ health insurance benefits and \$1,000,000 contributed to the OPEB Trust Fund.

4. Investments.

Investment policy. The HCB Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Commissioners by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan’s discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Board’s adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity Index Fund	65.0%	7.0%
Bond Index Fund	10.0%	2.0%
Short-term Investment Fund	25.0%	1.0%
Total	<u>100.0%</u>	

Rate of return. For the year ended June 30, 2018, the annual money weighted rate of return on investments, net of investment expense, was 7.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Net OPEB Liability of the County.

The components of the net OPEB liability of the County at June 30, 2018 were as follows:

Total OPEB liability	\$ 147,614,882
Plan fiduciary net position	<u>22,092,416</u>
County’s net OPEB liability	<u>\$ 125,522,466</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.97%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 7.75%, including inflation and productivity factor
Investment rate of return	7.50% net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

The total OPEB liability was rolled forward to June 30, 2018, utilizing update procedures incorporating the actuarial assumptions.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, are presented above.

Discount rate (SEIR). The discount rate used to measure the TOL as of the measurement date was 3.97%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Benefit payments are assumed to be paid out of the trust until the trust is depleted.
- Active employees do not explicitly contribute to the Plan.
- Cash flows occur mid-year.
- Additional contributions to the trust were not assumed to be made.

Based on these assumptions, the Plan's fiduciary net position (FNP) was projected to be depleted in 2021 and, as a result, the municipal bond index rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 7.50% on plan investments was applied to periods through 2021 and the municipal bond index rate at the measurement date (3.89%) was applied to periods on and after 2021, resulting in an SEIR at the measurement date (3.97%). As a result of the change to the municipal bond index rate, there was a change in the discount rate from 3.58% at the prior measurement date to 3.97% at the measurement date.

The FNP projections are based upon the Plan's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate

whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, 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 or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB liability	\$ 149,443,036	\$ 125,522,466	\$ 106,464,348

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the County, 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 or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 102,433,728	\$ 125,522,466	\$ 155,528,783

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 \$125,522,466. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2017	\$ 151,468,212	\$ 19,589,731	\$ 131,878,481
Changes for the Year:			-
Service Cost	5,127,940	-	5,127,940
Interest	5,286,294	-	5,286,294
Differences between expected and actual experience	2,081,393	-	2,081,393
Changes of assumptions	(8,668,680)	-	(8,668,680)
Contributions	-	8,680,277	(8,680,277)
Net Investment Income	-	1,502,685	(1,502,685)
Benefit Payments	(7,680,277)	(7,680,277)	-
Net Changes	(3,853,330)	2,502,685	(6,356,015)
Balances at June 30, 2018	\$ 147,614,882	\$ 22,092,416	\$ 125,522,466

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.97 percent in 2018.

For the year ended June 30, 2018, the County recognized OPEB expense of \$7,974,488. 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	\$ 1,786,160	\$ -
Changes of assumptions	-	(7,439,080)
Net difference between projected and actual earnings on plan investments	2,694	-
Total	<u>\$ 1,788,854</u>	<u>\$ (7,439,080)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (933,694)
2020	(933,694)
2021	(933,694)
2022	(933,692)
2023	(934,367)
Thereafter	(981,085)

5. Component Unit Allocation.

Employees of the WNC Regional Air Quality component unit are eligible for participation in the HCB plan. Allocation of OPEB expense and liability to the component unit is based on the component unit's percentage of total salary expense when combined with salary expense of the County. At June 30, 2018 the WNC Regional Air Quality's allocation percentage was 0.58%. The Agency reported an expense of \$46,001 and liability of \$724,074 for its share of OPEB expense and net OPEB liability, respectively.

(g) Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

(3) Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure 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 post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

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

Closed Landfill:

Landfill Permit Number 11-01: The previous landfill site of the County was closed on September 26, 1997. The \$1,405,461 reported as landfill postclosure care liability at June 30, 2018, represents the projected actual cost of the closed landfill over the next 12 years based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Landfill in Operation:

Landfill Permit Number 11-07: The \$16,911,949 reported as landfill closure and postclosure care liability at June 30, 2018 represents a cumulative amount reported to date based on the use of 33% of the total estimated capacity of this landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$34,336,381 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2018. The County expects to operate this landfill until at least the year 2051. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Construction and Demolition (C&D) Landfill Permit Number 11-07: The County currently operates a C&D landfill with a closure and postclosure care liability of \$3,432,714 reported as of June 30, 2018 representing a cumulative amount reported to date based on the use of 100% of the total estimated capacity of this unit. The County will recognize \$21,187 for the remaining life of the C&D landfill. This amount is based on what it would cost to perform all closure and postclosure care in 2018. The remaining capacity of the C&D landfill is expected to last nearly 20 years. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

(4) Deferred Outflows and Inflows of Resources

Deferred outflows of resources at the governmental activities level at June 30, 2018 were as follows:

Deferred charges on refunding of debt	\$ 4,072,180
Contributions to pension plans subsequent to measurement date (LGERS and ROD)	6,384,004
Benefit payments and admin expenses for LEOSSA subsequent to measurement date	200,949
OPEB deferrals	1,756,246
Other pension deferrals - LEOSSA	185,073
Other pension deferrals - ROD	162,523
Other pension deferrals - LGERS	9,531,158
Total deferred outflows of resources	<u>\$ 22,292,133</u>

Deferred inflows of resources at the governmental fund level and governmental activities level at June 30, 2018 were as follows:

	Governmental Funds	Governmental Activities
Prepaid taxes not yet earned (General Fund)	\$ 2,889,957	\$ 2,889,957
Taxes receivable, net (General Fund)	260,625	-
EMS receivable (General Fund)	809,314	-
Taxes Receivable, net (Special Revenue)	22,823	-
OPEB related deferrals (Governmental Activities)	-	7,303,476
Pension related deferrals (Governmental Activities)	-	1,314,850
Total	<u>\$ 3,982,719</u>	<u>\$ 11,508,283</u>

Deferred outflows and inflows of resources at the business-type activities level at June 30, 2018 were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to pension plans subsequent to measurement date (LGERS)	\$ 80,677	\$ -
OPEB deferrals	22,289	92,692
Other pension deferrals - LGERS	120,964	14,713
Total deferred outflows of resources	<u>223,930</u>	<u>107,405</u>

(5) Risk Management

The County has adopted risk management principles in order to protect the health, safety and welfare of its employees and the citizens it serves; to protect its property, assets, and other resources; and to maintain its reputation and good standing in the wider community. The County provides a wide range of services, all of which give rise to some level of risk. The County regularly assesses and treats these risks to minimize their effects.

The County is primarily self-insured and purchases conventional insurance to manage the effect of unavoidable risks.

The County-owned properties are insured at their scheduled limits and this policy carries a \$100,000 self-insured retention (SIR). The premium is based on the amount of scheduled items.

The County carries liability insurance to include general, auto, law enforcement, public officials and employee benefits liability. Currently, this policy carries a limit of \$7,000,000 per occurrence/claim with a \$500,000 SIR. Public officials and employee benefits liability are per claims made. Premiums are based on underwriting requirements.

A separate claims medical professional liability policy is purchased for the Health Center. This policy carries a primary limit of \$1,000,000 per incident and an excess limit of \$10,000,000 per incident with a \$5,000 deductible. This policy is written for the North Carolina Health Directors and premiums are based on the experience of the pool.

A separate commercial package policy is purchased for EMS operations and equipment. General, professional, and auto liability limit is \$1,000,000 per occurrence with an additional excess limit of \$2,000,000 per occurrence. Premiums are based on underwriting requirements.

The County purchases excess workers' compensation and employer's liability coverage. Workers' compensation coverage carries a statutory limit. The County currently carries a \$700,000 SIR per occurrence. The limit of Employer's Liability insurance is \$1,000,000. The premium is based on County employees' payroll and classification.

The County adheres to the North Carolina Workers Compensation Act per NC G.S. Chapter 97 as administered by the North Carolina Industrial Commission, a division of the North Carolina Department of Insurance.

Several department-specific risk policies are purchased as well.

The County provides health insurance benefits through a self-insured health insurance plan. The County is protected against catastrophic individual and aggregate loss by stop-loss insurance coverage. The accompanying statement of net position and balance sheets as of June 30, 2018 include a loss reserve liability for estimated outstanding medical claims of \$1,478,700. Changes in the health claims liability are presented as follows:

	2018	2017
Estimated claims payable, beginning	\$ 2,111,953	\$ 1,123,366
Incurred claims and changes in estimates	26,776,357	26,914,738
Claims paid	(27,409,610)	(25,926,151)
Estimated claims payable, ending	<u>1,478,700</u>	<u>2,111,953</u>

In accordance with North Carolina General Statutes, the following are required to be individually bonded for faithful performance in the discharge of the duties of their office: Finance Officer at \$200,000; Tax Collector at \$100,000; Register of Deeds at \$10,000; and the Sheriff at \$20,000. In addition, any County officer, employee, or agent who handles or has custody of more than \$100 of County money at any one time is performance bonded under a commercial blanket bond at \$250,000 per occurrence.

(6) Contingent Liabilities

The County is presently a defendant in several lawsuits and is also subject to potential claims which may arise out of the ordinary conduct of its affairs. It is the opinion of the County's management and the County Attorney that settlement of these matters, if any, will not have a material adverse effect on the County's financial position.

(7) Operating Leases

The County leases certain data processing equipment and other office equipment and facilities. Lease expenditures for the year ended June 30, 2018 amounted to \$1,689,197. Future minimum lease payments under these operating lease agreements at June 30, 2018 are as follows:

Year Ended June 30	Amount
2019	\$ 1,049,240
2020	691,612
2021	485,949
2022	332,452
2023	169,612
2024-2028	273,171
2029-2033	71,302
Total	<u>\$ 3,073,338</u>

(8) Long-Term Obligations

(a) Installment Note Obligations

As authorized by State law [G.S. 160A-20 and 153A-158.1], the County has financed various property acquisitions including general government buildings and facilities, equipment, and vehicles by installment notes, private placement, certificates of participation (COP's), or limited obligation bonds (LOB's).

Installment Note Obligations	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Serviced by the Governmental Funds:				
COPS 2009A, general government buildings and equipment, \$12,065,000 issue, interest at 4.0% to 5.0% payable semiannually to 2029.	\$ 5,770,000	\$ -	\$ 485,000	\$ 5,285,000
LOBS 2010A, public safety and human services buildings and equipment, \$31,500,000 issue, interest at 3.0% to 5.25% payable semiannually to 2022	12,780,000	-	2,555,000	10,225,000
LOBS 2010B, public safety and human services buildings and equipment, \$20,420,000 issue, interest at 6.5% to 6.8% payable semiannually to 2030	20,420,000	-	-	20,420,000
LOBS 2010C, school building, \$3,800,000 issue, interest at 6.375% payable semiannually to 2025	2,006,292	-	260,000	1,746,292
LOBS 2012A, public safety buildings and radio network, human services automation and AB Tech building and equipment, \$61,535,000 issue, interest at 2% to 5% payable semiannually to 2032. A premium of \$9,712,762 is reported as an increase to long-term debt and will be amortized over the life of the debt.	43,679,814	-	3,165,000	40,514,814
LOBS 2012A, COPS 2003 and 2005 Refunding, \$11,845,000 issue, interest at 2% to 5% payable semiannually to 2024. A premium of \$2,170,702 is reported as an increase to long-term debt and will be amortized over the life of the debt.	11,785,186	-	1,465,000	10,320,186
LOBS 2014A, AB Tech parking deck and new buildings, Asheville City Schools, Sheriff's Offices, Public Safety Training Center Classroom, \$125,925,000, interest at 3% to 5% payable semiannually to 2032.	112,805,000	-	6,380,000	106,425,000
LOBS 2014A, partial COPS 2006 Refunding, \$14,380,000 issue, interest at 3% to 5%, payable semiannually to 2022	14,380,000	-	3,050,000	11,330,000

BUNCOMBE COUNTY, NORTH CAROLINA
continued

Notes to the financial statements

Installment Note Obligations	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
LOBS 2014A, PDF Woodfin Refunding, \$11,285,000 issue, interest at 3% to 5%, payable semiannually to 2037	\$ 11,175,000	\$ -	\$ 40,000	\$ 11,135,000
LOBS 2014B, Taxable bonds, \$28,725,000 issue, interest at 0.5% to 5.1% payable semiannually to 2032	25,390,000	-	1,135,000	24,255,000
CTS Drinking Water State Revolving Loan, \$214,850 issue, 0% interest, payable annually to 2020	1,828,229	-	101,568	1,726,661
LOBS 2015, Human Services Campus, Enka Intermediate School, Covered Swimming Pool, Firing Range, and Capital Projects. \$82,495,000 issue, interest at 3% to 5% payable semiannually to 2035.	80,325,000	-	4,890,000	75,435,000
LOBS 2015 refunding of GO 2005A, COPS 2005, LOBS 2009C, and partial refundings of COPS 2006 and COPS 2007. \$44,140,000 issued, payable semiannually to 2032.	37,915,000	-	2,620,000	35,295,000
LOBs 2018, Asheville High School major renovations, Community High School, Montford North Star Academy, and various school capital major maintenance projects. \$54,730,000 issued, interest 3% to 5%, payable semiannually to 2038.	-	54,730,000	-	54,730,000
Total installment note obligations	\$ 380,259,521	\$ 54,730,000	\$ 26,146,568	\$ 408,842,953

For Buncombe County, the future minimum payments for installment notes as of June 30, 2018, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 29,046,568	\$ 20,598,584
2020	29,041,568	18,822,869
2021	28,351,568	17,468,751
2022	27,631,568	16,098,735
2023	25,936,568	14,769,655
2024-2028	125,494,133	54,129,520
2029-2033	106,717,841	22,857,498
2034-2037	36,623,137	3,043,611
Total	408,842,952	167,789,221
Add unamortized premium	42,105,241	
	\$ 450,948,193	

(b) General Obligation Bond 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.

Bonds payable at June 30, 2018, are comprised of the following individual issues:

General Obligation Bonds	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Service by the Governmental Funds:				
Qualified School Construction Bond, 2009 \$5,685,000 issue, interest at 0.50% payable semiannually, due serially to 2020.	\$ 2,771,000	\$ -	\$ 474,000	\$ 2,297,000
Refunding Bonds, 2012, \$32,500,000 issue, interest at 1.7%, due serially to 2025.	21,600,000	-	2,400,000	19,200,000
Total general obligation bonds	\$ 24,371,000	\$ -	\$ 2,874,000	\$ 21,497,000

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 2,874,000	\$ 316,300
2020	2,873,000	273,133
2021	2,873,000	229,968
2022	2,873,000	186,803
2023	2,804,000	143,810
2024-2026	7,200,000	183,600
Total	\$ 21,497,000	\$ 1,333,614
Add unamortized premium	1,148	
	\$ 21,498,148	

At June 30, 2018, Buncombe County had a legal debt margin of approximately \$2,468,000,000.

(c) Business-Type Activities Installment Obligations

On July 3, 2012, the County issued \$1,985,000 in Limited Obligation Bonds for landfill cell expansion bearing interest payable semi-annually at fixed rates from 2% to 5%. The LOBS will be serviced by the Solid Waste Disposal Enterprise Fund.

The future minimum payments as of June 30, 2018 are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 210,000	\$ 43,050
2020	220,000	33,050
2021	230,000	23,350
2022	245,000	11,850
Total	905,000	\$ 111,300
Add unamortized premium	63,625	
	<u>\$ 968,625</u>	

The Solid Waste Disposal Fund also services Federal American Recovery and Reinvestment Act (ARRA) Revolving Loan payments on the Landfill Gas to Energy Project. On August 4, 2009, the North Carolina Local Government Commission approved the 0%, 20-year term loan. The total loan amount was \$4,061,396. Principal of \$2,561,396 was forgiven, leaving a total repayment amount of \$1,500,000 payable in annual installments of \$75,000 until May 2031.

The future loan payments as of June 30, 2018 are:

Year Ending June 30	Principal	Interest
2019	\$ 75,000	-
2020	75,000	-
2021	75,000	-
2022	75,000	-
2023	75,000	-
2024-2028	375,000	-
2029-2031	225,000	-
Total	<u>\$ 975,000</u>	<u>\$ -</u>

(d) Advance Refundings

In prior years, the County has refunded various bond issues by creating separate irrevocable trust funds. At June 30, 2018, the County had refunded debt outstanding in the amount of \$83,645,000. New debt has been issued and the proceeds have been used to purchase qualified government securities that were placed in the trust funds.

(e) Debt Related to Capital Activities

Of the total Governmental Activities debt listed, only \$203,219,499 relates to assets for which the County holds title. Unspent restricted cash related to this debt amounts to \$9,041,597.

(f) 2014 Buncombe County Employee Retirement Incentive Plan

On July 8, 2014, the Buncombe County Board of Commissioners passed the Fiscal Year 2014-2015 Budget Ordinance which included the 2014 Buncombe County Employee Retirement Incentive Plan. The County's total liability for participating employees was \$6,855,610, with payment to each retiree of an amount equal to one year of salary paid biweekly over the next three years. The County expects to benefit from the Retirement Incentive Plan through cost savings related to possible position elimination, reclassification downgrades, and position freezes. A liability of \$2,340,038 is recorded on the government-wide statements at June 30, 2018 to reflect remaining payments owed under this plan.

(g) Anti-Pension Spiking Liability

Anti-pension spiking is a substantial increase in compensation that results in unusually high liabilities to the State's retirement system. North Carolina's anti-pension spiking laws, which became effective on January 1, 2015, apply to retirements with an average final salary greater than \$100,000. A contribution-based benefit cap (CBBC) is calculated, and if the benefit exceeds the cap, the employer must make an additional contribution to the retirement system. The County's potential spiking liability of \$1,439,287 for current active employees who will be retiring with an average final salary greater than \$100,000 has been recorded on the government-wide statements at June 30, 2018. This includes potential spiking liability of \$240,880 for Air Quality.

(h) Long Term Obligation Activity

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

	(Restated) Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 24,371,000	\$ -	\$ 2,874,000	\$ 21,497,000	\$ 2,874,000
Installment notes	380,259,521	54,730,000	26,146,568	408,842,953	29,046,568
Premium on long-term debt	40,598,149	6,371,796	4,863,555	42,106,390	-
Total pension liability -- LEOSSA	6,504,557	960,790	388,813	7,076,534	-
Net pension liability -- LGERS	28,640,479	-	8,187,042	20,453,437	-
Net OPEB Liability	129,474,519	-	6,240,154	123,234,365	-
Retirement incentive payments	2,019,304	1,741,874	1,421,140	2,340,038	978,883
Anti-pension spiking liability	2,080,620	-	882,203	1,198,417	658,103
Compensated absences	8,084,018	8,280,140	8,150,369	8,213,789	6,774,369
	<u>\$ 622,032,167</u>	<u>\$ 72,084,600</u>	<u>\$ 59,153,844</u>	<u>\$ 634,962,923</u>	<u>\$ 40,331,923</u>
	(Restated) Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Business-type activities:					
Installment notes	\$ 2,160,000	\$ -	\$ 280,000	\$ 1,880,000	\$ 285,000
Premium on long-term debt	93,751	-	30,126	63,625	-
Net pension liability -- LGERS	368,657	-	109,073	259,584	-
Net OPEB Liability	1,643,223	-	79,196	1,564,027	-
Retirement incentive payments	21,345	-	21,345	-	-
Compensated absences	61,523	143,812	102,353	102,982	102,982
Accrued landfill closure and postclosure care costs	17,466,828	4,283,298	-	21,750,126	-
	<u>\$ 21,815,327</u>	<u>\$ 4,427,110</u>	<u>\$ 622,093</u>	<u>\$ 25,620,344</u>	<u>\$ 387,982</u>

Compensated absences, other postemployment benefits and pension liability typically have been liquidated in the funds in which they have been earned, with the majority of governmental activities liquidated in the General Fund and business-type activities in the Solid Waste Disposal Fund. The County has estimated the current portion of compensated absences based on historical trends and expectations for the coming year.

	(Restated)			Balance June 30, 2018	Current Portion of Balance
	Balance June 30, 2017	Increases	Decreases		
Discretely Presented Component Unit:					
Air Quality:					
Net OPEB Liability	\$ 760,739	\$ -	\$ 36,665	\$ 724,074	\$ -
Net pension liability -- LGERS	144,107	-	35,944	108,163	-
Anti-pension spiking liability	-	240,880	-	240,880	240,880
Compensated absences	143,332	131,032	136,748	137,616	137,616
	<u>\$ 1,048,178</u>	<u>\$ 371,912</u>	<u>\$ 209,357</u>	<u>\$ 1,210,733</u>	<u>\$ 378,496</u>

(i) Transfer of Enka-Candler Water and Sewer District Bonds

On July 2, 1990, the County transferred the ownership, operation, and maintenance responsibility for the sanitary districts to the Metropolitan Sewerage District. The contracts affecting the transfer call for the Metropolitan Sewerage District to assume the liability for the Enka-Candler Water and Sewer District Bonds. Consequently, the bonds have been removed from the County's financial statements. The Enka-Candler Water and Sewer District, for which the County Board of Commissioners is the governing body, is liable for the payments on these bonds if the Metropolitan Sewerage District defaults. As of June 30, 2018, the balance of the bonds outstanding was \$340,000.

(j) Conduit Debt Obligations

The Buncombe County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private businesses served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018, there were five series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$25,968,214.

(C) Interfund Balances and Activity

There is a loan outstanding from the General Fund to the Grant Projects Fund of \$1,645,812 to cover the cost of expenditures from reimbursement-based grants until those grants are received from the granting agencies.

