

MADISON COUNTY, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

**Prepared by:
Kary Ledford, Finance Officer**

MADISON COUNTY, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

**Members of the Board of Commissioners
Madison County, North Carolina**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Madison County, North Carolina (the "County")**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Madison County Housing Authority, which represents 64%, 63%, and 78% of assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Madison County Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Madison County, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Total Pension Liability – LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll – LEOSSA, the County's Proportionate Share of Net Pension Liability (Asset) – LGERS, the Schedule of the County's Contributions – LGERS, the County's Proportionate Share of Net Pension Liability (Asset) – Register of Deeds Supplemental Pension Fund, and the Schedule of the County's Contributions – Register of Deeds Supplemental Pension Fund, as listed in the table of contents, 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 combining and individual fund statements and schedules, budgetary schedules, the Schedule of Ad Valorem Taxes Receivable, and the Analysis of Current Tax Levy, as well as the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, the Schedule of Ad Valorem Taxes Receivable, the Analysis of Current Tax Levy, and the schedule of expenditures of federal and state awards (the "supplementary information") 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2020 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
August 20, 2020

Management’s Discussion and Analysis

As management of Madison County, we offer readers of Madison County’s financial statements this narrative overview and analysis of the financial activities of Madison County for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County’s financial statements, which follow this narrative.

Financial Highlights

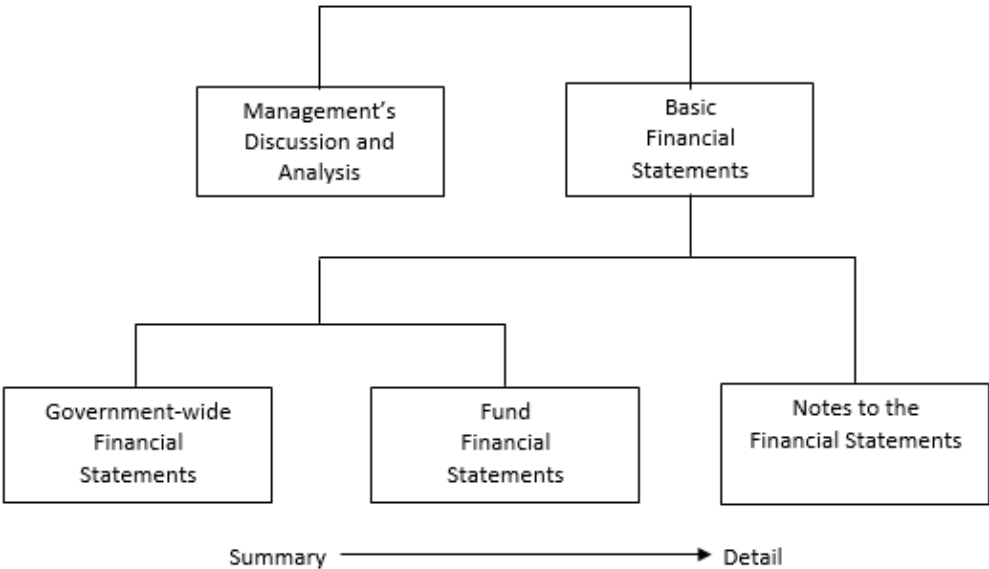
- The assets and deferred outflows of resources of Madison County, not including component units, exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,399,448 (**net position**). Because of its obligations to local schools, the County has undertaken debt for the construction of assets that belong to the school board. As a result, the County is showing negative **unrestricted net position** in the current year of (\$4,025,781).
- The County’s total net position decreased by \$431,460 during the fiscal year versus an increase of \$241,441 in the prior year. This is due primarily to costs related to the tax revaluation, increases in public safety expenses, and school construction.
- As of the close of the current fiscal year, Madison County’s governmental funds reported combined ending fund balances of \$6,944,063, a decrease of \$1,250,839 in comparison with the prior year. Approximately 59.5% of this total amount, or \$4,128,991, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,391,280, or 9.8% of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Madison 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. See Figure 1. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the readers’ understanding of the fiscal condition of Madison County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the County and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds. Budgetary information required by North Carolina 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 law enforcement officers' pension plan, the Local Government Employees Retirement System, and the Register of Deeds Supplemental Pension Fund.