Transfers to/from other funds during the year ended June 30, 2018 consist of the following:

Major Governmental Funds:

General Fund:

From the General Fund to the Special Projects Fund for housing projects (\$2,374,250), conservation easements (\$115,000), Small Business Development Fund (\$200,000), and the Energy Savings Reinvestment Fund (\$33,798) \$ 2,723,048

From the General Fund to the Grant Projects Fund to fund grant matches 161,254

From the General Fund to the Capital Projects Fund to fund capital projects 996,678

From the General Fund to the AB Tech Capital Projects Fund to fund community college capital plan maintenance	\$ 1,520,000
From the General Fund to the Transportation Fund for transportation services	1,539,655
From the General Fund to the PDF Woodfin Downtown Fund to subsidize debt service costs	20,837
<i>AB Tech Capital Projects</i>	
From the AB Tech Capital Projects Fund to the General Fund for community college operations	5,800,000
<i>Nonmajor Governmental Funds:</i>	
From the Transportation Fund to the Grant Projects Fund to transfer grant project match	65,850
From the Capital Projects Fund to the Special Projects Fund for housing projects	4,200,000
From the Grant Projects Fund to the Capital Projects Fund to fund a capital project with un-used grant match funds	125,000
From the Register of Deeds Automation Fund to the General Fund for reimbursement of automation related expenditures	196,050
From the County Capital Projects Fund to the General Fund to return project savings	2,037,471

(D) Fund Balance

Buncombe County has a revenue spending guideline 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 may 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 fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 82,290,062
Less:	
Nonspendable - prepaids	40,734
Restricted for stabilization by State statute	16,981,104
Restricted for capital projects	13,357
Committed for 2014 retirement incentives	2,340,038
Assigned for tax reappraisal	363,332
Appropriated fund balance in FY18 budget	8,678,762
Working capital policy	53,872,735
Remaining fund balance	<u><u>\$ -</u></u>

The County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures.

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The governmental fund encumbrance amounts are included in the stabilization of State statute amount reported in the above table. There were no encumbrances at June 30, 2018.

Net position restricted for capital projects on the government-wide statements does not equal the amount of fund balance restricted for capital projects on the governmental statements due to unspent bond proceeds in the amount of \$38,888,264.

Note 3 - Joint Ventures

The County, in conjunction with twenty-two other counties, participates in a joint venture to operate Vaya Health, a public managed care organization (“MCO”), which provided mental health, developmental disability, and substance abuse services to residents of the 23-county area. Buncombe County appoints one of the 21-member board and one of the 24-member advisory council, with the other counties appointing the remainder. The County has an ongoing financial responsibility for the Authority because it is legally required to provide public health services either directly or jointly with other counties. None of the participating governments have any equity interest in the Authority, 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 \$600,000 to the MCO to fund operations. Complete financial statements for Vaya Health may be obtained from their offices at 200 Ridgefield Court, Suite 206, Asheville, NC 28806.

The County, in conjunction with the State of North Carolina and the Buncombe County Board of Education and Madison County, participates in a joint venture to operate the Asheville-Buncombe Community College. The County, the Governor (on behalf of the State of North Carolina) and the Buncombe County Board of Education each appoint four members and Madison County appoints two members of the 15-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 facilities, the County periodically issues general obligation bonds and certificates of participation to provide financing for new and restructured facilities. Of the certificates of participation issued for this purpose \$74,793,244 in principal is still outstanding. Of the general obligations bonds issued for this purpose \$630,394 in principal is still outstanding. 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 \$6,280,000 to the community college for operating purposes during the fiscal year ended June 30, 2018. In addition, the County made principal and interest payments of \$90,186 during the fiscal year on general obligation bonds and \$8,967,596 on certificates of participation issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County’s financial statements at June 30, 2018. Complete financial statements for the community college may be obtained from the community college’s administrative offices at 340 Victoria Road, Asheville, NC 28801.

Furthermore, by authority of Article 46 of Chapter 105 of the North Carolina General Statutes and following a majority vote of an advisory referendum in the November 2011 elections, the Buncombe County Board of Commissioners adopted a resolution in December 2011 to levy a local sales and use tax at a rate of one-quarter percent (.25%) to be used exclusively for the stated capital improvement needs of the community college. For this purpose, the County has created a fund to manage the collections and related capital projects and debt service expenditures. In June 2017 the Buncombe County Board of Commissioners adopted a resolution to expand the use of the sales and use tax to include major maintenance and operational needs of the community college. As required by the Board

of Commissioners, the tax will sunset in 2029. All capital assets from this funding source will become the property of the community college and reflected on their financial statements once completed.

Note 4 - Jointly Governed Organizations

The County, in conjunction with three other counties and 15 municipalities, established the Land-of-Sky Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$118,482 to the Council during the fiscal year ended June 30, 2018.

The County appoints three members to the 12-member board of the Metropolitan Sewerage District of Buncombe County, North Carolina. The District owns, operates, and maintains a wastewater treatment plant and collector lines.

Note 5 - Summary Disclosure of Significant Commitments and 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 monies 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.

Note 6 - Benefit Payments Issued by the State

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

	Federal	State
Special Supplemental Nutrition Program for Women, Infants and Children	\$ 3,757,053	\$ -
Work First/TANF	558,650	(419)
AFDC	(1,307)	(358)
Low-Income Home Energy Assistance	958,800	-
Independent Living Grant/LINKS	97,297	
IV-E Foster Care	1,726,438	502,053
Adoption Assistance	1,719,668	416,151
Medical Assistance	209,743,834	108,342,158
State Children's Insurance Program	6,389,733	9,309
State/County Special Assistance for Adults	-	1,568,045
CWS Adoption Subsidy	-	1,061,185
Totals	\$ 224,950,166	\$ 111,898,124

Note 7 - Unrestricted Net Position

Under North Carolina law, the County is responsible for providing capital funding for the Buncombe County Board of Education, the Asheville City Board of Education (the school systems) and the Asheville-Buncombe Community College (the community college). The County has chosen to meet its legal obligation to provide school systems and community college capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County are owned and utilized by the school systems and the community college. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets.

At the end of the fiscal year, the outstanding balance of the debt was \$180,812,372 and \$75,423,638 for the school systems and community college, respectively. Of the cumulative amount, \$21,497,000 is general obligation debt, which is collateralized by the full faith, credit, and taxing power of the County. The County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay debt service on its general obligation bonds. The balance of the debt is installment debt and is collateralized by the assets purchased or constructed. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

Note 8 - Pledged Revenues

The County and the Town of Woodfin have pledged a portion of their future ad valorem tax revenues to repay the \$11,285,000 in Series 2014A limited obligation bonds issued in February 2014. This issuance refunded \$11,885,000 of Series 2008 Project Development Financing (PDF) Revenue Bonds that were used to finance the Woodfin Downtown project. The bond principal is payable from the incremental ad valorem tax revenues generated by increased property values in the refurbished district to the extent that these revenues are available. In the event that the incremental tax revenues are not sufficient to meet the debt service requirements, the Buncombe County general fund will advance the funds necessary to keep the debt service current. The Buncombe County general fund will then be reimbursed as additional incremental revenues become available in the future.

The total principal and interest amount remaining on the bonds is \$17,740,350 payable through June 2037. Total principal and interest payments on the Series 2014A limited obligation bonds from July 1, 2017 through June 30, 2018 were \$562,848. Accumulated tax revenue for the same period of time was \$491,248.

Note 9 - Consolidated PSAP Status

The County operates a 911 center for the County with the Buncombe County Sheriff and the Asheville Police Department. The NC 911 Board took the position that the County's 911 center is a co-located PSAP, but not a fully consolidated PSAP because the each dispatching unit is under different leadership. Based on NC legislation mandating that the NC 911 Board only provide funding for a single PSAP in a County, the NC 911 Board stated they will only fund 1/3 of the costs associated with the County's 911 center. The County and the other member agencies disagreed with the NC 911 Board's position regarding the classification of the County's call center as a co-located PSAP. In May of 2018, the 911 Board adopted a policy defining consolidation versus co-location. On July 1, 2018, the County EMS and Sheriff dispatch was consolidated under the County. As a result of the consolidation the County now receives funding for 2/3 of the costs associated with the County's 911 center. The Asheville Police Dispatch remains co-located. The County is in the process of obtaining Secondary PSAP funding from the 911 Board for the APD.

Note 10 - Changes in Accounting Principles/Correction of Errors

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 net OPEB liability and the effects on net position of contributions paid by the County to the OPEB Trust during the measurement period, as well as the removal of the net OPEB obligation. As a result, net position for the governmental and business-type activities decreased by \$124,973,759 and

\$1,559,175 respectively. The decrease in net position for business type activities includes a decrease in net position for the Solid Waste Disposal Fund of \$1,466,909 and a decrease in net position for the Inmate Commissary/Welfare fund of \$92,266. Additionally, net position for the Air Quality component unit decreased by \$735,984.

The previously reported Buncombe County Anticrime Task Force Agency Fund is now reported as part of the Drug Forfeitures Special Revenue Fund for consistency with internal accounting treatment. As a result, net position of governmental activities and fund balance of the other governmental funds increased by \$260,023.

Beginning net position for governmental activities has been restated for County capital projects that were complete as of June 30, 2017 but expensed or capitalized in the fiscal year ending June 30, 2018. As a result, net position for governmental activities decreased by \$2,507,895.

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Required Supplemental Financial Data

Buncombe County, North Carolina

Law Enforcement Officers' Special Separation Allowance

Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll

Local Governmental Employees' Retirement System

Schedules of County's Proportionate Share of Net Pension Liability (Asset) and County Contributions

Register of Deeds' Supplemental Pension Fund

Schedules of County's Proportionate Share of Net Pension Liability (Asset) and County Contributions

Healthcare Benefits Plan

Schedule of Changes in the Net OPEB Liability and Related Ratios

Schedule of County Contributions

Schedule of Investment Returns - OPEB

This section contains information required by generally accepted accounting principles



BUNCOMBE COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance

Schedules of Changes in Total Pension Liability and Total Pension Liability
as a Percentage of Covered Payroll

Schedule of Changes in Total Pension Liability

	<u>2018*</u>	<u>2017*</u>
Beginning balance	\$ 6,504,557	\$ 6,435,449
Changes for the year:		
Service cost at end of year	292,258	324,170
Interest	244,382	223,868
Change in benefit terms	-	-
Difference between expected and actual experience	(49,185)	-
Changes of assumptions and other inputs	431,353	(149,649)
Benefit payments	(346,831)	(329,281)
Other	-	-
Net changes	<u>571,977</u>	<u>69,108</u>
Ending balance of the total pension liability	<u>\$ 7,076,534</u>	<u>\$ 6,504,557</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total Pension Liability	\$ 7,076,534	\$ 6,504,557
Covered Payroll	13,226,166	13,727,850
Total pension liability as a percentage of covered payroll	53.50%	47.38%

Notes to the schedule:

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

Changes in actuarial assumptions or other inputs:

December 31, 2017 Measurement Date: The Municipal Bond Index Rate decreased from 3.86% to 3.16%.

December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%.

The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from 0.5% to 1.0%.

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

BUNCOMBE COUNTY, NORTH CAROLINA

Local Governmental Employees' Retirement System

Schedules of County's Proportionate Share of Net Pension Liability (Asset) and County Contributions

LAST FIVE FISCAL YEARS*

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	1.356%	1.367%	1.370%	1.263%	1.221%
County's proportion of the net pension liability (asset) \$	\$ 20,713,021	\$ 29,009,136	\$ 6,153,152	\$ (7,446,959)	\$ 14,714,123
County's covered payroll	\$ 80,696,295	\$ 78,543,481	\$ 78,653,953	\$ 72,997,430	\$ 69,413,042
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.67%	36.93%	7.82%	(10.20%)	21.20%
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.

County Contributions:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,437,477	\$ 5,974,471	\$ 5,289,811	\$ 5,552,865	\$ 5,140,387
Contributions in relation to the contractually required contribution	<u>6,437,477</u>	<u>5,974,471</u>	<u>5,289,811</u>	<u>5,552,865</u>	<u>5,140,387</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 85,410,896	\$ 80,696,295	\$ 78,543,481	\$ 78,653,953	\$ 72,997,430
Contributions as a percentage of covered payroll	7.54%	7.40%	6.73%	7.06%	7.04%

BUNCOMBE COUNTY, NORTH CAROLINA

Register of Deeds' Supplemental Pension Fund

Schedules of County's Proportionate Share of Net Pension Liability (Asset) and County Contributions

LAST FIVE FISCAL YEARS*

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	3.515%	3.466%	3.461%	3.148%	3.060%
County's proportion of the net pension liability (asset) \$	\$ (599,938)	\$ (648,037)	\$ (802,058)	\$ (713,609)	\$ (653,607)
County's covered payroll	\$ 90,779	\$ 88,376	\$ 82,865	\$ 79,564	\$ 79,564
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(660.88)%	(713.86)%	(920.32)%	(807.45)%	(788.76)%
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.

County Contributions:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 27,204	\$ 30,538	\$ 28,316	\$ 27,694	\$ 25,705
Contributions in relation to the contractually required contribution	<u>27,204</u>	<u>30,538</u>	<u>28,316</u>	<u>27,694</u>	<u>25,705</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 93,926	\$ 90,779	\$ 88,376	\$ 82,865	\$ 79,564
Contributions as a percentage of covered payroll	28.96%	33.64%	32.04%	33.42%	32.31%

BUNCOMBE COUNTY, NORTH CAROLINA
Healthcare Benefits Plan

Schedule of Changes in the Net OPEB Liability and Related Ratios

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost at end of year	\$ 5,127,940	\$ 5,732,800
Interest on the total OPEB liability	5,286,294	4,776,409
Changes of benefit terms	-	-
Difference between expected and actual experience	2,081,393	-
Changes of assumptions and other inputs	(8,668,680)	(13,287,300)
Benefit payments	<u>(7,680,277)</u>	<u>(6,781,911)</u>
Net change in total OPEB liability	(3,853,330)	(9,560,002)
Total OPEB liability, beginning of year	<u>151,468,212</u>	<u>161,028,214</u>
Total OPEB liability, end of year	<u><u>\$ 147,614,882</u></u>	<u><u>\$ 151,468,212</u></u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 8,680,277	\$ 8,781,911
Net investment income	1,502,685	1,971,359
Benefit payments	(7,680,277)	(6,781,911)
Administrative expense	-	(20,701)
Net change in plan fiduciary net position	<u>2,502,685</u>	<u>3,950,658</u>
Plan fiduciary net position, beginning of year	<u>19,589,731</u>	<u>15,639,073</u>
Plan fiduciary net position, end of year	<u><u>\$ 22,092,416</u></u>	<u><u>\$ 19,589,731</u></u>
County's net OPEB liability, end of year	<u><u>\$ 125,522,466</u></u>	<u><u>\$ 131,878,481</u></u>
	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 147,614,882	\$ 151,468,212
Plan fiduciary net position	<u>22,092,416</u>	<u>19,589,731</u>
Net OPEB liability	<u><u>\$ 125,522,466</u></u>	<u><u>\$ 131,878,481</u></u>
Plan fiduciary net position as a percentage of the Total OPEB liability	14.97%	12.93%
Covered employee payroll	\$ 66,348,252	\$ 66,348,252
County's net OPEB liability as a percentage of covered employee payroll	189.19%	198.77%

Notes to schedule:

Valuation date . Actuarially determined contribution rates were calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Changes to assumptions or other inputs . The single equivalent discount rate (SEIR) was increased from 3.58% to 3.97% to reflect the changes to the Municipal Bond Index Rate from 3.56% on the prior measurement date to 3.89% on the measurement date.

BUNCOMBE COUNTY, NORTH CAROLINA
Healthcare Benefits Plan

Schedule of County Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 7,322,456	\$ 7,301,754	\$ 7,965,901
Contributions in relation to the actuarially determined contribution	<u>8,680,277</u>	<u>8,781,911</u>	<u>7,245,617</u>
Annual contribution deficiency (excess)	(1,357,821)	(1,480,157)	720,284
Covered employee payroll	\$ 80,696,295	\$ 78,543,481	\$ 78,653,953
Actual contributions as a percentage of covered employee payroll	10.76%	11.18%	9.21%

Notes to schedule:

Valuation date. Actuarially determined contribution rates were calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates.

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years, closed
Asset valuation method	Market value of assets
Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law enforcement officers	3.50% - 7.35%
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	7.50%
Municipal Bond Index Rate	
Prior measurement date	3.56%
Measurement date	3.89%
Year FNP is projected to be depleted	
Prior measurement date	2019
Measurement date	2021
Health care cost trends	
Pre-medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

BUNCOMBE COUNTY, NORTH CAROLINA
Healthcare Benefits Plan

Schedule of Investment Returns - OPEB

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	7.64%	12.35%

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Combining and Individual Fund Statements and Schedules

Buncombe County, North Carolina



BUNCOMBE COUNTY, NORTH CAROLINA

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

General Fund

FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad Valorem Taxes:			
Taxes		\$ 195,231,982	
Penalties and interest		412,218	
Total	\$ 193,479,766	195,644,200	\$ 2,164,434
Local Option Sales Taxes:			
Article 39, one percent *		14,683,818	
Article 40, one-half of one percent		9,278,734	
Article 42, one-half of one percent		7,242,751	
Article 44, one-half of one percent		12,318	
Total	30,229,304	31,217,621	988,317
Other Taxes and Licenses:			
Deed stamp excise tax		4,926,463	
Video programming tax		1,461,470	
Privilege licenses		25,355	
Rental car tax		829,749	
Total	7,011,520	7,243,037	231,517
Unrestricted Intergovernmental:			
Payments in lieu of taxes		86,632	
Beer and wine tax		628,940	
Total	700,000	715,572	15,572
Restricted Intergovernmental:			
Federal, State, and other grants		41,022,167	
Mixed drink surcharge		770,134	
Court facilities fees		364,487	
ABC bottle taxes		113,660	
Total	52,505,396	42,270,448	(10,234,948)
Permits and Fees:			
Building permits and inspections		2,702,345	
Register of deeds		1,468,186	
Occupancy Tax Collection Fee		350,164	
Total	3,839,365	4,520,695	681,330
Sales and Services:			
Rents, concessions, and fees		3,119,857	
Jail fees		3,741,404	
Ambulance and rescue squad fees		5,959,351	
Recreation fees		181,081	
Other charges for services		3,721,106	
Total	16,724,703	16,722,799	(1,904)
Investment Earnings	500,000	1,380,935	880,935

* Shown net of 50% remitted directly to School Capital Commission

BUNCOMBE COUNTY, NORTH CAROLINA

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

General Fund

FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Miscellaneous	824,831	835,180	10,349
Total revenues	<u>305,814,885</u>	<u>300,550,487</u>	<u>(5,264,398)</u>
EXPENDITURES			
General Government:			
Governing Body:			
Salaries and employee benefits		985,711	
Other operating expenditures		177,609	
Program support		5,000	
Total		<u>1,168,320</u>	
County Manager:			
Salaries and employee benefits		1,058,608	
Other operating expenditures		166,758	
Program support		248,064	
Total		<u>1,473,430</u>	
Budget and Management Services			
Salaries and employee benefits		765,095	
Other operating expenditures		56,306	
Total		<u>821,401</u>	
Human Resources:			
Salaries and employee benefits		1,050,395	
Other operating expenditures		124,633	
Total		<u>1,175,028</u>	
Finance:			
Salaries and employee benefits		1,894,319	
Other operating expenditures		444,431	
Total		<u>2,338,750</u>	
Performance Management:			
Salaries and employee benefits		915,264	
Other operating expenditures		29,510	
Total		<u>944,774</u>	
Tax Assessment:			
Salaries and employee benefits		2,316,850	
Other operating expenditures		235,125	
Total		<u>2,551,975</u>	
Tax Collections:			
Salaries and employee benefits		1,203,243	
Other operating expenditures		690,070	
Total		<u>1,893,313</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Elections:			
Salaries and employee benefits		795,547	
Other operating expenditures		<u>1,021,962</u>	
Total		<u>1,817,509</u>	
Register of Deeds:			
Salaries and employee benefits		1,363,652	
Other operating expenditures		<u>2,596,750</u>	
Total		<u>3,960,402</u>	
Information Technology:			
Salaries and employee benefits		5,749,813	
Other operating expenditures		<u>5,209,556</u>	
Total		<u>10,959,369</u>	
General Government OPEB Contribution		<u>140,695</u>	
Total General Government	<u>31,742,099</u>	<u>29,244,966</u>	2,497,133
Public Safety:			
Justice Resource Center:			
Salaries and employee benefits		93,255	
Other operating expenditures		<u>803,748</u>	
Total		<u>897,003</u>	
Pretrial Release:			
Salaries and employee benefits		996,507	
Other operating expenditures		<u>88,839</u>	
Total		<u>1,085,346</u>	
ID Bureau and C.D.E.:			
Salaries and employee benefits		1,450,716	
Other operating expenditures		<u>91,926</u>	
Total		<u>1,542,642</u>	
Criminal Justice Information System:			
Salaries and employee benefits		795,338	
Other operating expenditures		<u>473,227</u>	
Total		<u>1,268,565</u>	
Sheriff:			
Salaries and employee benefits		19,559,738	
Other operating expenditures		1,906,638	
Program support		5,700	
Total		<u>21,472,076</u>	
Detention Center:			
Salaries and employee benefits		12,162,638	
Other operating expenditures		<u>3,337,028</u>	
Total		<u>15,499,666</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Emergency Services:			
Salaries and employee benefits		10,249,742	
Other operating expenditures		1,784,862	
Program support		6,810	
Total		<u>12,041,414</u>	
<i>Public Safety - continued:</i>			
Permits and Inspections:			
Salaries and employee benefits		2,029,793	
Other operating expenditures		248,987	
Total		<u>2,278,780</u>	
General Services:			
Salaries and employee benefits		3,169,695	
Other operating expenditures		3,743,178	
Capital outlay		43,764	
Total		<u>6,956,637</u>	
Fleet:			
Salaries and employee benefits		498,056	
Other operating expenditures		375,774	
Total		<u>873,830</u>	
Animal Services		<u>1,238,652</u>	
Public Safety Training Center:			
Salaries and employee benefits		347,852	
Other operating expenditures		252,534	
Total		<u>600,386</u>	
Public Safety OPEB Contribution		<u>365,098</u>	
Total Public Safety	<u>69,897,426</u>	<u>66,120,095</u>	3,777,331
Economic and Physical Development:			
Planning:			
Salaries and employee benefits		2,442,346	
Other operating expenditures		435,513	
Total		<u>2,877,859</u>	
Economic Development		<u>3,166,681</u>	
Community Funding		<u>271,000</u>	
Cooperative Extension:			
Salaries and employee benefits		5,969	
Other operating expenditures		333,602	
Total		<u>339,571</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Soil Conservation:			
Salaries and employee benefits		446,613	
Other operating expenditures		<u>47,661</u>	
Total		<u>494,274</u>	
Economic and Physical Development OPEB Contribution		<u>26,127</u>	
Total Economic and Physical Development	7,845,347	7,175,512	669,835
Human Services:			
Public Health:			
Salaries and employee benefits		10,592,447	
Other operating expenditures		5,525,040	
Program Support		<u>36,179</u>	
Total		<u>16,153,666</u>	
Social Services:			
Salaries and employee benefits		40,586,513	
Other operating expenditures		9,551,708	
Capital outlay		-	
Program support		<u>10,741,563</u>	
Total		<u>60,879,784</u>	
Veteran Services:			
Salaries and employee benefits		395,299	
Other operating expenditures		<u>18,953</u>	
Total		<u>414,252</u>	
Family Justice Center			
Salaries and employee benefits		119,808	
Other operating expenditures		42,085	
Program Support		-	
Total		<u>161,893</u>	
Behavioral Health:			
Other operating expenditures		370,093	
Program support		<u>600,000</u>	
Total		<u>970,093</u>	
Childcare Centers		<u>281,508</u>	
Community Funding		<u>5,318,362</u>	
Human Services OPEB Contribution		<u>411,152</u>	
Total Human Services	101,524,641	84,590,710	16,933,931

BUNCOMBE COUNTY, NORTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Cultural and Recreational:			
Library:			
Salaries and employee benefits		3,742,638	
Other operating expenditures		1,369,759	
Total		<u>5,112,397</u>	
Recreation:			
Salaries and employee benefits		1,117,149	
Other operating expenditures		483,333	
Program support		83,418	
Total		<u>1,683,900</u>	
Community Funding		<u>752,075</u>	
Culture and Recreational OPEB Contribution		<u>32,123</u>	
Total Cultural and Recreational	8,164,787	7,580,495	584,292
Education:			
Public schools:			
Current expenditures		74,207,534	
Pre-K		327,501	
Community college - current expenditures		<u>6,280,000</u>	
Total Education	80,957,604	80,815,035	142,569
Debt Service:			
Principal retirement		12,668,021	
Interest and fees		<u>8,819,150</u>	
Total Debt Service	24,133,577	21,487,171	2,646,406
Total expenditures	<u>324,265,481</u>	<u>297,013,984</u>	<u>27,251,497</u>
Revenues over (under) expenditures	<u>(18,450,596)</u>	<u>3,536,503</u>	<u>21,987,099</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers from other funds	11,123,709	8,033,521	(3,090,188)
Operating transfers to other funds	(7,062,917)	(6,961,472)	101,445
Sales of capital assets	120,000	96,810	(23,190)
Appropriated fund balance	<u>14,269,804</u>	<u>-</u>	<u>(14,269,804)</u>
Total other financing sources (uses)	<u>18,450,596</u>	<u>1,168,859</u>	<u>(17,281,737)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,705,362</u>	<u>\$ 4,705,362</u>
Fund balance, beginning of year		<u>77,584,700</u>	
Fund balance, end of year		<u>\$ 82,290,062</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

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

Public School Capital Needs Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018				Variance Positive (Negative)
	Project Authorization	Reported In Prior Years	Current Year	Total	
REVENUES					
Local option sales tax	\$ 32,331,337	\$ 24,695,240	\$ 19,534,805	\$ 44,230,045	\$ 11,898,708
Federal, State and other grants	1,279,360	1,246,405	187,622	1,434,027	154,667
Investment earnings	1,866,439	4,271,563	322,313	4,593,876	2,727,437
Total revenues	<u>35,477,136</u>	<u>30,213,208</u>	<u>20,044,740</u>	<u>50,257,948</u>	<u>14,780,812</u>
EXPENDITURES					
Capital outlay:					
Education:					
Buncombe County schools					
Sales tax projects	4,839,000	4,509,732	69,977	4,579,709	259,291
Bond projects	47,984,782	3,955,983	14,902,089	18,858,072	29,126,710
Asheville City schools					
Sales tax projects	100,000	-	-	-	100,000
Bond projects	34,274,809	2,234,732	23,878,967	26,113,699	8,161,110
Contingency	233,441	-	-	-	233,441
Total capital outlay	<u>87,432,032</u>	<u>10,700,447</u>	<u>38,851,033</u>	<u>49,551,480</u>	<u>37,880,552</u>
Debt service:					
Principal	37,374,956	25,832,192	11,262,760	37,094,952	280,004
Interest and fees	27,021,601	20,509,173	6,572,253	27,081,426	(59,825)
Total debt service	<u>64,396,557</u>	<u>46,341,365</u>	<u>17,835,013</u>	<u>64,176,378</u>	<u>220,179</u>
Total expenditures	<u>151,828,589</u>	<u>57,041,812</u>	<u>56,686,046</u>	<u>113,727,858</u>	<u>38,100,731</u>
Revenues (under) expenditures	<u>(116,351,453)</u>	<u>(26,828,604)</u>	<u>(36,641,306)</u>	<u>(63,469,910)</u>	<u>52,881,543</u>
OTHER FINANCING SOURCES					
Installment obligations issued - projects	71,809,591	-	54,730,000	54,730,000	(17,079,591)
Premium on installment obligations	-	-	6,371,796	6,371,796	6,371,796
Prior year revenues and transfers	44,541,862	48,966,796	-	48,966,796	4,424,934
Total other financing sources	<u>116,351,453</u>	<u>48,966,796</u>	<u>61,101,796</u>	<u>110,068,592</u>	<u>(6,282,861)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 22,138,192</u>	<u>24,460,490</u>	<u>\$ 46,598,682</u>	<u>\$ 46,598,682</u>
Fund balance, beginning of year			<u>22,138,192</u>		
Fund balance, end of year			<u>\$ 46,598,682</u>		

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 AB Tech Capital Projects Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018			Total	Variance Positive (Negative)
	Project Authorization	Reported in Prior Years	Current Year		
REVENUES					
Local option sales taxes	\$ 45,597,730	\$ 46,593,926	\$ 13,147,672	\$ 59,741,598	\$ 14,143,868
Restricted intergovernmental	172,526	169,333	42,526	211,859	39,333
Investment earnings	352,699	391,523	295,927	687,450	334,751
Total revenues	<u>46,122,955</u>	<u>47,154,782</u>	<u>13,486,125</u>	<u>60,640,907</u>	<u>14,517,952</u>
EXPENDITURES					
Community College	6,945,000	391,634	1,205,340	1,596,974	5,348,026
Debt service:					
Principal retirement	17,394,745	11,011,694	5,049,786	16,061,480	1,333,265
Interest and fees	13,731,289	9,615,792	4,012,096	13,627,888	103,401
Total expenditures	<u>38,071,034</u>	<u>21,019,120</u>	<u>10,267,222</u>	<u>31,286,342</u>	<u>6,784,692</u>
Revenues over expenditures	<u>8,051,921</u>	<u>26,135,662</u>	<u>3,218,903</u>	<u>29,354,565</u>	<u>21,302,644</u>
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	(9,358,868)	(2,329,654)	(5,800,000)	(8,129,654)	1,229,214
Transfers from other funds	1,520,000	-	1,520,000	1,520,000	-
Budgetary Contingency	(213,053)	-	-	-	213,053
Prior year revenues	-	-	-	-	-
Total other financing sources (uses)	<u>(8,051,921)</u>	<u>(2,329,654)</u>	<u>(4,280,000)</u>	<u>(6,609,654)</u>	<u>1,442,267</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 23,806,008</u>	<u>(1,061,097)</u>	<u>\$ 22,744,911</u>	<u>\$ 22,744,911</u>
Fund balance, beginning of year			<u>23,806,008</u>		
Fund balance, end of year				<u>\$ 22,744,911</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

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

Public Schools ADM Sales Tax and Lottery Project Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018			Total	Variance Positive (Negative)
	Project Authorization	Reported In Prior Years	Current Year		
REVENUES					
Local option sales taxes	\$ 28,579,160	\$ 13,859,442	14,840,727	\$ 28,700,169	\$ 121,009
Restricted intergovernmental	8,353,362	1,686,303	3,190,460	4,876,763	(3,476,599)
Total revenues	<u>36,932,522</u>	<u>15,545,745</u>	<u>18,031,187</u>	<u>33,576,932</u>	<u>(3,355,590)</u>
EXPENDITURES					
Capital outlay:					
Education:					
Buncombe County schools					
Sales tax projects	24,119,979	11,725,087	12,498,861	24,223,948	(103,969)
Lottery projects	6,810,000	1,686,303	3,190,460	4,876,763	1,933,237
Asheville City schools					
Sales tax projects	4,459,181	2,134,355	2,341,880	4,476,235	(17,054)
Lottery projects	1,543,362	-	-	-	1,543,362
Total capital outlay	<u>36,932,522</u>	<u>15,545,745</u>	<u>18,031,201</u>	<u>33,576,946</u>	<u>3,355,576</u>
Revenues under expenditures	-	-	(14)	(14)	(14)
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ (14)</u>		

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Combining Statements and Schedules for Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Districts Volunteer Fire Departments Fund

The County's Board of Commissioners serves as the tax levying body for 21 special fire protection districts. These districts are areas of the County, not legally separate districts. Taxes levied and collected on behalf of these districts are distributed to volunteer fire departments serving the respective districts under contracts. These transactions are accounted for in this fund.

Emergency Telephone System Fund

This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.

Register of Deeds Automation Fund

This fund was established in accordance with North Carolina law to account for the accumulation of Register of Deeds fees to be used for future automation projects.

Grant Projects Fund

This fund was established to account for revenues received from multi-year grants and related expenditures.

Transportation Fund

This fund was established to account for all revenues and related expenditures of a public transportation program.

Drug Forfeitures Fund

This fund accounts for forfeiture and controlled substance tax earmarked for the Sheriff's department.

PDF Woodfin Downtown Fund

This fund accounts for a portion of County and Town of Woodfin ad valorem tax revenues pledged to meet the debt service requirements related to the Woodfin Downtown project.

Buncombe County Service Foundation

This non-profit organization is a component unit of the County. The Foundation's purpose is to support and improve access to wellness, recreation, health and community services by building partnerships throughout Buncombe County.

CAPITAL PROJECTS FUNDS:

Special Projects Capital Projects

This fund is used to account for special projects that may not necessarily result in a capital asset for the County.

County Capital Projects

This fund is used to account for capital asset construction from general government resources and financing. Assets constructed from this fund will be owned by the County.

BUNCOMBE COUNTY, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Governmental Funds

JUNE 30, 2018

	Special Revenue Funds				
	Special Districts		Emergency Telephone System	Register of Deeds Automation	Grant Projects
	Volunteer Fire Departments				
ASSETS					
Cash and cash equivalents	\$ 869,383	\$ 2,431,224	\$ 207,500	\$ 2,155,857	
Restricted cash and cash equivalents	-	-	-	-	
Receivables (net):					
Taxes receivable	22,823	12,148	244	49	
Accounts receivable	-	83,204	-	-	
Due from other governments	1,685,229	-	-	6,781	
Long-term receivables	-	-	-	-	
Total assets	\$ 2,577,435	\$ 2,526,576	\$ 207,744	\$ 2,162,687	
LIABILITIES					
Accounts payable	\$ 2,554,612	\$ 36,945	\$ -	\$ 155,702	
Payable from restricted cash	-	-	-	-	
Miscellaneous liabilities	-	-	-	-	
Due to general fund	-	-	-	1,645,812	
Due to component unit	-	-	-	-	
Total liabilities	2,554,612	36,945	-	1,801,514	
DEFERRED INFLOWS OF RESOURCES	22,823	-	-	-	
FUND BALANCES					
Nonspendable	-	-	-	-	
Restricted for:					
Stabilization by State statute	-	95,352	244	6,830	
Register of deeds	-	-	207,500	-	
Public safety	-	2,394,279	-	-	
Grant projects	-	-	-	354,343	
Capital projects	-	-	-	-	
Human Services	-	-	-	-	
Assigned	-	-	-	-	
Unassigned	-	-	-	-	
Total fund balances	-	2,489,631	207,744	361,173	
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,577,435	\$ 2,526,576	\$ 207,744	\$ 2,162,687	

Special Revenue Funds Continued				Capital Project Funds			Total Nonmajor Governmental Funds
Transportation	Drug Forfeitures	PDF Woodfin Downtown	BC Service Foundation	Special Projects	County Capital Projects		
\$ 342,051	\$ 689,620	\$ 1,249	\$ 362,067	\$ 10,978,269	\$ 6,175,514	\$ 24,212,734	
-	-	-	-	-	9,041,597	9,041,597	
158	1,473	-	-	-	180,349	217,244	
2,726	-	-	56	-	-	85,986	
475,670	-	-	-	-	-	2,167,680	
-	-	-	-	2,286,174	-	2,286,174	
\$ 820,605	\$ 691,093	\$ 1,249	\$ 362,123	\$ 13,264,443	\$ 15,397,460	\$ 38,011,415	
\$ 573,186	\$ 23,021	\$ 1,249	\$ 216,248	\$ 78,686	\$ 407,325	\$ 4,046,974	
-	-	-	-	-	67,637	67,637	
-	-	-	-	2,049,686	264,681	2,314,367	
-	-	-	-	-	-	1,645,812	
-	-	-	-	-	-	-	
573,186	23,021	1,249	216,248	2,128,372	739,643	8,074,790	
-	-	-	-	-	-	22,823	
-	-	-	-	2,286,174	-	2,286,174	
247,419	1,473	-	56	-	180,349	531,723	
-	-	-	-	-	-	207,500	
-	666,599	-	-	-	-	3,060,878	
-	-	-	-	-	-	354,343	
-	-	-	-	-	9,041,597	9,041,597	
-	-	-	145,819	-	-	145,819	
-	-	-	-	8,849,897	5,435,871	14,285,768	
-	-	-	-	-	-	-	
247,419	668,072	-	145,875	11,136,071	14,657,817	29,913,802	
\$ 820,605	\$ 691,093	\$ 1,249	\$ 362,123	\$ 13,264,443	\$ 15,397,460	\$ 38,011,415	

BUNCOMBE COUNTY, NORTH CAROLINA

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

Nonmajor Governmental Funds

FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Special Districts	Emergency Telephone System	Register of Deeds Automation	Grant Projects
	Volunteer Fire Departments			
REVENUES				
Ad valorem taxes	\$ 20,442,791	\$ -	\$ -	\$ -
Incremental tax revenue	-	-	-	-
Local option sales taxes	6,223,948	-	-	-
Permits and fees	-	-	143,701	-
Other taxes and licenses	-	-	-	-
Restricted intergovernmental	-	998,463	-	2,223,535
Sales and services	-	-	-	18,858
Investment earnings	-	23,091	1,514	-
Miscellaneous	-	-	-	-
Total revenues	26,666,739	1,021,554	145,215	2,242,393
EXPENDITURES				
Current:				
General government	-	-	3,500	-
Public safety	26,666,739	595,063	-	1,240,049
Economic and physical development	-	-	-	808,468
Human services	-	-	-	382,555
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	26,666,739	595,063	3,500	2,431,072
Revenues over (under) expenditures	-	426,491	141,715	(188,679)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	227,104
Transfers to other funds	-	-	(196,050)	(125,000)
Sale of assets	-	-	-	-
Total other financing sources (uses)	-	-	(196,050)	102,104
Net change in fund balances	-	426,491	(54,335)	(86,575)
Fund balances, beginning of year, as originally reported	-	2,063,140	262,079	447,748
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	-	2,063,140	262,079	447,748
Fund balances, end of year	\$ -	\$ 2,489,631	\$ 207,744	\$ 361,173

Special Revenue Funds Continued				Capital Project Funds			Total Nonmajor Governmental Funds
Transportation	Drug Forfeitures	PDF Woodfin Downtown	BC Service Foundation	Special Projects	County Capital Projects		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,442,791	
-	-	491,248	-	-	-	491,248	
-	-	-	-	-	-	6,223,948	
-	-	-	-	-	-	143,701	
-	-	-	-	-	-	-	
1,948,376	284,736	10,447	1,310,039	214,595	-	6,990,191	
-	-	-	-	1,318,400	-	1,337,258	
-	5,686	-	7,779	-	198,489	236,559	
23,285	-	-	14,272	856,400	-	893,957	
1,971,661	290,422	501,695	1,332,090	2,389,395	198,489	36,759,653	
-	-	-	-	-	-	3,500	
-	158,403	-	-	-	-	28,660,254	
-	-	-	-	425,405	-	1,233,873	
3,328,198	-	-	2,100,020	-	-	5,810,773	
117,268	-	-	-	621,843	15,637,750	16,376,861	
-	-	40,000	-	-	-	40,000	
-	-	522,848	-	-	-	522,848	
3,445,466	158,403	562,848	2,100,020	1,047,248	15,637,750	52,648,109	
(1,473,805)	132,019	(61,153)	(767,930)	1,342,147	(15,439,261)	(15,888,456)	
1,539,655	-	20,837	-	6,923,048	1,121,678	9,832,322	
(65,850)	-	-	-	-	(6,237,471)	(6,624,371)	
-	-	-	-	-	573,685	573,685	
1,473,805	-	20,837	-	6,923,048	(4,542,108)	3,781,636	
-	132,019	(40,316)	(767,930)	8,265,195	(19,981,369)	(12,106,820)	
247,419	276,030	40,316	913,805	2,870,876	34,639,186	41,760,599	
-	260,023	-	-	-	-	260,023	
247,419	536,053	40,316	913,805	2,870,876	34,639,186	42,020,622	
\$ 247,419	\$ 668,072	\$ -	\$ 145,875	\$ 11,136,071	\$ 14,657,817	\$ 29,913,802	

BUNCOMBE COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Districts Volunteer Fire Departments Fund*

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes		\$ 20,442,791	
Local option sales taxes		6,223,948	
Total revenues	<u>\$ 28,184,038</u>	<u>26,666,739</u>	<u>\$ (1,517,299)</u>
EXPENDITURES			
Current:			
Public safety:			
Contract payments to			
Volunteer fire departments		26,666,739	
Total expenditures	<u>28,184,038</u>	<u>26,666,739</u>	<u>1,517,299</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ -</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Emergency Telephone System Fund*

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental		\$ 998,463	
Investment earnings		23,091	
Total revenues	<u>\$ 1,008,463</u>	<u>1,021,554</u>	<u>\$ 13,091</u>
EXPENDITURES			
Current:			
Public safety:			
Phone and furniture		135,162	
Software maintenance		124,600	
Hardware maintenance		52,263	
Training		3,092	
Implemental functions		279,946	
Total expenditures	<u>1,627,500</u>	<u>595,063</u>	<u>1,032,437</u>
Revenues under expenditures	<u>(619,037)</u>	<u>426,491</u>	<u>1,045,528</u>
OTHER FINANCING SOURCES			
Appropriated fund balance	619,037	-	(619,037)
Total other financing sources	<u>619,037</u>	<u>-</u>	<u>(619,037)</u>
Net change in fund balance	<u>\$ -</u>	426,491	<u>\$ 426,491</u>
Fund balance, beginning of year		<u>2,063,140</u>	
Fund balance, end of year		<u>\$ 2,489,631</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Register of Deeds Automation Fund*

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Permits and fees		\$ 143,701	
Investment earnings		1,514	
Total revenues	\$ 3,305	145,215	\$ 141,910
EXPENDITURES			
Current:			
General government:			
Other operating expenditures		3,500	
Total expenditures	87,180	3,500	83,680
Revenues over (under) expenditures	(83,875)	141,715	225,590
OTHER FINANCING SOURCES (USES)			
Appropriated fund balance	128,230	-	(128,230)
Transfer to general fund	(196,050)	(196,050)	-
Total other financing sources (uses)	(67,820)	(196,050)	(128,230)
Net change in fund balance	<u>\$ (151,695)</u>	(54,335)	<u>\$ 97,360</u>
Fund balance, beginning of year		<u>262,079</u>	
Fund balance, end of year		<u>\$ 207,744</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Grant Projects Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018				Variance Positive (Negative)
	Project Budget	Reported In Prior Years	Current Year	Total	
REVENUES					
Restricted intergovernmental	\$ 7,322,539	\$ 3,239,886	\$ 2,223,535	\$ 5,463,421	\$ (1,859,118)
Sales and services	154,426	130,925	18,858	149,783	(4,643)
Total revenues	<u>7,476,965</u>	<u>3,370,811</u>	<u>2,242,393</u>	<u>5,613,204</u>	<u>(1,863,761)</u>
EXPENDITURES					
Public safety	4,511,895	1,873,915	1,240,049	3,113,964	1,397,931
Economic and physical development	406,177	13,921	808,468	822,389	(416,212)
Human services	3,316,294	2,165,831	382,555	2,548,386	767,908
Total expenditures	<u>8,234,366</u>	<u>4,053,667</u>	<u>2,431,072</u>	<u>6,484,739</u>	<u>1,749,627</u>
Revenues under expenditures	<u>(757,401)</u>	<u>(682,856)</u>	<u>(188,679)</u>	<u>(871,535)</u>	<u>(114,134)</u>
OTHER FINANCING SOURCES (USES)					
Prior year revenues	439,017	458,458	-	458,458	19,441
Transfer from other funds	443,384	672,146	227,104	899,250	455,866
Transfer to other funds	(125,000)		(125,000)	(125,000)	-
Total other financing sources (uses)	<u>757,401</u>	<u>1,130,604</u>	<u>102,104</u>	<u>1,232,708</u>	<u>475,307</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 447,748</u>	<u>(86,575)</u>	<u>\$ 361,173</u>	<u>\$ 361,173</u>
Fund balance, beginning of year			<u>447,748</u>		
Fund balance, end of year			<u>\$ 361,173</u>		

BUNCOMBE COUNTY, NORTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental		\$ 1,948,376	
Miscellaneous		23,285	
Total revenues	\$ 2,663,577	1,971,661	\$ (691,916)
EXPENDITURES			
Current:			
Human services:			
Salaries and benefits		34,668	
Other operating expenditures		3,293,530	
Capital outlay		117,268	
Total expenditures	4,241,008	3,445,466	795,542
Revenues under expenditures	(1,577,431)	(1,473,805)	103,626
OTHER FINANCING SOURCES (USES)			
Appropriated fund balance	2,033	-	(2,033)
Transfer from general fund	1,641,248	1,539,655	(101,593)
Transfer to grant projects	(65,850)	(65,850)	-
Total other financing sources (uses)	1,577,431	1,473,805	(103,626)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning of year		247,419	
Fund balance, end of year		\$ 247,419	

BUNCOMBE COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Drug Forfeitures*

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental		\$ 284,736	
Restricted investment earnings		5,686	
Total revenues	<u>\$ 631,712</u>	<u>290,422</u>	<u>\$ (341,290)</u>
EXPENDITURES			
Current:			
Public safety:			
Operating expenditures		158,403	
Capital outlay		-	
Total expenditures	<u>631,712</u>	<u>158,403</u>	<u>473,309</u>
Revenues over expenditures	<u>-</u>	<u>132,019</u>	<u>132,019</u>
Net change in fund balance	<u>\$ -</u>	<u>132,019</u>	<u>\$ 132,019</u>
Fund balance, beginning of year, as originally reported		276,030	
Restatement		<u>260,023</u>	
Fund balance, beginning of year, as restated		<u>536,053</u>	
Fund balance, end of year		<u>\$ 668,072</u>	

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 PDF Woodfin Downtown Fund

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Incremental tax revenue		\$ 491,248	
Restricted intergovernmental		10,447	
Total revenues	\$ 574,950	501,695	\$ (73,255)
EXPENDITURES			
Debt service:			
Principal retirement		40,000	
Interest and fees		522,848	
Total expenditures	574,950	562,848	12,102
Revenues under expenditures	-	(61,153)	(61,153)
OTHER FINANCING SOURCES			
Transfer from general fund		20,837	20,837
Net change in fund balance	\$ -	(40,316)	\$ (40,316)
Fund balance, beginning of year		40,316	
Fund balance, end of year		\$ -	

BUNCOMBE COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Buncombe County Service Foundation
Blended Component Unit*

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental		1,310,039	
Investment earnings		14,272	
Miscellaneous		7,779	
Total revenues	\$ 1,311,246	1,332,090	\$ 20,844
EXPENDITURES			
Current			
Human Services:			
Operating Expenditures	2,182,831	2,100,020	
Total expenditures	2,182,831	2,100,020	82,811
Revenues under expenditures	(871,585)	(767,930)	103,655
OTHER FINANCING SOURCES			
Appropriated fund balance	871,585	-	(871,585)
Net change in fund balance	\$ -	(767,930)	\$ (767,930)
Fund balance, beginning of year		913,805	
Fund balance, end of year		\$ 145,875	

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Projects Capital Projects Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018			Variance Positive (Negative)	
	Project Budget	Reported in Prior Years	Current Year		Total
REVENUES					
Restricted intergovernmental	\$ 4,152,004	\$ 4,055,961	214,595	\$ 4,270,556	\$ 118,552
Sales and services	-	434,705	1,318,400	1,753,105	1,753,105
Miscellaneous	1,000	730	-	730	(270)
Total revenues	4,153,004	4,491,396	1,532,995	6,024,391	1,871,387
EXPENDITURES					
Current:					
Economic and physical development	-	-	425,405	425,405	(425,405)
Capital outlay:					
Housing:					
Home FY16	75,000	-	-	-	75,000
Home FY17	75,000	-	-	-	75,000
Home FY18	26,733	-	-	-	26,733
Home Program Income	147,769	126,288	-	126,288	21,481
MHO Eagle Street	2,000,000	-	-	-	2,000,000
Housing trust:					
Housing Trust FY09	300,000	286,637	7,993	294,630	5,370
Housing Trust FY16	299,250	-	5,984	5,984	293,266
Housing Trust FY17	250,000	-	23,507	23,507	226,493
Housing Trust FY18	250,000	-	37,998	37,998	212,002
Housing Trust FY19	86,350	-	-	-	86,350
Housing Trust Program	1,011,443	-	28,589	28,589	982,854
Housing Trust Program Income	531,543	-	406,854	406,854	124,689
Manufactured Homes Disposal	98,500	33,214	54,695	87,909	10,591
Energy Initiatives	148,142	23,874	34,156	58,030	90,112

Continued on next page

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Projects Capital Projects Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018			Variance Positive (Negative)	
	Project Budget	Reported in Prior Years	Current Year		Total
<i>Expenditures continued</i>					
Soil conservation	\$ 5,127,992	\$ 466,836	\$ 22,067	\$ 488,903	\$ 4,639,089
Closed projects	(1,560,693)	(58,082)	-	(58,080)	(1,502,613)
Total expenditures	8,867,029	878,767	1,047,248	1,926,017	6,941,012
Revenues over (under) expenditures	(4,714,025)	3,612,629	485,747	4,098,374	8,812,399
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	5,039,025	153,477	6,923,048	7,076,525	2,037,500
Transfer to other funds	(2,325,000)	(2,325,000)	-	(2,325,000)	-
Appropriated fund balance	2,000,000	-	-	-	(2,000,000)
Total other financing sources (uses)	4,714,025	(2,171,523)	6,923,048	4,751,525	37,500
Revenues and other sources over expenditures and other uses	\$ -	\$ 1,441,106	7,408,795	\$ 8,849,899	\$ 8,849,899
Reconciliation from budgetary basis (modified accrual) to full accrual:					
Reconciling items:					
Net collections on long-term loans			856,400		
Total reconciling items			856,400		
Change in fund balance			\$ 8,265,195		

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
County Capital Projects Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018				Variance Positive (Negative)
	Project Authorization	Reported In Prior Years	Current Year	Total	
REVENUES					
Contributions and grants	\$ 111,072	\$ -	\$ -	\$ -	\$ (111,072)
Investment earnings	620,093	537,954	198,489	736,443	116,350
Total revenues	731,165	537,954	198,489	736,443	5,278
EXPENDITURES					
Capital outlay:					
50 Coxe Renovations	1,000,000	-	26,130	26,130	973,870
ADA Accessible Playground Equipment	188,254	-	10,145	10,145	178,109
Beech Community Center Roof Repair	22,475	-	22,475	22,475	-
Buncombe County Health Clinic	1,500,000	-	71,218	71,218	1,428,782
Business Systems Improvement	5,116,657	1,745,735	2,671,396	4,417,131	699,526
C3 at 356 Biltmore Avenue	1,086,507	843,906	137,582	981,488	105,019
Carbon Reduction Measures FY18	181,355	-	51,007	51,007	130,348
Contract Management Software	92,000	-	-	-	92,000
County Buildings Major Maintenance	4,861,270	4,272,648	383,205	4,655,853	205,417
Courthouse Art	10,000	-	10,000	10,000	-
Courthouse Exterior Renovations	2,850,783	-	22,617	22,617	2,828,166
Detention Center Cooling Tower Replacement	235,400	-	16,500	16,500	218,900
East Asheville Library	111,072	-	55,218	55,218	55,854
Enka Library Renovations	300,000	-	36,608	36,608	263,392
Erwin Pool Resurfacing	55,000	-	44,650	44,650	10,350
First Floor Renovations and Meeting Rooms	1,000,000	-	34,012	34,012	965,988
General Government Vehicles	453,586	6,555	157,309	163,864	289,722
Human Services Building Expansion	43,213,331	32,538,052	9,031,127	41,569,179	1,644,152
IT Redundant Network Configuration	1,000,000	460,070	322,596	782,666	217,334
IT Storage Equipment Needs	1,148,046	-	238,528	238,528	909,518
Lake Julian Park Expansion	196,877	176,284	20,592	196,876	1
Mitel Phone System Upgrade	95,204	-	-	-	95,204
Orchard Street Park	100,000	-	-	-	100,000
Public Safety Vehicles	2,640,758	225,432	2,119,965	2,345,397	295,361
Roofing Projects	88,000	-	6,000	6,000	82,000
Sheriff Vehicles	-	-	27,630	27,630	(27,630)
Sidewalks - General	82,000	-	-	-	82,000
Technology Upgrade	1,359,802	-	-	-	1,359,802
Warren Wilson Pool	300,000	-	-	-	300,000
Woodfin Greenway	132,000	-	121,239	121,239	10,761
Woodfin Greenway - TDA Grant	2,250,000	-	-	-	2,250,000
Zeugner Pool Operations & Maintenance	40,625	-	-	-	40,625
Closed Projects	(1,170,521)	(261,003)	-	(261,003)	(909,518)
Total capital outlay	70,540,481	40,007,678	15,637,750	55,645,428	14,895,053
Debt service:					
Interest and fees	4,649,994	4,649,994	-	4,649,994	-
Total expenditures	75,190,475	44,657,672	15,637,750	60,295,422	14,895,053
Revenues under expenditures	(74,459,310)	(44,119,718)	(15,439,261)	(59,558,979)	14,900,331

Continued on next page

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
County Capital Projects Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018				Variance Positive (Negative)
	Project Authorization	Reported In Prior Years	Current Year	Total	
OTHER FINANCING SOURCES (USES)					
Prior year revenues	\$ 80,026,406	\$ 77,298,776	\$ -	\$ 77,298,776	\$ (2,727,630)
Transfers from other funds	3,381,063	2,259,385	1,121,678	3,381,063	-
Transfer to other funds	(7,036,728)	(799,257)	(6,237,471)	(7,036,728)	-
Contingency	(1,911,431)	-	-	-	1,911,431
Sale of capital assets	-	-	573,685	573,685	573,685
Total other financing sources (uses)	<u>74,459,310</u>	<u>78,758,904</u>	<u>(4,542,108)</u>	<u>74,216,796</u>	<u>(242,514)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 34,639,186</u>	<u>(19,981,369)</u>	<u>\$ 14,657,817</u>	<u>\$ 14,657,817</u>
Fund balance, beginning of year			<u>34,639,186</u>		
Fund balance, end of year			<u>\$ 14,657,817</u>		



*Schedules of Revenues and Expenditures - Budget and Actual (Non-GAAP)
for Enterprise Funds*

Solid Waste Disposal Fund

This fund accounts for the revenues and expenditures associated with the Construction & Demolition landfill, Municipal Solid Waste landfill, transfer station, and the County's old landfill.

Landfill Capital Projects Fund

This fund was created to account for the capital projects associated with the solid waste program.

Inmate Commissary/Welfare Fund

This fund is used to offset the daily personal and incidental needs of inmates. Revenue is generated by telephone concessions and family contributions.

BUNCOMBE COUNTY, NORTH CAROLINA

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

Solid Waste Disposal Fund

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Tipping fees		\$ 7,420,094	
Service charges and other revenues		906,310	
Intergovernmental revenues		631,261	
Total operating revenues	\$ 9,769,389	8,957,665	\$ (811,724)
Nonoperating revenues:			
Investment earnings	40,000	228,152	188,152
Total revenues	9,809,389	9,185,817	(623,572)
EXPENDITURES			
Landfill:			
Salaries, wages, and fringe benefits		399,517	
Maintenance and repairs		388,676	
Contracted services		1,175,346	
Other operating expenses		1,308,977	
Landfill closure and postclosure care costs		13,728	
Total landfill		3,286,244	
Transfer station:			
Salaries, wages, and fringe benefits		302,035	
Maintenance and repairs		60,375	
Contracted services		2,137	
Other operating expenses		304,191	
Total transfer station		668,738	
Landfill gas to energy project:			
Salaries, wages, and fringe benefits		19,670	
Maintenance and repairs		264,505	
Contracted services		42,000	
Other operating expenses		3,463	
Total landfill gas to energy project		329,638	
Debt service:			
Principal retirement		280,000	
Interest and fees		52,806	
Total debt service		332,806	
Total expenditures	6,999,710	4,617,426	2,382,284
Revenues over (under) expenditures	2,809,679	4,568,391	1,758,712

Continued on next page

BUNCOMBE COUNTY, NORTH CAROLINA

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

Solid Waste Disposal Fund

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfer to solid waste capital projects	\$ (2,809,679)	\$ (2,809,679)	\$ -
Sale of capital assets	-	6,039	6,039
Total other financing sources (uses)	<u>(2,809,679)</u>	<u>(2,803,640)</u>	<u>6,039</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>1,764,751</u>	<u>\$ 1,764,751</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Reconciling items:

Debt principal	280,000
Decrease in accrued interest	777
Amortization of installment note premium	30,126
Contributions to the pension plan in the current fiscal year	189,750
Increase in accrued compensated absences	(40,298)
Increase in other postemployment benefits liability	(1,392,383)
Pension expense	68,371
Decrease in accrued landfill closure and postclosure care costs	(4,283,298)
Depreciation	(2,146,921)
Transfer to landfill capital projects	2,809,679
Total reconciling items	<u>(4,484,197)</u>
Change in net position	<u>\$ (2,719,446)</u>

BUNCOMBE COUNTY, NORTH CAROLINA

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

Landfill Capital Projects Fund

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Actual to June 30, 2018				Variance Positive (Negative)
	Project Authorization	Reported in Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Engineering cell 7	566,000	565,308	-	565,308	692
Phase 5 C&D landfill	58,801	53,900	4,900	58,800	
Phase 6 C&D landfill	1,814,461	226,573	175,364	401,937	1,412,524
Subtitle D vertical expansion	765,192	283,210	98,798	382,008	383,184
Solid waste transfer facility	10,476,679	274,682	6,788,708	7,063,390	3,413,289
Contingency	95,780	-	-	-	95,780
Total expenditures	13,776,913	1,403,673	7,067,770	8,471,443	5,305,469
Revenues under expenditures	(13,776,913)	(1,403,673)	(7,067,770)	(8,471,443)	5,305,470
OTHER FINANCING SOURCES					
Transfer from solid waste	11,009,679	8,200,000	2,809,679	11,009,679	-
Prior year revenues	2,767,234	2,750,030	-	2,750,030	(17,204)
Total other financing sources	13,776,913	10,950,030	2,809,679	13,759,709	(17,204)
Revenues and other sources over expenditures	\$ -	\$ 9,546,357	\$ (4,258,091)	\$ 5,288,266	\$ 5,288,266

BUNCOMBE COUNTY, NORTH CAROLINA

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

Inmate Commissary/Welfare Fund

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Commissary concessions		\$ 250,116	
Telephone concessions		262,317	
Total operating revenues		<u>512,433</u>	
Nonoperating revenues:			
Investment earnings		<u>6,440</u>	
Total revenues	\$ 358,713	518,873	\$ 160,160
EXPENDITURES			
Salaries, wages, and fringe benefits		27,279	
Contracted services		261,897	
Cost of products sold		131,298	
Other operating expenditures		<u>24,707</u>	
Total expenditures	814,577	445,181	369,396
Revenues over (under) expenditures	(455,864)	73,692	529,556
OTHER FINANCING SOURCES			
Appropriated fund balance	455,864	-	(455,864)
Total other financing sources	455,864	-	(455,864)
Revenues and other sources over expenditures	<u>\$ -</u>	73,692	<u>\$ 73,692</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Depreciation		(8,092)	
Contributions to the pension plan in the current fiscal year		11,891	
Increase in accrued compensated absences		(1,161)	
Increase in other postemployment benefits		(87,596)	
Pension expense		4,285	
Total reconciling items		<u>(80,673)</u>	
Change in net position		<u>\$ (6,981)</u>	



*Schedules and Combining Statements for
Internal Service Fund, Agency Funds, and Component Unit*

INTERNAL SERVICE FUND

Insurance Fund

This fund accounts for the revenues and expenditures related to insurance and well-being programs associated with County employees and retirees. This fund includes health-related costs, workman's compensation costs, and expenses related to other postemployment benefits.

AGENCY FUNDS

Inmate Trust Fund

This fund accounts for the revenues and expenditures of activity funds belonging to inmates during their period of incarceration.

General Agency Accounts

This fund accounts for ad valorem and local option sales taxes collected for other taxing units as well as the \$6.20 of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Social Services Fund

This fund accounts for monies deposited with the Department of Social Services for the benefit of certain individuals.

Sondley Estate Trust

This fund accounts for certain monies held by the County which was appointed as fiscal agent by the Courts.

COMPONENT UNIT

Western North Carolina Regional Air Quality Agency

This fund accounts for the revenues and expenditures associated with the local air quality regulatory agency formed by an interlocal agreement between Buncombe County and the City of Asheville.

BUNCOMBE COUNTY, NORTH CAROLINA

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

Insurance Internal Service Fund

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services		\$ 34,343,100	
Miscellaneous		693,840	
Total revenues	\$ 35,081,211	35,036,940	\$ (44,271)
EXPENDITURES			
Salaries, wages, and fringe benefits		793,755	
Insurance premiums		511,387	
Claims		27,409,610	
Other operating expenditures		2,282,649	
Total expenditures	34,078,430	30,997,401	3,081,029
Revenues over expenditures	1,002,781	4,039,539	3,036,758
OTHER FINANCING SOURCES (USES)			
Transfer to general fund	(2,409,910)	-	2,409,910
Appropriated fund balance	1,407,129	-	(1,407,129)
Total other financing sources (uses)	(1,002,781)	-	1,002,781
Revenues and other sources over expenditures and other uses	\$ -	\$ 4,039,539	\$ 4,039,539

BUNCOMBE COUNTY, NORTH CAROLINA
Combining Statement of Changes in Assets and Liabilities
Agency Funds

FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Inmate Trust Fund:				
Assets				
Cash and cash equivalents	\$ 106,158	\$ 1,640,243	\$ 1,646,613	\$ 99,788
Liabilities				
Accounts payable	\$ 402	\$ 137	\$ 167	\$ 372
Due to beneficiaries	105,756	1,345,497	1,351,837	99,416
	<u>\$ 106,158</u>	<u>\$ 1,345,634</u>	<u>\$ 1,352,004</u>	<u>\$ 99,788</u>
General Agency Accounts:				
Assets				
Cash and cash equivalents	\$ 1,716,938	\$ 86,287,335	\$ 86,364,466	\$ 1,639,807
Accounts receivable	712,786	832,667	712,786	832,667
	<u>\$ 2,429,724</u>	<u>\$ 87,120,002</u>	<u>\$ 87,077,252</u>	<u>\$ 2,472,474</u>
Liabilities				
Accounts payable	\$ 10,855	\$ 232,472	\$ 206,158	\$ 37,169
Intergovernmental payable - State of North Carolina	21,823	208,695	208,023	22,495
Due to other taxing units	2,397,046	87,634,609	87,618,845	2,412,810
	<u>\$ 2,429,724</u>	<u>\$ 88,075,776</u>	<u>\$ 88,033,026</u>	<u>\$ 2,472,474</u>
Social Services Fund:				
Assets				
Cash and cash equivalents	\$ 16,689	\$ 263,515	\$ 247,594	\$ 32,610
Liabilities				
Accounts payable	\$ -	\$ 253,504	\$ 233,422	\$ 20,082
Due to beneficiaries	16,689	264,918	269,079	12,528
	<u>\$ 16,689</u>	<u>\$ 518,422</u>	<u>\$ 502,501</u>	<u>\$ 32,610</u>
Sondley Estate Trust:				
Assets				
Cash and cash equivalents	\$ 835,969	\$ 8,928	\$ -	\$ 844,897
Liabilities				
Due to beneficiaries	\$ 835,969	\$ 8,928	\$ -	\$ 844,897

Continued on next page

BUNCOMBE COUNTY, NORTH CAROLINA
Combining Statement of Changes in Assets and Liabilities
Agency Funds

FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,675,754	\$ 88,200,021	\$ 88,258,673	\$ 2,617,102
Accounts receivable	712,786	832,667	712,786	832,667
	<u>\$ 3,388,540</u>	<u>\$ 89,032,688</u>	<u>\$ 88,971,459</u>	<u>\$ 3,449,769</u>
Liabilities				
Accounts payable	\$ 11,257	\$ 486,113	\$ 439,747	\$ 57,623
Due to other taxing units	2,397,046	87,634,609	87,618,845	2,412,810
Intergovernmental payable - State of North Carolina	21,823	208,695	208,023	22,495
Due to beneficiaries	958,414	1,619,343	1,620,916	956,841
	<u>\$ 3,388,540</u>	<u>\$ 89,948,760</u>	<u>\$ 89,887,531</u>	<u>\$ 3,449,769</u>

BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Change in Net Position - Budget and Actual (Non-GAAP)

Western North Carolina Regional Air Quality Agency

Component Unit

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal, State, and other grants		\$ 262,045	
Licenses and permits		437,167	
Other licenses and taxes		156,604	
Investment earnings		6,837	
Miscellaneous		26,223	
Total revenues	\$ 1,051,390	<u>888,876</u>	\$ (162,514)
EXPENDITURES			
Environmental protection:			
Salaries and employee benefits		514,484	
Other operating expenses		171,205	
Total expenditures	1,051,390	<u>685,689</u>	365,701
Revenues over expenditures	-	203,187	203,187
Revenues over expenditures	<u>\$ -</u>	<u>203,187</u>	<u>\$ 203,187</u>
Reconciliation from budgetary basis (modified accrual) to full accrual			
Reconciling items:			
Depreciation		(3,180)	
Contributions to the pension plan in the current fiscal year		96,979	
Decrease in accrued compensated absences		134,909	
Pension expense		(3,062)	
Increase in other postemployment benefits		(699,319)	
Total reconciling items		<u>(473,673)</u>	
Change in net position		<u>\$ (270,486)</u>	

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Other Schedules

Buncombe County, North Carolina



BUNCOMBE COUNTY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

General Fund

JUNE 30, 2018

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 195,601,214	\$ 195,331,372	\$ 269,842
2016-2017	201,548	-	146,353	55,195
2015-2016	60,888	-	29,349	31,539
2014-2015	44,385	-	7,745	36,640
2013-2014	157,174	-	105,852	51,322
2012-2013	47,207	-	6,001	41,206
2011-2012	47,924	-	24,456	23,468
2010-2011	28,264	-	6,394	21,870
2009-2010	21,942	-	3,253	18,689
2008 & Prior	52,299	-	19,033	33,266
Total	<u>\$ 661,631</u>	<u>\$ 195,601,214</u>	<u>\$ 195,679,808</u>	583,037
Less allowance for uncollectible ad valorem taxes receivable				<u>(228,367)</u>
Ad valorem taxes receivable, net				<u>\$ 354,670</u>
Reconciliation with Revenues:				
Taxes - Ad valorem - General Fund				195,644,200
Reconciling items:				
Credits and Write-offs				193,272
Interest Collected				(412,218)
Adjustment for Amounts Collected 60 days after year-end				(94,045)
Ad Val Tax Revenue Reported in Woodfin PDF Fund				323,300
Other				25,299
Total reconciling items				<u>35,608</u>
Total collections and credits				<u>\$ 195,679,808</u>

BUNCOMBE COUNTY, NORTH CAROLINA

Analysis of Current Year County-Wide Tax Levy

FOR THE YEAR ENDED JUNE 30, 2018

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 36,219,374,974	\$ 0.539	\$ 195,222,431	\$ 182,713,949	\$ 12,508,482
Discoveries & Adjustments					
Prior year taxes	<u>45,237,593</u>	Various	<u>377,895</u>	<u>377,895</u>	<u>-</u>
Net levy ⁽¹⁾	<u>\$ 36,264,612,567</u>		195,600,326	183,091,845	12,508,482
Uncollected taxes at June 30, 2017			<u>269,842</u>	<u>211,130</u>	<u>58,712</u>
Current year's taxes collected			<u>\$ 195,330,484</u>	<u>\$ 182,880,715</u>	<u>\$ 12,449,770</u>
Current levy collection %			<u>99.86%</u>	<u>99.88%</u>	<u>99.53%</u>
Secondary market disclosures:					
Assessed valuation					
Assessment ratio ⁽²⁾				100.00%	
Real property				\$ 31,438,214,073	
Personal property				1,892,080,297	
Public service companies ⁽³⁾				613,635,093	
Registered motor vehicles				<u>2,320,683,104</u>	
Total assessed valuation				<u>\$ 36,264,612,567</u>	
Tax rate per \$100				<u>\$ 0.539</u>	
Levy (includes discoveries, releases, and abatements)				<u>\$ 195,600,326</u>	
In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:					
School districts				\$ 8,570,745	
Fire protection districts				<u>18,907,269</u>	
Total				<u>\$ 27,478,014</u>	

⁽¹⁾ Beginning in FY15 penalties collected are distributed directly to the local school systems, therefore no longer included in the net levy.

⁽²⁾ Percentage of appraised value has been established by statute.

⁽³⁾ Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.



Statistical Section



**BUNCOMBE
COUNTY**
GOVERNMENT
— NORTH CAROLINA —

BUNCOMBE COUNTY, NORTH CAROLINA

Statistical Section

This part of the Buncombe County Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	138
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	143
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	147
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	151
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	154
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 1

Net Position by Component

LAST TEN FISCAL YEARS (accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net Investment in Capital										
Assets	\$ 63,004,798	\$ 67,968,901	\$ 70,313,265	\$ 94,284,411	\$ 92,417,846	\$ 93,609,590	\$ 84,189,214	\$ 85,535,781	\$ 69,342,217	\$ 63,771,597
Restricted	-	-	91,710,042	55,085,740	78,301,557	44,010,550	52,200,321	73,440,149	61,971,780	60,791,650
Unrestricted	4,261,288	5,778,818	(94,707,863)	(74,196,979)	(87,076,203)	(60,363,818)	(108,702,036)	(179,191,875)	(156,460,610)	(286,835,738)
Total governmental activities net position	\$ 67,266,086	\$ 73,747,719	\$ 67,315,444	\$ 75,173,172	\$ 83,643,200	\$ 77,256,322	\$ 27,687,499	\$ (20,215,945)	\$ (25,146,613)	\$ (162,272,491)
Business-type activities										
Net Investment in Capital										
Assets	\$ 34,010,820	\$ 32,649,006	\$ 34,193,312	\$ 27,379,503	\$ 26,526,350	\$ 26,200,976	\$ 24,859,349	\$ 23,677,050	\$ 22,947,463	\$ 28,170,350
Restricted	2,589,823	967,892	1,516,288	-	-	-	-	-	-	-
Unrestricted	11,105,747	11,184,675	8,653,235	2,719,749	1,943,250	2,152,981	2,841,242	4,574,997	5,674,200	(3,834,289)
Total business-type activities net position	\$ 47,706,390	\$ 44,801,573	\$ 44,362,835	\$ 30,099,252	\$ 28,469,600	\$ 28,353,957	\$ 27,700,591	\$ 28,252,047	\$ 28,621,663	\$ 24,336,061
Primary government										
Net Investment in Capital										
Assets	\$ 97,015,618	\$ 100,617,907	\$ 104,506,577	\$ 121,663,914	\$ 118,944,196	\$ 119,810,566	\$ 109,048,563	\$ 109,212,831	\$ 92,289,680	\$ 91,941,947
Restricted	2,589,823	967,892	93,226,330	55,085,740	78,301,557	44,010,550	52,200,321	73,440,149	61,971,780	60,791,650
Unrestricted	15,367,035	16,963,493	(86,054,628)	(71,477,230)	(85,132,953)	(58,210,837)	(105,860,794)	(174,616,878)	(150,786,410)	(290,670,027)
Total primary government net position	\$ 114,972,476	\$ 118,549,292	\$ 111,678,279	\$ 105,272,424	\$ 112,112,800	\$ 105,610,279	\$ 55,388,090	\$ 8,036,102	\$ 3,475,050	\$ (137,936,430)

NOTE: New reporting standards were implemented in fiscal year 2011 which required net position of capital projects to be reflected as restricted net position.

In the fiscal years prior to 2011 the net position of capital project funds were reflected as unreserved net position.

Balances for years prior to FY2017 reflect restatements made in subsequent years.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 2

Changes in Net Position

LAST TEN FISCAL YEARS (accrual basis of accounting)

EXPENSES	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	\$ 21,705,398	\$ 22,130,128	\$ 22,459,758	\$ 23,356,495	\$ 22,719,044	\$ 26,179,307	\$ 26,547,924	\$ 28,628,887	\$ 35,976,699	\$ 31,735,854
Public safety	69,377,438	71,520,365	74,918,302	74,658,163	81,600,718	86,261,299	93,283,467	100,414,238	97,495,863	103,351,595
Economic and physical development	26,226,700	13,804,636	15,057,537	18,902,856	18,787,809	15,255,668	17,890,984	31,852,491	36,634,454	32,751,395
Human services	83,310,485	85,121,982	82,215,499	81,943,587	80,404,926	86,307,869	92,117,911	96,963,368	99,775,677	90,982,306
Cultural and recreational	11,090,242	9,943,947	9,167,471	8,814,503	8,579,412	10,611,885	9,798,772	8,981,702	9,052,515	8,758,786
Education	73,179,775	78,379,830	95,611,470	88,310,103	84,770,250	107,527,022	154,203,942	142,310,790	108,434,971	138,902,609
Interest on long-term debt	7,245,388	7,694,610	9,896,183	10,256,518	11,873,924	13,657,936	17,044,059	15,432,030	15,744,885	16,124,173
Total governmental activities expenses	292,135,426	288,595,498	309,326,220	306,242,225	308,736,083	345,800,986	410,887,059	424,583,506	403,115,064	422,606,718
Business-type activities:										
Solid waste Disposal	7,325,697	6,175,352	6,103,665	6,759,933	6,457,464	6,811,079	7,830,522	7,270,565	8,493,953	11,911,302
Human Services facilities	802,044	846,717	871,532	570,709	-	-	-	-	-	-
Mental health	606,857	602,809	689,128	492,722	-	-	-	-	-	-
Inmate commissary/welfare	559,422	602,509	524,703	311,120	216,770	222,997	357,906	335,562	433,890	525,854
Criminal justice information system	1,632,594	1,638,266	1,597,872	1,297,159	1,246,614	1,416,776	-	-	-	-
Total business-type activities expenses	10,926,614	9,865,653	9,786,900	9,431,643	7,920,848	8,450,852	8,188,428	7,606,127	8,927,843	12,437,156
Total primary governmental expenses	\$ 303,062,040	\$ 298,461,151	\$ 319,113,120	\$ 315,673,868	\$ 316,656,931	\$ 354,251,838	\$ 419,075,487	\$ 432,189,633	\$ 412,042,907	\$ 435,043,874
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 3,273,340	\$ 3,418,209	\$ 3,617,461	\$ 3,495,120	\$ 4,774,384	\$ 3,542,856	\$ 1,792,710	\$ 2,407,864	\$ 5,207,544	\$ 5,206,280
Public safety	8,384,722	7,178,633	8,197,334	9,773,429	11,220,535	10,483,019	11,512,251	10,816,741	13,719,683	14,253,115
Economic and physical development	6,695,973	6,485,727	7,976,554	7,914,085	8,424,439	448,312	489,513	437,203	529,488	1,840,544
Human services	7,582,007	6,166,294	5,031,516	4,469,804	2,232,396	2,237,859	2,268,101	3,031,866	3,175,287	1,790,538
Cultural and recreational	1,226,864	979,013	873,489	663,930	590,408	517,104	450,484	365,132	361,971	413,519
Operating grants and contributions	49,093,100	52,733,279	52,196,582	45,319,734	45,447,077	48,960,176	56,295,309	58,289,268	60,726,292	48,691,985
Capital grants and contributions	17,489,205	14,962,018	17,111,186	1,783,430	7,848,558	9,367,855	6,344,047	2,568,300	2,185,978	3,420,608
Total governmental activities program revenues	93,745,211	91,923,173	95,004,122	73,419,532	80,537,797	75,557,181	79,152,415	77,916,374	85,906,243	75,616,589
Business-type activities:										
Charges for services:										
Solid waste Disposal	6,598,240	6,514,503	6,910,220	6,904,275	6,855,245	6,928,813	6,773,435	7,342,311	8,232,842	8,326,404
Human Services facilities	88,148	606,561	663,860	320,826	-	-	-	-	-	-
Mental health	617,530	483,191	474,937	681,105	-	-	-	-	-	-
Inmate commissary/welfare	468,406	476,295	412,890	506,366	351,049	323,536	311,076	343,402	477,200	512,433
Criminal justice information system	1,194,794	1,274,921	1,270,613	1,326,110	1,326,631	1,383,407	-	-	-	-
Operating grants and contributions	321,567	325,584	341,098	368,570	373,333	371,192	393,715	418,726	441,397	631,261
Capital grants and contributions	-	-	1,142,529	1,678,147	226,720	-	-	-	-	-
Total business-type activities program revenues	9,288,685	9,681,055	11,216,147	11,785,399	9,132,978	9,006,948	7,478,226	8,104,439	9,151,439	9,470,098
Total primary governmental program revenues	\$ 103,033,896	\$ 101,604,228	\$ 106,220,269	\$ 85,204,931	\$ 89,670,775	\$ 84,564,129	\$ 86,630,641	\$ 86,020,813	\$ 95,057,682	\$ 85,086,687

Continued On Next Page

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense) revenue										
Governmental activities	\$ (198,390,215)	\$ (196,672,325)	\$ (214,322,098)	\$ (232,822,693)	\$ (228,198,286)	\$ (270,243,805)	\$ (331,734,644)	\$ (346,667,132)	\$ (317,208,821)	\$ (346,990,129)
Business-type activities	(1,637,929)	(184,598)	1,429,247	2,353,756	1,212,130	556,096	(710,202)	498,312	223,596	(2,967,058)
Total primary governmental net expense	\$ (200,028,144)	\$ (196,856,923)	\$ (212,892,851)	\$ (230,468,937)	\$ (226,986,156)	\$ (269,687,709)	\$ (332,444,846)	\$ (346,168,820)	\$ (316,985,225)	\$ (349,957,187)

GENERAL REVENUES AND OTHER CHANGES IN NET POSITION

Governmental activities:

Taxes: Property taxes	\$ 162,584,050	\$ 165,793,158	\$ 167,506,260	\$ 170,097,044	\$ 171,095,813	\$ 192,667,851	\$ 191,247,474	\$ 196,709,722	\$ 201,518,909	\$ 216,163,406
Taxes: Local option sales tax	37,777,956	32,087,738	33,152,165	49,693,442	58,665,856	61,962,603	70,792,084	76,001,604	79,120,505	84,964,773
Other taxes and licenses	5,310,017	4,696,043	4,966,792	5,208,845	5,524,997	15,039,610	17,209,248	23,374,603	28,199,416	30,567,315
Investment earnings, unrestricted	2,513,403	664,878	598,662	567,965	144,603	300,785	344,674	770,823	1,244,338	2,261,540
Gain (Loss) on sale of capital assets	-	-	-	(2,000,621)	-	(417,150)	1,828,088	3,139,269	91,350	192,891
Miscellaneous, unrestricted	1,445,354	1,242,530	1,665,941	1,020,902	1,237,045	956,147	1,607,318	1,312,887	2,103,635	2,935,957
Transfers	(2,881,638)	(1,621,145)	-	16,012,934	-	601,570	-	-	-	-
Total governmental activities	206,749,142	202,863,202	207,889,820	240,600,511	236,668,314	271,111,416	283,028,886	301,308,908	312,278,153	337,085,882

Business-type activities:

Investment earnings, unrestricted	781,655	171,999	161,039	106,873	57,016	38,182	55,526	46,854	141,511	234,592
Miscellaneous, unrestricted	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on sale of capital assets	-	-	-	170	-	-	1,310	6,290	4,509	6,039
Transfers	2,881,638	1,621,145	-	(16,012,934)	-	(601,570)	-	-	-	-
Total business-type activities	3,663,293	1,793,144	161,039	(15,905,891)	57,016	(563,388)	56,836	53,144	146,020	240,631
Total primary government	\$ 210,412,435	\$ 204,656,346	\$ 208,050,859	\$ 224,694,620	\$ 236,725,330	\$ 270,548,028	\$ 283,085,722	\$ 301,362,052	\$ 312,424,173	\$ 337,326,513

CHANGE IN NET POSITION

Governmental activities	\$ 8,358,927	\$ 6,190,877	\$ (6,432,278)	\$ 7,777,818	\$ 8,470,028	\$ 867,611	\$ (48,705,758)	\$ (45,358,224)	\$ (4,930,668)	\$ (9,904,247)
Business-type activities	2,025,364	1,608,546	1,590,286	(13,552,135)	1,269,146	(7,292)	(653,366)	551,456	369,616	(2,726,427)
Total primary government	\$ 10,384,291	\$ 7,799,423	\$ (4,841,992)	\$ (5,774,317)	\$ 9,739,174	\$ 860,319	\$ (49,359,124)	\$ (44,806,768)	\$ (4,561,052)	\$ (12,630,674)

NOTE: The Parking Deck, Human Services Facilities, and Mental Health funds were closed in fiscal year 2013.
Balances for prior years do not reflect restatements made in subsequent years.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 3

Fund Balances of Governmental Funds

LAST TEN FISCAL YEARS (modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 17,727,539	\$ 19,549,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	52,275,357	50,940,052	-	-	-	-	-	-	-	-
Total General Fund	\$ 70,002,896	\$ 70,489,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All other governmental funds										
Reserved	\$ 6,626,512	\$ 6,528,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	6,425,227	6,750,134	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 13,051,739	\$ 13,278,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Combined Governmental Fund Balances	\$ 83,054,635	\$ 83,767,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Fund										
Nonspendable	\$ -	\$ -	\$ 270,471	\$ 207,455	\$ 243,865	\$ 300,407	\$ 52,597	\$ 52,202	\$ 57,975	\$ 40,734
Restricted	-	-	18,371,636	20,525,004	19,221,755	20,197,103	23,297,383	22,973,645	22,449,441	16,994,461
Committed	-	-	1,050,000	1,200,000	1,200,000	1,200,000	5,462,421	3,765,433	2,019,304	2,340,038
Assigned	-	-	7,692,536	8,147,972	7,001,237	7,584,637	9,643,213	6,039,085	15,363,817	9,042,094
Unassigned	-	-	43,437,530	40,897,807	43,466,405	41,869,339	37,121,496	43,741,792	37,694,163	53,872,735
Total General Fund	\$ -	\$ -	\$ 70,822,173	\$ 70,978,238	\$ 71,133,262	\$ 71,151,486	\$ 75,577,110	\$ 76,572,157	\$ 77,584,700	\$ 82,290,062
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 6,717,209	\$ 6,718,509	\$ 764	\$ 1,532,974	\$ 1,452,037	\$ 1,391,278	\$ 1,429,774	\$ 2,286,174
Restricted	-	-	73,338,406	34,560,736	59,079,802	174,502,262	187,815,672	115,566,695	70,341,446	82,685,453
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	22,838,171	7,974,677	13,108,288	27,805,926	21,257,379	8,492,988	15,933,577	14,285,768
Unassigned	-	-	-	-	-	-	-	-	-	(168)
Total all other governmental funds	\$ -	\$ -	\$ 102,893,786	\$ 49,253,922	\$ 72,188,854	\$ 203,841,162	\$ 210,525,088	\$ 125,450,961	\$ 87,704,797	\$ 99,257,227
Total Combined Governmental Fund Balances	\$ -	\$ -	\$ 173,715,959	\$ 120,232,160	\$ 143,322,116	\$ 274,992,648	\$ 286,102,198	\$ 202,023,118	\$ 165,289,497	\$ 181,547,289

NOTE: GASB Statement # 54 (Fund Balance Reporting) established new fund balance classifications in FY11. The first section shows the fund balance information prior to the implementation of GASB Statement # 54 and the second section shows the fund balance information after the implementation of GASB Statement # 54. Balances for prior years reflect restatements made in subsequent years.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 4

Changes in Fund Balances of Governmental Funds

LAST TEN FISCAL YEARS (modified accrual basis of accounting)

REVENUES	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ad valorem taxes	\$ 161,629,983	\$ 166,260,818	\$ 167,950,517	\$ 169,368,975	\$ 171,520,939	\$ 192,949,306	\$ 191,565,661	\$ 196,458,687	\$ 201,907,004	\$ 216,086,991
Local option sales taxes	37,777,956	32,087,738	33,152,165	49,693,442	58,665,856	61,962,603	70,792,084	76,001,604	79,120,505	84,964,773
Other taxes and licenses	10,881,071	10,692,333	11,199,515	11,998,130	13,090,813	14,331,532	16,466,653	22,665,004	28,199,416	30,567,315
Unrestricted intergovernmental	689,376	263,502	649,642	668,378	638,811	708,078	742,595	709,599	840,987	715,572
Restricted intergovernmental	67,106,567	68,165,026	69,745,379	47,537,053	48,245,459	58,328,031	61,016,020	59,150,308	62,840,342	52,681,247
Permits and fees	2,729,721	2,318,479	2,637,544	2,419,599	2,630,342	3,075,411	3,451,565	3,604,379	4,715,220	4,664,396
Sales and services	17,648,493	15,179,874	15,238,834	16,025,217	14,108,121	14,129,326	14,708,008	15,336,262	18,044,931	18,060,057
Investment earnings	2,769,835	727,479	828,614	607,247	148,134	274,061	382,885	721,103	1,141,090	2,235,734
Miscellaneous	1,445,354	1,242,530	1,188,941	1,020,902	1,247,045	956,147	1,607,318	1,312,887	1,262,648	2,220,385
Total revenues	302,678,356	296,937,779	302,591,151	299,338,943	310,295,520	346,714,495	360,732,789	375,959,833	398,072,143	412,196,470
Current:										
General government	20,039,754	20,191,172	21,770,014	20,996,399	21,731,568	23,200,093	25,720,370	26,764,764	29,316,045	29,248,466
Public safety	64,511,855	65,391,557	70,523,628	71,809,649	72,494,711	76,923,039	83,550,101	84,974,813	89,079,165	94,780,349
Economic and physical development	13,764,192	11,503,725	13,130,547	17,524,599	17,957,236	14,823,254	16,376,729	23,576,691	29,564,805	31,733,817
Human services	80,454,900	80,291,532	80,948,026	79,160,646	79,202,525	83,521,333	91,370,860	92,548,588	99,399,461	90,401,483
Cultural and recreation	9,752,430	8,446,969	7,876,119	7,897,539	7,242,489	8,987,448	8,387,620	7,422,146	7,769,730	7,580,495
Intergovernmental:										
Education	70,618,376	69,587,924	70,634,616	74,324,014	74,828,472	74,556,185	79,225,390	82,359,578	75,323,300	80,815,035
Capital outlay	20,918,808	36,321,329	50,538,800	57,908,742	50,774,671	69,217,388	99,951,422	91,403,795	59,688,720	74,464,435
Debt service										
Principal	16,842,942	17,652,009	18,350,000	20,944,000	22,299,000	20,243,994	24,407,151	25,932,708	26,145,568	29,020,567
Interest and fees	7,620,072	8,541,195	10,175,923	10,776,086	13,426,237	15,743,470	18,792,182	21,954,450	20,330,667	19,926,347
Total expenditures	304,523,329	317,927,412	343,947,673	361,341,674	359,956,909	387,216,204	447,781,825	456,937,533	436,617,461	457,970,994
Excess of revenues over (under) expenditures	(1,844,973)	(20,989,633)	(41,356,522)	(62,002,731)	(49,661,389)	(40,501,709)	(87,049,036)	(80,977,700)	(38,545,318)	(45,774,524)
OTHER FINANCING SOURCES (USES)										
Transfers from other funds	10,512,565	13,639,629	9,035,300	19,541,153	5,829,800	18,199,223	11,183,266	23,991,948	7,208,044	19,385,843
Transfers to other funds	(12,925,599)	(16,260,774)	(11,297,733)	(11,181,584)	(5,829,800)	(18,582,849)	(13,683,266)	(33,156,948)	(7,208,044)	(19,385,843)
Project development bonds issued	12,960,000	-	-	-	-	-	-	-	-	-
Advance refunding obligations issued	-	17,115,000	-	-	-	-	-	-	-	-
Installment obligations issued	-	26,705,000	55,720,000	-	73,380,000	180,315,001	126,844,450	-	1,720,347	54,730,000
General obligation debt issued	-	30,850,000	-	-	32,500,000	-	-	-	-	-
Premium/discount on debt issued	(160,449)	1,461,406	1,619,652	-	11,883,464	21,379,812	22,736,977	-	-	6,371,796
Payment to refunded bond escrow agent	-	(24,544,763)	-	-	(46,559,350)	(30,752,734)	(51,515,579)	-	-	-
Sale of capital assets	131,219	105,720	1,460,672	159,363	1,467,321	82,210	2,592,738	5,081,479	91,350	670,495
Total other financing sources (uses)	10,517,736	49,071,218	56,537,891	8,518,932	72,671,435	170,640,663	98,158,586	(4,083,521)	1,811,697	61,772,291
Net change in fund balances	\$ 8,672,763	\$ 28,081,585	\$ 15,181,369	\$ (53,483,799)	\$ 23,010,046	\$ 130,138,954	\$ 11,109,550	\$ (85,061,221)	\$ (36,733,621)	\$ 15,997,767
Debt services as a percentage of noncapital expenditures	8.23%	8.91%	8.98%	10.06%	11.37%	10.32%	10.21%	11.00%	11.19%	11.21%

BUNCOMBE COUNTY, NORTH CAROLINA

Table 5

Assessed Value of Taxable Property

LAST TEN FISCAL YEARS (amounts expressed in thousands)

Fiscal Year Ended June 30	Real Property				Personal Property		Less: Tax Exempt Real Property	Public Service Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Use Value Farm	Historical Property	Motor Vehicles	Other				
2009	\$ 18,814,352	\$ 5,319,589	\$ 1,054,015	\$ 94,003	\$ 1,687,764	\$ 1,635,196	\$ 1,043,461	\$ 524,793	\$ 28,086,251	0.525
2010	19,278,789	5,608,552	1,209,375	96,685	1,628,826	1,627,503	1,125,844	517,281	28,841,167	0.525
2011	19,693,086	5,598,080	1,209,847	97,799	1,576,012	1,546,946	1,148,428	513,573	29,086,915	0.525
2012	19,823,205	5,672,300	1,206,920	96,645	1,693,881	1,477,741	1,181,347	525,644	29,314,988	0.525
2013	19,980,840	5,765,143	1,202,337	100,086	1,765,488	1,528,991	1,192,171	529,268	29,679,981	0.525
2014	18,671,008	5,784,047	1,007,838	96,053	1,342,270	1,595,537	968,969	529,435	28,057,219	0.604
2015	18,895,973	5,995,685	1,015,256	96,185	1,952,226	1,653,573	1,263,593	532,418	28,877,723	0.604
2016	19,122,947	6,143,178	1,034,999	97,419	2,100,032	1,726,624	1,268,909	588,226	29,544,516	0.604
2017	19,416,142	6,445,705	1,014,952	97,091	2,215,126	1,902,707	1,260,614	585,936	30,417,045	0.604
2018	23,644,415	7,987,749	1,281,038	118,491	2,320,683	1,893,655	1,595,053	613,635	36,264,613	0.539

SOURCE: Buncombe County Tax Department

NOTE: Tax exempt real property includes: elderly exclusion, use value deferred, and classified historic exempt property.

NOTE: Property in the county can be reassessed every four years. The county assesses property at approximately 100 percent of actual value. Tax rates are per \$100 of assessed value.

NOTE: Property in Buncombe County was reassessed in 2007, 2014, and 2017.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 6

Property Tax Rates-Direct And All Overlapping Governments

LAST TEN FISCAL YEARS (per \$100 of assessed value)

	2009	2010	2011	2012	2013	2014 ²	2015	2016	2017	2018
County Direct Rates:										
County-wide Rate ¹	\$ 0.525	\$ 0.525	\$ 0.525	\$ 0.525	\$ 0.525	\$ 0.604	\$ 0.604	\$ 0.604	\$ 0.604	\$ 0.539
Fire Districts	0.113	0.113	0.113	0.113	0.113	0.118	0.118	0.118	0.118	0.123
Total average direct rate	0.638	0.638	0.638	0.638	0.638	0.722	0.722	0.722	0.722	0.662
Municipality Rates:										
City of Asheville	0.420	0.420	0.420	0.420	0.420	0.460	0.475	0.475	0.475	0.429
Town of Biltmore Forest	0.300	0.300	0.320	0.320	0.330	0.385	0.385	0.395	0.395	0.330
Town of Weaverville	0.365	0.355	0.355	0.375	0.375	0.420	0.420	0.440	0.440	0.380
Town of Black Mountain	0.320	0.320	0.365	0.365	0.365	0.375	0.375	0.375	0.375	0.333
Town of Woodfin	0.265	0.265	0.265	0.265	0.265	0.305	0.305	0.305	0.305	0.280
Asheville School District	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.120

NOTES:

- (1) All taxable property is subject to the county-wide tax. Most property in unincorporated areas are also subject to fire district taxes.
- (2) A revaluation of real property is required by N.C. General Statute at least every eight years.
Revaluation was completed for tax year 2006 and 2013 (fiscal year 2007 and 2014).

BUNCOMBE COUNTY, NORTH CAROLINA

Table 7

Principal Property Taxpayers

DECEMBER 31, 2017

Taxpayer	December 31, 2017			December 31, 2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Duke Energy Progress Inc	\$ 368,489,563	1	1.02%	\$ 305,649,932	1	1.08%
Ingles Markets Inc	309,850,492	2	0.85%	185,810,320	2	0.66%
GPI Resort Holdings LLC	121,525,900	3	0.34%	102,511,800	4	0.36%
New Belgium Brewing Company Inc	119,963,329	4	0.33%			
Biltmore Company	114,453,764	5	0.32%	94,737,970	6	0.34%
Jacob Holm Industries	97,698,006	6	0.27%			
Asheville Mall CMBS LLC	95,656,800	7	0.26%	75,689,620	8	0.27%
Town Square West LLC	86,896,287	8	0.24%			
Linamar North Carolina Inc	72,515,106	9	0.20%			
Novo Nordisk Pharmaceutical Inc.	69,082,219	10	0.19%			
The Cliffs at Walnut Cove LLC				153,161,700	3	0.54%
Arvato Digital Services (Sonopress)				99,160,850	5	0.35%
Bellsouth Tel Co - AT&T North Carolina				89,149,301	7	0.32%
Southeastern Container				75,501,700	9	0.27%
Borgwarner Turbo Systems				65,384,381	10	0.23%
Totals	\$ 1,456,131,466		4.02%	\$ 1,246,757,574		4.42%
Total Overall Valuation	\$ 36,264,612,567			\$ 28,230,299,496		

SOURCE: Buncombe County Tax Department

BUNCOMBE COUNTY, NORTH CAROLINA

Property Tax Levies and Collections

Table 8

LAST TEN FISCAL YEARS (amounts expressed in thousands)

Fiscal Year	Total Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage of Levy
2009	\$ 147,652	\$ 145,745	98.7%	19	\$ 145,764	98.72%
2010	151,681	149,601	98.6%	3	149,604	98.63%
2011	153,044	151,007	98.7%	6	151,013	98.67%
2012	154,046	152,262	98.8%	24	152,286	98.86%
2013	156,148	154,652	99.0%	6	154,658	99.05%
2014	167,069	166,098	99.4%	106	166,204	99.48%
2015	174,422	173,958	99.7%	8	173,966	99.74%
2016	178,618	178,338	99.8%	29	178,367	99.86%
2017	183,816	183,615	99.9%	146	183,761	99.97%
2018	195,601	195,331	99.9%	-	195,331	99.86%

SOURCE: Buncombe County Tax Department

NOTE: Property was revalued and effective in fiscal year 2007 and 2014

BUNCOMBE COUNTY, NORTH CAROLINA

Table 9

Ratios of Outstanding Debt by Type

LAST TEN FISCAL YEARS (amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Installment Notes	Project Development Financing Bonds	Total Governmental Activities	Special Obligation Bonds	Installment Notes	Total Business-Type Activities			
2009	\$ 67,919	\$ 90,980	\$ 12,803	\$ 171,702	\$ 9,494	\$ 14,411	\$ 23,905	\$ 195,607	2.46%	\$ 829
2010	65,470	127,153	12,803	205,426	7,536	13,825	21,361	226,787	2.80%	949
2011	58,823	172,049	12,812	243,684	5,530	13,224	18,754	262,438	3.15%	1,099
2012	51,256	170,913	12,960	235,129	4,218	-	4,218	239,347	2.69%	975
2013	44,717	225,725	12,960	283,402	2,867	3,450	6,317	289,719	3.12%	1,164
2014	38,344	395,806	-	434,150	1,462	3,156	4,618	438,768	4.59%	1,751
2015	30,124	476,152	-	506,276	-	2,860	2,860	509,141	4.91%	2,011
2016	27,248	447,545	-	474,793	-	2,559	2,559	477,352	4.31%	1,864
2017	24,373	420,856	-	445,229	-	2,254	2,254	447,483	N/A	1,732
2018	21,498	450,948	-	472,446	-	1,944	1,944	474,390	N/A	1,814

NOTE: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

¹Personal income and population data can be found on Table 13 (Demographic and Economic Statistics)

BUNCOMBE COUNTY, NORTH CAROLINA

Table 10

Ratios of General Bonded Debt Outstanding

LAST TEN FISCAL YEARS (amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value ¹ of Property	Per Capita ²
2009	\$ 67,919	0.24%	\$ 288
2010	65,470	0.23%	274
2011	58,823	0.20%	241
2012	51,256	0.17%	212
2013	44,717	0.15%	180
2014	38,344	0.14%	152
2015	30,124	0.11%	119
2016	27,248	0.09%	106
2017	24,373	0.08%	94
2018	21,498	0.06%	82

NOTE: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

¹Property value data can be found on Table 5 (Assessed Value of Taxable Property)

²Population data can be found on Table 13 (Demographic and Economic Statistics)

BUNCOMBE COUNTY, NORTH CAROLINA

Table 11

Direct and Overlapping Governmental Activities Debt

AS OF JUNE 30, 2018

Government Unit	Debt Outstanding	Percentage Applicable to County (1)	Estimated share of Direct and Overlapping debt (2)
Net general obligation bonded debt			
City of Asheville	\$ 370,000	100%	\$ 370,000
Installment Debt			
City of Asheville	50,649,773	100%	50,649,773
Town of Biltmore Forest	333,739	100%	333,739
Town of Black Mountain	1,516,218	100%	1,516,218
Town of Weaverville	1,551,978	100%	1,551,978
Town of Woodfin	257,105	100%	257,105
Subtotal, overlapping debt			<u>54,678,813</u>
County direct debt		100%	<u>417,717,489</u>
Total direct and overlapping debt			<u><u>\$ 472,396,302</u></u>

(1) The percentage of overlap is based on assessed property values.

(2) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County of Buncombe.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 12

Legal Debt Margin

LAST TEN FISCAL YEARS (amounts expressed in thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 2,246,900	\$ 2,307,293	\$ 2,326,953	\$ 2,345,199	\$ 2,374,398	\$ 2,210,098	\$ 2,154,040	\$ 2,363,561	\$ 2,433,364	\$ 2,901,169
Total net debt applicable to limit	173,379	190,738	240,305	219,141	257,377	402,098	454,994	431,485	406,791	432,220
Legal debt margin	\$ 2,073,521	\$ 2,116,555	\$ 2,086,648	\$ 2,126,058	\$ 2,117,021	\$ 1,808,000	\$ 1,699,046	\$ 1,932,076	\$ 2,026,573	\$ 2,468,949
Total net debt applicable to the limit as a percentage of debt limit	7.72%	8.27%	10.33%	9.34%	10.84%	18.19%	21.12%	18.26%	16.72%	14.90%

Assessed value of taxable property	<u>\$ 36,264,613</u>
Debt Limit - Eight Percent (8%) of assessed value	\$ 2,901,169
Gross Debt:	
Total Bonded Debt	21,497
Installment Purchase Agreements	<u>410,723</u>
Gross Debt	432,220
Total amount of debt applicable to debt limit (net debt)	<u>\$ 432,220</u>
Legal debt margin	<u>\$ 2,468,949</u>

NOTE: Under state finance law, Buncombe County's outstanding general obligation debt should not exceed 8 percent of total assessed property value.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 13

Demographic and Economic Statistics

LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2009	235,879	\$ 7,955,053	\$ 33,725	40.6	29,346	9.0%
2010	238,884	8,100,049	33,908	40.7	28,979	8.3%
2011	243,673	8,459,317	34,716	40.7	29,113	8.2%
2012	241,419	8,884,892	36,803	40.7	29,238	7.9%
2013	248,929	9,282,566	37,290	40.7	30,535	7.1%
2014	251,995	9,552,676	37,908	40.8	31,003	6.3%
2015	253,178	10,378,772	40,994	40.1	30,232	4.8%
2016	256,088	11,071,174	43,232	41.0	32,008	3.5%
2017	258,406	N/A	N/A	41.1	31,966	4.1%
2018	261,532	N/A	N/A	41.7	31,828	4.1%

NOTE: Population estimates come from the North Carolina Office of State Budget and Management. Personal income information is a total for the year. Unemployment rate information is as of the month ending June. School enrollment is based on the census at the start of the school year. Beginning in 2016 charter schools are included in total enrollment.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 14

Principal Employers

CURRENT YEAR AND TEN YEARS AGO

MANUFACTURING

Employer	2018			2009		
	Employees	Rank	Approximate Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Eaton Corporation - Electrical Division	750-999	1	0.54%-0.71%	1010	1	0.92%
Thermo Fisher Scientific, Inc.	500-749	2	0.36%-0.53%	550	4	0.50%
Borgwarner Turbo & Emissions Systems	500-749	3	0.36%-0.53%	830	2	0.75%
Kearfott Guidance & Navigation Corp.	400-499	4	0.29%-0.36%	420	5	0.38%
GE Aviation	400-499	5	0.29%-0.36%			
Plasticard-Locktech International	300-399	6	0.21%-0.28%			
Nypro Asheville	300-399	7	0.21%-0.28%			
Medical Action Industries	300-399	8	0.21%-0.28%	250	10	0.23%
Flint Group (Day International)	300-399	9	0.21%-0.28%			
TE Connectivity	200-299	10	0.14%-0.21%			
Milkco, Inc.				280	9	0.25%
Unison Engine Components				325	7	0.30%
Asheville Citizen Times				290	8	0.26%
Day International				380	6	0.35%
Arvato Digital Services				650	3	0.59%
Total	3950-5390		2.82%-3.85%			

Continued on Next Page

NON-MANUFACTURING

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Mission Health System and Hospital	3,000+	1	2.14%	6,990	1	6.35%
Buncombe County Public Schools	3,000+	2	2.14%	4,010	2	3.64%
Asheville-Buncombe Technical Community College	1,000-2,999	3	0.71%-2.14%			
The Biltmore Company	1,000-2,999	4	0.71%-2.14%	1,580	5	1.43%
Buncombe County Government	1,000-2,999	5	0.71%-2.14%	1,670	4	1.52%
City of Asheville	1,000-2,999	6	0.71%-2.14%	1,000	8	0.91%
Ingles Markets, Inc.	1,000-2,999	7	0.71%-2.14%	3,050	3	2.77%
Omni Grove Park Inn	1,000-2,999	8	0.71%-2.14%	1,100	7	1.00%
VA Medical Center - Asheville	1,000-2,999	9	0.71%-2.14%	1,140	6	1.04%
Care Partners	750-999	10	0.54%-0.71%	750	9	0.68%
Asheville City Schools				730	10	0.66%
Total	13,750-21,992		9.8%-15.7%			

* Labor Force Estimate for 2018 per NCESC: 140,180
 Labor Force Estimate for 2009 per NCESC: 122,527

SOURCE: Asheville Chamber of Commerce

NOTE: Many of the top employers for manufacturing have changed in the past 10 years. Therefore, many companies that were top employers in 2008 are not in business in 2017 and many companies that are top employers in 2017 were not here in 2008.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 15

Summary of Permanent Positions by Service Area

TEN FISCAL YEARS

General Fund Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	172	173	174	156	161	165	172	170	169	168
Public Safety	565	557	555	543	550	580	592	597	603	620
Human Services	687	625	569	552	555	565	586	609	584	589
Economic & Physical Development	29	28	28	25	23	23	22	23	23	24
Culture and Recreation	84	132	108	84	81	81	70	61	63	64
Total	1,537	1,515	1,434	1,360	1,370	1,414	1,442	1,460	1,442	1,465
General Fund	1,537	1,515	1,434	1,360	1,370	1,414	1,442	1,460	1,442	1,465
Special Revenue Funds	31	27	26	-	-	-	9	2	1	1
Enterprise Funds	46	48	41	32	31	31	25	23	26	26
Internal Service Fund	3	1	1	2	5	5	5	2	7	6
Total	1,617	1,591	1,502	1,394	1,406	1,450	1,481	1,487	1,476	1,498

SOURCE: Buncombe County Budget Office.

BUNCOMBE COUNTY, NORTH CAROLINA

Table 16

Operating Indicators by Function

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL GOVERNMENT										
Number of Employment Applications Processed	5,496	6,646	5,826	7,046	6,259	6,980	7,611	3,660	7,296	7,863
Percentage of Registered Voters Participating in General Election	19.6%	45.7%	19.0%	69.0%	19.0%	49.0%	17.0%	71.0%	N/A	23.3%
PUBLIC SAFETY										
Number of Inmates Processed	15,975	14,713	14,821	15,074	14,492	13,870	12,973	13,349	12,962	12,550
Number of Building Permits Issued	1,443*	1,361*	1,286*	1,482*	1,757	2,057	2,354	2,332	2,419	2,451
Number of Emergency Calls Dispatched	64,395	64,867	60,931	62,884	65,127	66,223	68,537	70,150	71,837	80,195
HUMAN SERVICES										
Percentage of Children Reunified with Family after Foster Care	36%	26%	21%	21%	28%	20%	34%	33%	24%	22%
ECONOMIC AND PHYSICAL DEVELOPMENT										
Number of Subdivision Plan Reviews	593	454	598	483	494	518	624	681	785	954
CULTURE AND RECREATION										
Library Book Circulation	1,666,464	1,689,996	1,691,227	1,654,975	1,592,279	1,608,748	1,602,994	1,757,157	1,667,802	1,716,038
Number of Visitors to Swimming Pools	73,751	66,470	81,210	73,877	59,194	56,063	47,381	35,421	36,505	38,524
EDUCATION										
Dollars Spent Per Pupil**	\$ 2,139	\$ 2,150	\$ 2,148	\$ 2,266	\$ 2,267	\$ 2,243	\$ 2,420	\$ 2,384	\$ 2,169	\$ 2,332
ENTERPRISE FUND - LANDFILL										
Tons of Waste Received	164,424	130,683	116,831	131,666	128,408	133,795	131,222	139,443	152,302	183,455
Tons of Waste Recycled	44,750	37,583	19,776	18,687	13,716	14,317	12,826	12,591	14,092	14,300

SOURCE: Various Buncombe County Government Departments.

* Calendar year data

**General fund dollars spent per pupil

BUNCOMBE COUNTY, NORTH CAROLINA

Table 17

Capital Asset Statistics by Function

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC SAFETY										
Sheriff's Office										
Stations	2	2	2	2	2	2	3	4	4	4
Patrol Vehicles	77	70	71	77	77	80	81	81	81	86
CULTURE AND RECREATION										
Parks acreage	556	654	654	674	677	646	646	646	646	646
Parks	16	16	16	18	14	14	15	15	15	15
Swimming pools	6	6	6	6	6	6	5	5	5	5
Ball fields and courts	24	34	34	37	30	30	31	31	31	31
Libraries	12	12	12	12	12	13	13	13	13	13

SOURCE: Various County Departments

NOTE: A new sheriff station annex was added in FY15.



Compliance Section



**BUNCOMBE
COUNTY**
GOVERNMENT
— NORTH CAROLINA —



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

Board of County Commissioners
Buncombe County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Buncombe County, North Carolina, (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 thru 2018-006 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-007 thru 2018-015 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

The County’s Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 29, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Commissioners
Buncombe County, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-016. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-016 that we consider to be a significant deficiency.

Board of County Commissioners
Buncombe County, North Carolina

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 29, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB REPORT ON UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Commissioners
Buncombe County, North Carolina

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 2018-016 and 2018-017. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County'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 our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-016 and 2018-017 that we consider to be significant deficiencies.

Board of County Commissioners
Buncombe County, North Carolina

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

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 29, 2019

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none noted
3. Noncompliance material to financial statements noted? x yes no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? x yes none noted
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.561	Supplemental Nutrition Assistance Program (SNAP Cluster)
93.558	Temporary Assistance for Needy Families (TANF Cluster)
93.667	Social Services Block Grant
93.778	Medicaid Cluster

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,083,065
- Auditee qualified as low-risk auditee? x yes no

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

State Awards

1. Internal control over state programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none noted

2. Type of auditors' report issued on compliance for state programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with state requirements? x yes _____ no

Identification of Major State Programs

Program Number(s)	Program Name
*GOV-1	Public School Building Capital Fund - Lottery Proceeds
*GOV-5	Juvenile Crime Prevention Council Programs (including Methodist Home For Children – JCPC)
DHHS-28	State Foster Care Benefits Program

In addition, State match on Federal programs, included in the list of major Federal programs above for the Supplemental Nutrition Assistance Program, Social Services Block Grant, Temporary Assistance for Needy Families Program, and the Medicaid Cluster.

Dollar threshold used to distinguish between Type A and Type B state programs: \$ 500,000

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

2018-001 Schedule of Expenditures of Federal and State Awards (SEFSA)

Type of Finding: Material Weakness in Internal Control over Financial Reporting; Material Noncompliance

Condition

On the County's FY2018 Schedule of Expenditures of Federal and State Awards (SEFSA), Federal expenditures were overstated by \$221,238,143. In addition, State expenditures were overstated by \$112,046,122.

Criteria

2 CFR part 200.303 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission, provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

In addition, in accordance with G.S. 159-34, the State Single Audit Implementation Act, the Secretary of the Local Government Commission has determined that the following sections of Uniform Guidance apply to the audit of State awards: 2 CFR part 200.502 Basis for determining Federal awards expended, states: (a) Determining Federal awards expended. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.

Context

The FY2018 Schedule of Expenditures of Federal and State Awards (SEFSA).

Effect

The SEFSA contained incorrect expenditure amounts and was therefore not in compliance with 2 CFR 200.502.

Cause

Direct benefit payments from the State to program recipients included in the State's confirmation of Federal expenditures were improperly included in the SEFSA as Subawards from the State to the County. The North Carolina Office of State Auditor issued guidance related to the recording of the direct benefit payments to local governments. This guidance was not followed by the County when preparing the SEFA.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Recommendation

We recommend that the County review current procedures for creating the SEFSA to ensure that all Federal and State programs and related expenditures incurred and/or paid during the audit period are properly identified and reported. In addition, the County should formalize and document their policies and procedures over monitoring guidance and requirements issued by either the North Carolina State Auditor's Office or the North Carolina State Treasurer's Office.

Management Response

Management agrees with finding and will implement procedures for creating the SEFSA to ensure that all the Federal and State programs and related expenditures incurred and/or paid during the audit period are properly identified and reported.

Management agrees with finding and will implement policies and procedures over monitoring guidance and requirements issued by either the North Carolina State Auditor's Office or the North Carolina State Treasurer's Office.

2018-002 – Other Post Employment Benefits Liability (OPEB)

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition

The County does not have a formal written policy in place to review and approve schedules and associated journal entries over the OPEB liability.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

Based on audit procedures over the schedule and associated journal entry used to record the OPEB balances, we noted employer contributions were incorrectly offset against the liability.

Effect

An adjustment was recorded to correct the journal entry for OPEB to properly record the employer contributions.

Cause

The lack of formal review and approval procedures resulted in the OPEB misstatement not being detected.

Recommendation

We recommend that procedures and controls be developed and implemented by the County to ensure the OPEB balances are properly recorded in the financial statements.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Management Response

Management agrees with finding and will implement procedures and controls to ensure the OPEB balances are properly recorded in the financial statements.

2018-003 – Wire Transfers

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition

The County does not properly monitor the administrative function of the banking website to ensure incompatible permissions are not present, resulting in the ability of County personnel, with access to transfer funds, to be able to initiate and approve the same transfer.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate. The preparation of reconciliations between ledgers and sub-ledgers is a key component of an entity's Internal Control Framework.

Context

Based on procedures performed over wire transfers, we noted one transfer that was initiated and approved by the same person.

Effect

The lack of monitoring permissions over wire transfers may result in unauthorized transfers from the County bank accounts by personnel with wire transfer permissions.

Cause

The County has not adopted formal policies and procedures to monitor the banking website permissions over wire transfers.

Recommendation

We recommend the County formalize and document their monitoring of the administrative function of the banking website, particularly as it relates to the initiation and approval of individual wire transfers.

Management Response

Management agrees with finding and will formalize and document the monitoring of administrative functions of the banking website

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018-004 – Stormwater Surety Bonds Liability

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition

In the reporting of the Special Programs fund, miscellaneous liabilities were overstated and the sales and service revenue was understated due to the balance related to Stormwater Surety Bonds not being compared to the underlying source support and adjusted accordingly.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate. The preparation of reconciliations between ledgers and sub-ledgers is a key component of an entity's Internal Control Framework.

Context

Based on procedures conducted over the Stormwater Surety Bonds liability balance, we noted the source listing provided by the County's Planning department did not agree to the balance recorded in the financial statements.

Effect

An adjustment was recorded to reduce the liability, and record as revenue, the difference to reconcile the liability reported in the financial statements to the underlying support.

Cause

The County did not reconcile the Stormwater Surety Bonds liability balance in the general ledger to the balance in the software used by the Planning department to ensure the balance was properly stated.

Recommendation

We recommend that procedures be developed and implemented by the County to reconcile the Stormwater Surety Bonds liability balance to the underlying support maintained outside of the general ledger software.

Management Response

Management agrees with finding and will implement procedures to ensure that Stormwater Surety Bonds liability is reconciled with underlying support that is maintained outside the general ledger software.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018-005 – Insurance Policies

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition

In the reporting for the Insurance Fund, the prepaid asset and miscellaneous revenue balances for the insurance fund were understated due to the County not recording insurance policies that were an asset of the County as of year-end.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate. The preparation of reconciliations between ledgers and sub-ledgers is a key component of an entity's Internal Control Framework.

Context

Based on procedures conducted over the insurance policies obtained through fraudulent activity by the former County Manager, we noted the insurance policies were signed over to the County in the current year, but not recorded as an asset of the County on the financial statements.

Effect

An adjustment was recorded to include the cash value of the insurance policies as an asset of the Insurance Fund and record the miscellaneous revenue related to the insurance policies.

Cause

The County did not perform adequate research to determine the appropriate treatment for this unusual activity.

Recommendation

We recommend that procedures and controls be developed and implemented by the County to ensure unusual activity is properly accounted for in the financial statements.

Management Response

Management agrees with finding and will implement procedures to ensure unusual activity is properly accounted for in the financial statements.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018-006 – Construction in Progress

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition

In the reporting of construction in progress, the prior period net position for governmental activities was overstated due to projects that should have been recorded as retirements in the prior period that were not. The construction in progress, other improvements and equipment balances were also misstated due to the misclassification of projects in the construction in progress balance that were complete and should have been included in their appropriate capital asset categories.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate. The preparation of reconciliations between ledgers and sub-ledgers is a key component of an entity's Internal Control Framework.

Context

Based on procedures conducted over the construction in progress schedule, we noted that several projects had no activity in the current year and were not closed to capital assets, or retired, in the prior year. We also noted that the general ledger beginning balances did not agree to the beginning balances in the supporting schedule, indicating the activity was being managed outside of the general ledger software.

Effect

An adjustment was recorded, including a prior period adjustment, to close activity for projects that were not capitalized to the income statement. A reclassification was also recorded to agree construction in progress, other improvements and equipment balances reported in the financial statements to the corrected capital asset schedule.

Cause

The County did not perform an adequate review of the construction in progress schedule to ensure it was free of material misstatement.

Recommendation

We recommend that procedures and controls be developed and implemented by the County to ensure the construction in progress balance is recorded correctly and projects are closed in the year in which the project is completed. We also recommend that construction in progress activity be recorded in the general ledger to agree to any schedules maintained outside of the general ledger software.

Management Response

Management agrees with finding and will implement procedures and controls to ensure the construction in progress balance is recorded correctly and projects are closed in the correct year.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018-007 – Management Timecards

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County does not have policies and procedures in place to ensure management timecards are reviewed and approved.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

Based on discussions with Management, we noted that the County does not have policies and procedures in place over the review and approval of management timecards.

Effect

The lack of policies and procedures to review management timecards may result in misreporting of time, including a failure to record paid time off when it is used.

Cause

The County has not adopted policies and procedures to review and approve management timecards.

Recommendation

We recommend that procedures and controls be developed and implemented by the County to ensure management timecards are reviewed and approved by appropriate County personnel.

Management Response

Management agrees with finding and will implement procedures and controls are implemented to ensure management timecards are reviewed and approved by appropriate County personnel.

2018-008 – Procurement Card Transaction Limit Increases

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County has a policy in place over procurement card transaction limit increases to ensure proper authorization. However, the control was not properly monitored to ensure compliance.

Criteria

Section 7.0 of the County's Procurement Card Policy states, "Any desired increase in a transaction limit for an existing procurement card holder must be requested in writing by a Department Director to the Program Administrator."

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Context

Based on audit procedures over procurement cards, we noted one instance where the Department Director called the Accounts Payable department and the Accounts Payable department issued the written request for the transaction limit increase to the program administrator, rather than the Department Director submitting the written request.

Effect

The lack of following the stated policy could result in unauthorized transaction limit increases for procurement card holders.

Cause

The County did not perform adequate monitoring of the internal control in place to ensure it was operating effectively.

Recommendation

We recommend the County formalize and document procedures to monitor internal controls over procurement cards to ensure controls are operating effectively.

Management Response

Management agrees with finding and will implement procedures to monitor internal controls over procurement cards to ensure controls are operating effectively.

2018-009 – Revenue Recognition

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County does not have policies and procedures in place to reconcile the recording of revenue that is automatically uploaded to the general ledger from various software systems used at County departments.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

Based on discussions with management and audit procedures over revenue batch postings, we noted revenue batches are automatically uploaded to the County's general ledger software from various software systems used by County departments. These automatic uploads are not reviewed before they post to the general ledger and monthly reconciliations to ensure the source software agrees to the general ledger are not performed.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Effect

The lack of reconciliation and review procedures may result in improper revenue recognition, or errors going undetected.

Cause

The County has not adopted formal policies and procedures to reconcile revenue recorded in various off-site software systems to revenue posted to the general ledger from these systems.

Recommendation

We recommend the County formalize and document procedures over the reconciliation of revenue posted to the general ledger from source software systems.

Management Response

Management agrees with finding and will implement procedures over the reconciliation of revenues posted to the general ledger from source software systems.

2018-010 – General Disbursements

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County does not have a written policy in place over general disbursement approvals to ensure proper authorization.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

During our audit procedures over general disbursements, it was noted that four invoices sampled did not have evidence of who initiated the invoice, nor who approved the invoice. It was also noted that two invoices sampled had the same person as the initiator and approver.

Effect

The lack of written policies and procedures, as well as, proper monitoring, could result in inappropriate or fraudulent payments being processed. It could also result in expenditures being coded improperly.

Cause

The County has not formally adopted policies and procedures to review and approve general disbursements.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Recommendation

We recommend the County formalize written policies and procedures over general disbursements and implement monitoring procedures to ensure the controls are operating effectively.

Management Response

Management agrees with finding and will implement procedures and controls over general disbursements and ensure the controls are operating effectively.

Finding 2018-011 – Invoice Accruals

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County does not have a formal written policy in place to track and record any necessary accruals for invoices received after year-end that relate to the current year.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

Based on audit procedures over accrued liabilities, we noted several invoices that related to current fiscal year expenditures that were received subsequent to year-end and were not properly accrued.

Effect

The lack of a formal written policy to track and record any necessary invoice accruals may result in understatement of accrued liabilities and expenditures.

Cause

The County has not adopted formal policies and procedures to review invoices received subsequent to year-end to properly accrue for any expenditures related to the current fiscal year.

Recommendation

We recommend the County formalize and document a policy for tracking invoices received subsequent to year-end to ensure any expenditures related to the current fiscal year are properly accrued.

Management Response

Management agrees with finding and will implement procedures and controls for tracking invoices to ensure they are accrued properly at year end.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018-012 – Payroll Accrual

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County does not have procedures in place to compare the automatic payroll accrual performed within the general ledger software to the actual payroll amounts paid subsequent to year-end.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

Based on audit procedures over the payroll accrual, we noted that the general ledger software implemented in the current fiscal year, posts an estimated payroll accrual monthly. We also noted this estimate was not compared to the actual payroll amounts paid subsequent to year-end to ensure accuracy of the accrual.

Effect

The lack of procedures in place to compare the payroll accrual estimate to actual results may result in the payroll accrual being misstated.

Cause

The County has not adopted formal policies and procedures to compare the estimated payroll accrual to the actual amounts paid subsequent to year-end.

Recommendation

We recommend the County formalize and document procedures to compare the estimated payroll accrual to the actual results subsequent to year-end and adjust for any material difference noted as a result of the procedures.

Management Response

Management agrees with finding and will implement procedures and controls to ensure that payroll is accrued properly at year end.

2018-013 – Emergency Medical Services (EMS) Billing

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County does not have procedures in place to ensure that complementary controls listed in the SSAE report for the third party EMS billing provider that relate to regulatory compliance are implemented and documented.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

Based on audit procedures over the EMS receivable and revenue, we noted the County uses a third party billing company and obtains the SSAE report. However, County personnel did not implement complementary controls over regulatory compliance that were included in the SSAE report.

Effect

The lack of procedures in place to ensure that complementary controls are implemented, and being reviewed regularly may result in non-compliance with regulatory requirements.

Cause

The County has not adopted formal policies and procedures to ensure complementary controls are implemented, documented and monitored.

Recommendation

We recommend that procedures and controls be developed and implemented by the County to ensure complementary controls over the EMS billing function are properly implemented, documented and monitored.

Management Response

Management agrees with finding and will implement procedures and controls to ensure complementary controls over the EMS billing function are properly implemented, documented and monitored.

2018-014 – Sheriff's Office Manual Checks

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County does not have internal controls in place to provide proper oversight of the manual check maintenance and writing process at the Sheriff's Office.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Context

Based on audit procedures over the manual check maintenance and writing process at the Sheriff's Office, we noted signed, blank checks were available for use by all officers on duty overnight when the authorized check signer is not in the office. We also noted when the manual checks were entered into the general ledger, the check numbers were not included in the entries.

Effect

The lack of internal controls over the maintenance and writing of manual checks at the Sheriff's Office may result in misappropriation of funds, or unauthorized personnel issuing checks.

Cause

The County has not adopted formal policies and procedures over the manual check maintenance and writing process at the Sheriff's Office.

Recommendation

We recommend the County formalize written policies and procedures, including internal controls over the manual check process at the Sheriff's Office, including maintaining the checkbook without any signed, blank checks, maintaining the checkbook in a secure location, granting access only to a limited number of authorized personnel and including the check numbers in the general ledger entries related to manual check payments.

Management Response

Management agrees with finding and will implement procedures and controls to ensure the manual check process in the Sheriff's Office is corrected.

2018-015 – Expense Reimbursements

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The County's policy that was in place as of year-end does not require Department Directors to obtain approval over their expense reimbursements.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

Context

Based on discussions with management and review of the County's Travel Policy, we noted that Department Directors are not required to obtain approval over their expense reimbursements.

Effect

The County's current policy over Department Director expense reimbursements may result in error, or misuse going undetected.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Cause

The County's current policy is not adequate to ensure errors and misuse related to expense reimbursements for Department Directors would be detected.

Recommendation

We recommend the County update its policy to include formal processes and procedures to ensure expense reimbursements to Department Directors are properly reviewed and approved.

Management Response

Management agrees with finding and will implement procedures and controls to ensure expense reimbursements to Department Directors are properly reviewed and approved.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

Reference Number: 2018-016
Prior Year Finding: No
Federal Agency: All Federal Agencies
Federal Program: All Federal Programs
CFDA Number: All CFDA's

Award Number and Year: 7/1/17 – 6/30/18
Compliance Requirement: Report Submission – Data Collection Form
Type of Finding: Significant Deficiency in Internal Control over Compliance;
Other Matter

Criteria or specific requirement

Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR section 200.303(a) General. (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

Condition

The County's single audit reporting package was not submitted to the federal clearinghouse by the regulatory due date. The reporting package is required to be submitted by the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The earlier of these two resulted in a March 31, 2019 due date.

Context

The June 30, 2018 year end audit.

Questioned Costs

None

Cause

The issuance of the County's Comprehensive Annual Financial Report (CAFR) and Single Audit was delayed due to implementation of a new accounting software system and turnover in key staff positions.

Effect

The County is not compliant with the reporting submission requirements under Uniform Guidance.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Recommendation

We recommend that the County review its current procedures and enhance as deemed necessary to ensure that regulated due dates are met.

Views of Responsible Offices and Corrective Action Plan

Management agrees with the finding. See Corrective Action Plan at page 197.

**BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section IV – Findings and Questioned Costs – Major State Programs

Reference Number: 2018-016

Finding 2018-016 as listed in Section III – Findings and Questioned Costs – Major Federal Programs is also considered to be a finding for major state programs.

Reference Number:	2018-017
Prior Year Finding:	No
State Agency:	N.C. Department of Public Instruction
State Program Title:	Public School Building Capital fund
State Program No:	*GOV-1
Award Number and Year:	7/1/17 – 6/30/18
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency in Internal Control over Compliance; Other Matter

Criteria or specific requirement

North Carolina General Statutes Chapter 159-34(a, states: The recipients are required to submit a brief final report using the categories of expenditures listed in the application within 60 days of completion of the project. Responsibility for submitting the final report is undertaken jointly by the county and the LEA, unless there is a local agreement in force to designate responsibility. Per paragraph 13 in the chapter, the county has overall accountability to monitor the process and ensure that all activities are completed as required.

Condition

The County does not have a proper process in place to verify that all Final Construction Reports are submitted within 60 days of completion.

Context

Final Construction Report was not issued within 60 days of project end for 4 of 5 projects tested.

Questioned Costs

None

Cause

The County has not implemented a process to verify that all Final Construction Reports are issued for completed projects within 60 days of completion.

Effect

The County is not in compliance with State reporting requirements.

Recommendation

We recommend that the County implement a process to verify that all Final Construction Reports are submitted to the State within 60 days of project completion.

Views of Responsible Offices and Corrective Action Plan

Management agrees with the finding. See Corrective Action Plan at page 197.

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U. S. Dept. of Agriculture</u>						
<u>Food and Nutrition Service</u>						
Passed-through N. C. Department of Health and Human Services:						
Division of Social Services:						
<u>SNAP Cluster:</u>						
Supplemental Nutrition Assistance Program - Admin	10.561		\$ 4,646,366	\$ -	\$ -	\$ 4,646,366
Supplemental Nutrition Assistance Program - Fraud Admin	10.561		232,199	-	-	232,199
Supplemental Nutrition Assistance Program - Education & Training & Dependent Care	10.561		31,423	-	-	8,505
Total SNAP Cluster			<u>4,909,988</u>	-	-	<u>4,887,070</u>
Passed-through N. C. Department of Health and Human Services:						
Division of Public Health						
Special Supplemental Food Program for Women, Infants, and Children Administration	10.557		890,475	-	-	840,697
Breastfeeding Peer Counseling Program	10.557		41,957	-	-	14,926
Total: Special Supplemental Food Program for Women, Infants, and Children			<u>932,432</u>	-	-	<u>855,623</u>
Total U.S. Department of Agriculture			<u>5,842,420</u>	-	-	<u>5,742,693</u>
<u>U.S. Department of Justice</u>						
Family Justice Center Arrest Grant	16.590		174,075	-	-	-
Passed-Through N.C. Department of Public Safety: Family Justice Center GCC	16.575		536,243	-	-	-
Total U.S. Department of Justice			<u>710,319</u>	-	-	-
<u>U.S. Dept. of Transportation</u>						
<u>Federal Transit Administration</u>						
Passed-through N.C. Department of Transportation:						
Public Transportation for Nonurbanized Areas:						
Administration	20.509	36233.13.12.1	175,982	142,283	-	56,169
Capital	20.509	36233.13.11.5	3,481	4,678	-	908
Capital	20.509	44637.25.1.3	90,785	11,348	-	11,349
Total Public Transportation for Nonurbanized Areas			<u>270,248</u>	<u>158,309</u>	-	<u>68,426</u>

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<u>Highway Safety Cluster:</u>						
Passed-through City of Asheville:						
Traffic Safety - DWI Task Force	20.600		\$ 33,752	\$ -	\$ -	\$ 101,254
Total Highway Safety Cluster			33,752	-	-	101,254
Passed-through City of Asheville:						
Job Access and Reverse Commute	20.516		67,773	-	-	68,269
5310 SEDTAP	20.513		56,677	-	-	86,507
Total Transit Services Programs Cluster			124,450	-	-	154,776
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703		6,050	-	-	-
State and Community Highway Safety - DWI Court	20.600		101,141	-	-	-
Total U.S. Department of Transportation			535,641	158,309	-	324,456
<u>U.S. Department of Environmental Protection Agency</u>						
Air Pollution Control Program Support	66.001		202,045	-	-	-
Ambient Air Monitoring Network	66.034		60,000	-	-	-
Total U.S Environmental Protection Agency			262,045	-	-	-
<u>U.S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety:						
Fire Management Assistance Grant	97.036	FEMA-5161-FM-NC	404,442	-	-	-
Emergency Management Performance Grants	97.042	EMPG-2016-37021	79,631	-	-	-
Homeland Security Grant Program - Portable Ramp/Tent Heater	97.067	EMW-2015-1550	1,732	-	-	-
Total U.S. Department of Homeland Security			485,805	-	-	-
<u>U. S. Department of Health and Human Services</u>						
<u>Administration for Children and Families</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Aging and Adult Services:						
SSBG - In-Home Services	93.667		40,243	-	40,243	5,748
SSBG - Adult Day Care	93.667		57,012	51,939	108,951	15,564
Adult Home Specialist Fund	93.778		326,351	75,072	-	251,279
Total Division of Aging			423,606	127,011	149,194	272,591
Division of Public Health:						
Family Planning - TANF	93.558		27,155	-	-	31,333
Total Division of Public Health:			27,155	-	-	31,333

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Division of Social Services:						
<u>TANF Cluster:</u>						
Work First/Temporary Assistance for Needy Families (TANF)	93.558		\$ 2,516,052	\$ -	\$ -	\$ 7,225,657
Total for TANF Cluster			2,516,052	-	-	7,225,657
N.C. Child Support Enforcement Section	93.563		968,095	(4)	-	498,719
Refugee Assistance - Administration	93.566		4,526	-	-	-
Crisis Intervention Program	93.568		858,768	-	858,768	-
Energy Assistance Payments - Direct Benefit Payments	93.568		958,800	-	958,800	-
Low Income Home Energy Assistance Block Grant - Administration	93.568		132,810	-	132,810	-
Stephanie Tubbs Jones Child Welfare Services Program:						
- Permanency Planning Grant - Families for Kids	93.645		55,382	-	-	18,461
SSBG - Other Services	93.667		889,710	91	-	296,600
CPS TANF Transferred to SSBG	93.667		249,116	-	-	-
Independent Living Grant - LINKS	93.674		44,204	11,051	55,255	-
Independent Living Grant - LINKS- Direct Benefit Payments	93.674		97,297	-	-	-
Family Reunification	93.556		114,237	-	-	-
			4,372,945	11,138	2,005,633	813,780
<u>Foster Care and Adoption Cluster³:</u>						
Title IV-E Foster Care- Administration	93.658		2,971,031	-	-	2,647,608
Foster Care- Direct Benefits Payments	93.658		1,726,438	502,053	-	492,664
Foster Care IV-E-CPS	93.658		827,726	288,521	-	539,205
Adoption Assistance	93.659		229,804	-	-	229,804
Total for Foster Care and Adoption Cluster:			5,754,999	790,574	-	3,909,281
Total Division of Social Services			12,643,996	801,712	2,005,633	11,948,718
Division of Child Development:						
<u>Subsidized Child Care³</u>						
<u>Child Care Development Cluster:</u>						
Division of Social Services:						
Childcare Development Fund - Administration	93.596		368,129	-	-	-
Total Administration for Children and Families			13,462,886	928,723	2,154,827	12,252,642
Centers for Medicare and Medicaid Services						
Passed-through N. C. Department of Health and Human Services:						
Division of Medical Assistance:						
<u>Medicaid Cluster:</u>						
Medical Assistance Program - Administration	93.778		12,782,992	-	-	4,743,379
Total Medicaid Cluster			12,782,992	-	-	4,743,379

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
State Children's Insurance Program - N.C. Health Choice	93.767		\$ 667,031	\$ 128	\$ -	\$ -
Total N.C. Health Choice			667,031	128	-	-
Total Centers for Medicare and Medicaid Services			13,450,024	128	-	4,743,379
<u>Centers for Disease Control and Prevention</u>						
Passed-through N. C. Department of Health and Human Services:						
Division of Public Health:						
HIV Funds - CAPUS Safe Spaces	93.940		28,000	-	-	93,226
Tuberculosis Control Program	93.116		50	-	-	321
Public Health Emergency Preparedness	93.074		75,000	-	-	32,159
Division of Community Health:						
Healthy Communities	93.758		36,174	-	10,000	240,321
CDC Wisewoman Project	93.094		248,670	-	-	-
Immunization Action Plan	93.539		47,612	-	-	441,544
Refuge Health Assessments	93.566		1,539	-	-	5,246
Breast Cancer Prevention and Control	93.752		12,750	-	-	-
Breast and Cervical Cancer Control Programs	93.898		161,670	-	-	-
Preventative Health Services for STDs	93.977		690	-	-	-
Total Centers for Disease Control			612,155	-	10,000	812,817
<u>Health Resources and Services Administration</u>						
Passed-through N. C. Department of Health and Human Services:						
Division of Public Health:						
Nurse Family Partnership	93.505		149,980	-	-	-
Maternal and Child Health Services Block Grant	93.994		533,696	178,846	232,176	1,750,666
Total Health Resources and Services Administration			683,676	178,846	232,176	1,750,666
<u>Injury Prevention and Control Research and State and Community Based Programs</u>						
Passed-through N. C. Department of Health and Human Services:						
Division of Public Health:						
Prescription Drug Overdose Prevention	93.136		3,750	-	-	621
			3,750	-	-	621
<u>Office of the Population Affairs</u>						
Passed-through N. C. Department of Health and Human Services:						
Division of Public Health:						
Family Planning Services Title X	93.217		53,459	-	-	65,579
Total Office of Population Affairs			53,459	-	-	65,579
Total U. S. Department of Health and Human Services			28,265,949	1,107,697	2,397,003	19,625,703
Total Federal Awards			36,102,178	1,266,006	2,397,003	25,692,852

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
State Awards:						
<u>N.C. Department of Administration</u>						
DMVA Community County Grants			\$ -	\$ 2,175	\$ -	\$ -
Total N. C. Department of Administration			-	2,175	-	-
<u>N.C. Department of Agriculture and Consumer Services</u>						
Technical Assistance-Soil/Water			-	26,549	-	-
Total N. C. Department of Agriculture			-	26,549	-	-
<u>N.C. Department of Commerce</u>						
One NC Fund - Industrial Recruitment			-	321,000	321,000	-
Total N. C. Department of Commerce			-	321,000	321,000	-
<u>N.C. Department of Cultural and Natural Resources</u>						
Division of State Library:						
State Aid to Public Libraries			-	217,454	-	-
Total N. C. Department of Cultural Resources			-	217,454	-	-
<u>N.C. Department of Environmental Quality</u>						
Technical Assistance-Soil/Water			-	3,600	-	-
NC Electronics Management Fund			-	20,626	-	-
NC Gas Tax Allocation			-	156,604	-	-
Total N. C. Department of Environment and Natural Resources			-	180,830	-	-
<u>N.C. Dept. of Health and Human Services</u>						
Division of Public Health:						
Communicable Disease Control			-	7,807	-	1,575,558
General Aid to Counties			-	213,419	-	1,345,060
Breast and Cervical Cancer Program			-	114,750	-	-
Tuberculosis			-	32,935	-	211,504
Women's Health Service Fund			-	13,086	-	15,099
Healthy Communities			-	3,235	-	21,489
Women and Child Health- Family Planning			-	28,964	-	33,420
Child Health			-	23,670	-	179,072
School Nurse Funding Initiative			-	150,000	-	1,134,801
Sexually Transmitted Diseases			-	936	-	-
Viral Hepatitis Prevention Activities			-	60,000	-	-
Total Division of Public Health			-	648,802	-	4,516,003

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Division of Social Services:						
Non-Allocating County Costs			\$ -	\$ -	\$ -	\$ 701,900
Work First Non Reimbursable			-	-	-	605,845
State Foster Care Benefits Program			-	688,767	-	431,105
Energy Assistance - Private Grants			-	51,362	-	-
State Child Welfare CPS			-	241,047	-	-
Other County Funded Programs			-	-	-	7,259,670
Child Welfare Services - State Grants			-	-	-	-
Total Division of Social Services			-	981,176	-	8,998,520
Total N.C. Department of Health and Human Services			-	1,629,978	-	13,514,523
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds			-	3,190,460	3,190,460	-
Total N.C. Department of Public Instruction			-	3,190,460	3,190,460	-
<u>N.C. Department of Public Safety</u>						
Re-Entry			-	156,470	-	-
Division of Juvenile Justice Delinquency Prevention:			-	-	-	-
Juvenile Crime Prevention Council Programs			-	508,064	492,564	-
Methodist Home For Children - JCPC			-	900,000	900,000	-
Total N.C. Department of Crime Control and Public Safety			-	1,564,534	1,392,564	-
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	140,486	8,424	-
ROAP Rural General Public Transportation		DOT-16CL	-	88,479	-	1,601
ROAP Work First Transitional-Employment Transportation Assistance Program		DOT-16CL	-	51,996	-	-
Total Rural Operating Assistance Program (ROAP) Cluster			-	280,961	8,424	1,601
Total N.C. Department of Transportation			-	280,961	8,424	1,601
Total State Awards			-	7,413,941	4,912,448	13,516,124
Total Federal and State Awards			\$ 36,102,178	\$ 8,679,947	\$ 7,309,451	\$ 39,208,976

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Total Federal Awards by Cluster and CFDA						
SNAP Cluster						
Total SNAP Cluster	10.561		\$ 4,909,988			
			<u>4,909,988</u>			
Highway Safety Cluster						
Total Highway Safety Cluster	20.600		134,893			
			<u>134,893</u>			
Transit Services Cluster						
Total Transit Services Cluster	20.513/20.516		124,450			
			<u>124,450</u>			
Medicaid Cluster						
Total Medicaid Cluster	93.778		13,109,343			
			<u>13,109,343</u>			
TANF Cluster						
Total TANF Cluster	93.558		2,543,207			
			<u>2,543,207</u>			
CCDF Cluster						
Total CCDF Cluster	93.596		368,129			
			<u>368,129</u>			
Maternal, Infant, and Early Childhood Home Visiting Cluster						
Total Maternal, Infant, and Early Childhood Home Visiting Cluster	93.505		149,980			
			<u>149,980</u>			
	93.898		161,670			
	93.940		28,000			
	93.977		690			
	93.994		533,696			
	97.036		404,442			
	97.042		79,631			
	97.067		1,732			
	10.557		932,432			
	16.575		536,243			
	16.590		174,075			
	20.509		270,248			
	20.703		6,050			
	66.001		202,045			

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fed.(Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
	66.034		\$ 60,000			
	93.074		75,000			
	93.094		248,670			
	93.116		50			
	93.136		3,750			
	93.217		53,459			
	93.539		47,612			
	93.556		114,237			
	93.563		968,095			
	93.566		6,065			
	93.568		1,950,378			
	93.645		55,382			
	93.658		5,525,195			
	93.659		229,804			
	93.667		1,236,081			
	93.674		141,501			
	93.752		12,750			
	93.758		36,174			
	93.767		667,031			
Total Federal Awards			\$ 36,102,178			

BUNCOMBE COUNTY, NORTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 CLUSTER OF PROGRAMS

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

Foster Care and Adoption
Subsidized Child Care Cluster

Buncombe County, North Carolina
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2018

There were no audit findings reported in the prior year



Buncombe County Corrective Action Plan Year Ended June 30, 2019

Findings—Financial Statement Findings

2018-001 Schedule of Expenditures of Federal and State Awards (SEFSA)

The auditors recommend that the County review current procedures for creating the SEFSA to ensure that all Federal and State programs and related expenditures incurred and/or paid during the audit period are properly identified and reported. In addition, they recommend the County formalize and document its policies and procedures over monitoring guidance and requirements issued by either the North Carolina State Auditor's Office or the North Carolina State Treasurer's Office.

There is no disagreement with the audit finding.

The County Finance Department will add to its quarterly checklist a review of any guidance issued by the North Carolina State Auditor's Office or the North Carolina State Treasurer's Office and ensure that it is properly implemented. In addition, we will review our procedures for creating the SEFSA to ensure that all items are properly identified and reported.

Person responsible for corrective action: Assistant Finance Director

Anticipated completion date: June 30, 2019

2018-002 Other Post Employment Benefits Liability (OPEB)

The auditors recommend that the County develop and implement procedures and controls to ensure the OPEB balances are properly recorded in the financial statements.

There is no disagreement with the audit finding.

The County Finance Department will ensure that all journal entries and year-end workpapers are prepared and reviewed by two separate staff members with adequate knowledge and understanding of the subject matter to ensure the OPEB balances are properly recorded in the financial statements.

Person responsible for corrective action: Assistant Finance Director

Anticipated completion date: June 30, 2019

2018-003 Wire Transfers

The auditors recommend that the County formalize and document its monitoring of the administrative function of the banking website, particularly as it relates to the initiation and approval of individual wire transfers.

There is no disagreement with the audit finding.

Finance Department staff will formalize and document monitoring of the administrative function of the banking website to include formal processes for adding or removing users, changing permissions, and periodic review of existing permissions.

Person responsible for corrective action: Assistant Finance Director

Anticipated completion date: June 30, 2019

2018-004 Stormwater Surety Bonds Liability

The auditors recommend that the County develop and implement procedures to reconcile the Stormwater Surety Bonds liability balance to the underlying support maintained outside of the general ledger software.

There is no disagreement with the audit finding.

This reconciliation was performed in previous years and was overlooked when the Planning Department and the Finance Department concurrently experienced turnover in key positions. Finance Department staff will work with the Planning Department staff to re-establish procedures to reconcile monthly the Stormwater Surety Bonds liability balance to the source documentation maintained by the Planning Department

Person responsible for corrective action: Financial Reporting Manager

Anticipated completion date: June 30, 2019

2018-005 Insurance Policies

The auditors recommend that the County develop and implement procedures and controls to ensure unusual activity is properly accounted for in the financial statements.

There is no disagreement with the audit finding.

Finance Department staff will add to its monthly and annual closing checklists procedures designed to identify unusual activity to ensure it has been properly recorded.

Person responsible for corrective action: Financial Reporting Manager

Anticipated completion date: June 30, 2019



2018-006 Construction in Progress

The auditors recommend that the County develop and implement procedures and controls to ensure the construction in progress balance is recorded correctly and projects are closed in the year in which the project is completed. They also recommend that construction in progress activity be recorded in the general ledger to agree to any schedules maintained outside of the general ledger software.

There is no disagreement with the audit finding.

Finance Department staff will conduct more detailed project status interviews with Budget Department staff and staff in departments with construction projects and will also review project spending patterns to adequately identify completed construction projects. Finance Department staff will evaluate options for recording construction in progress activity in the general ledger.

Person responsible for corrective action: Financial Reporting Manager

Anticipated completion date: June 30, 2019

2018-007 Management Timecards

The auditors recommend that the County develop and implement procedures and controls to ensure management timecards are reviewed and approved by appropriate County personnel.

There is no disagreement with the audit finding.

The financial system business processes have been adjusted to require approval of management timecards as part of the payroll process.

Person responsible for corrective action: Disbursements Manager

Anticipated completion date: June 30, 2019

2018-008 Procurement Card Transaction Limit Increases

The auditors recommend that the County formalize and document procedures to monitor internal controls over procurement cards to ensure controls are operating effectively.

There is no disagreement with the audit finding.

Finance Department staff will add to their monthly closing checklist a review of procurement card transaction limit increases for the month and ensure that they conform to policy.

Person responsible for corrective action: Financial Reporting Manager

Anticipated completion date: June 30, 2019



2018-009 Revenue Recognition

The auditors recommend that the County formalize and document procedures over the reconciliation of revenue posted to the general ledger from source software systems.

There is no disagreement with the audit finding.

Finance Department staff will work with the various departments involved to develop and document procedures to reconcile revenue posted to the general ledger with the activity reflected in the source software system.

Person responsible for corrective action: Financial Reporting Manager

Anticipated completion date: June 30, 2019

2018-010 General Disbursements

The auditors recommend that the County formalize written policies and procedures over general disbursements and implement monitoring procedures to ensure the controls are operating effectively.

There is no disagreement with the audit finding.

The new financial system requires review and approval of all invoices before payment. Finance Department staff will formalize these procedures in writing.

Person responsible for corrective action: Disbursements Manager

Anticipated completion date: June 30, 2019

2018-011 Invoice Accruals

The auditors recommend that the County formalize and document a policy for tracking invoices received subsequent to year-end to ensure any expenditures related to the current fiscal year are properly accrued.

There is no disagreement with the audit finding.

Finance Department staff will develop a formal policy for tracking invoices received subsequent to year-end to ensure they are accounted for properly and will document the search for unrecorded liability procedures.

Person responsible for corrective action: Assistant Finance Director

Anticipated completion date: June 30, 2019

2018-012 Payroll Accrual

The auditors recommend that the County formalize and document procedures to compare the estimated payroll accrual to the actual results subsequent to year-end and adjust for any material difference noted as a result of the procedures.

There is no disagreement with the audit finding.

The estimated payroll accrual as calculated by the financial system will be replaced with an accrual calculated from actual activity subsequent to year-end.

Person responsible for corrective action: Disbursements Manager

Anticipated completion date: June 30, 2019

2018-013 Emergency Medical Services (EMS) Billing

The auditors recommend that the County develop and implement procedures and controls to ensure complementary controls over the EMS billing function are properly implemented, documented and monitored.

There is no disagreement with the audit finding.

Finance Department staff will work with EMS Department staff to develop and implement procedures and controls to ensure complementary controls over the EMS billing function are properly implemented, documented and monitored.

Person responsible for corrective action: Assistant Finance Director

Anticipated completion date: June 30, 2019

2018-014 Sheriff's Office Manual Checks

The auditors recommend that the County formalize written policies and procedures, including internal controls over the manual check process at the Sheriff's Office, including maintaining the checkbook without any signed, blank checks, maintaining the checkbook in a secure location, granting access only to a limited number of authorized personnel and including the check numbers in the general ledger entries related to manual check payments.

There is no disagreement with the audit finding.

Finance Department staff will work with Sheriff's Office staff to formalize written policies and procedures that include adequate internal control and reporting over the manual check process at the Sheriff's Office.

Person responsible for corrective action: Assistant Finance Director

Anticipated completion date: June 30, 2019



2018-015 Expense Reimbursements

The auditors recommend that the County update policy to include formal processes and procedures to ensure expense reimbursements to Department Directors are properly reviewed and approved.

There is no disagreement with the audit finding.

The new financial system business processes require proper approval of department director expense reimbursements before payment. The County will update policy to document this process.

Person responsible for corrective action: Assistant Finance Director

Anticipated completion date: June 30, 2019

Findings–Federal Award Programs Audits

2018-016 All Federal Programs – All CFDA Numbers

The auditors recommend that the County review its current procedures and enhance as deemed necessary to ensure that regulated due dates are met.

There is no disagreement with the audit finding.

The delay in reporting was caused by several factors that are being addressed to eliminate the reoccurrence of a delay in reporting. County staff have been using new accounting software system for a year and are able to record and retrieve data more efficiently, reducing the amount of time it takes to complete financial reporting. The Finance Department has been reorganized and staff vacancies have been filled. Cross-training efforts are underway to ensure that all areas of the department have a backup in the event of future turn-over to eliminate the loss of productivity while vacancies are filled.

Person responsible for corrective action: Finance Director

Anticipated completion date: June 30, 2019

Findings–State Award Programs Audits

2018-017 Public School Building Capital Fund – GOV-1

The auditors recommend that the County implement a process to verify that all Final Construction Reports are submitted to the State within 60 days of project completion.

There is no disagreement with the audit finding.

Finance staff will coordinate with the County’s General Services Department and the public school districts to ensure that information regarding the status of construction projects are communicated on a regular basis when completion occurs, finance staff ensure the Final



Construction Reports are filed timely

Person responsible for corrective action: Finance Director

Anticipated completion date: June 30, 2019

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