Government-Wide Financial Statements

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

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

The government-wide financial statements are divided into the following three categories:

Governmental activities – The governmental activities include most of the County's basic services such as public safety, human services, and general administration. Property taxes and state and federal grant funds finance most of these activities.

Business-type activities – The business-type activities are those that the County charges customers to provide. These consist of the landfill services offered by Madison County.

Component units – Madison County Housing Authority provides housing assistance to the residents of the County. The County appoints the Board of Directors for the Housing Authority and has the responsibility for its financial stewardship. Madison County Tourism Development Authority was established to promote tourism in the County.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Madison County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such

as the General Statutes or the County's budget ordinance. All of the funds of Madison County can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the notes to the financial statements. Madison County has one major governmental fund: the General Fund.

Madison County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Madison County has one kind of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Madison County uses an enterprise fund to account for its landfill operations. This fund is the same as the activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Madison County has four fiduciary funds: the Motor Vehicle Tax Fund, the Social Services Trust Fund, the Inmate Trust Fund and the Deed of Trust Fee Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21 through 60 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Madison County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 61 through 68 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Madison County exceeded liabilities and deferred inflows by \$8,399,448 as of June 30, 2019. The County's net position decreased by \$431,460 for the fiscal year ended June 30, 2019. One of the largest portions, \$8,188,155 (97.5%), reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Madison County uses these capital assets to provide services to citizens;

consequently, these assets are not available for future spending. Although Madison County's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Madison County's net position, \$4,237,074 (50.4%), represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is a deficit of (\$4,025,781).

Madison County's Statement of Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018 - Restated	2019	2018 - Restated
Current and other assets	\$ 9,261,976	\$ 10,096,410	\$ 1,583,238	\$ 1,746,967	\$ 10,845,214	\$ 11,843,377
Capital assets	11,996,247	12,274,375	1,525,242	1,360,165	13,521,489	13,634,540
Total assets	<u>21,258,223</u>	<u>22,370,785</u>	<u>3,108,480</u>	<u>3,107,132</u>	<u>24,366,703</u>	<u>25,477,917</u>
Total deferred outflows of resources	<u>2,226,851</u>	<u>1,508,234</u>	<u>165,942</u>	<u>128,420</u>	<u>2,392,793</u>	<u>1,636,654</u>
Long-term liabilities	14,291,047	14,636,571	2,499,705	2,420,784	16,790,752	17,057,355
Other liabilities	1,339,552	1,079,853	96,512	77,268	1,436,064	1,157,121
Total liabilities	<u>15,630,599</u>	<u>15,716,424</u>	<u>2,596,217</u>	<u>2,498,052</u>	<u>18,226,816</u>	<u>18,214,476</u>
Total deferred inflows of resources	<u>126,752</u>	<u>64,431</u>	<u>6,480</u>	<u>4,756</u>	<u>133,232</u>	<u>69,187</u>
Net position:						
Net investment in capital asstes	6,662,913	6,407,708	1,525,242	1,360,165	8,188,155	7,767,873
Restricted	4,237,074	(536,690)	-	-	4,237,074	(536,690)
Unrestricted	(3,172,264)	2,227,146	(853,517)	(627,421)	(4,025,781)	1,599,725
Total net position	<u>\$ 7,727,723</u>	<u>\$ 8,098,164</u>	<u>\$ 671,725</u>	<u>\$ 732,744</u>	<u>\$ 8,399,448</u>	<u>\$ 8,830,908</u>

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

- Through continued diligence in collection efforts, the County maintained its overall property tax collection rate at 95.46%.
- Intergovernmental revenues increased by approximately \$500,000 from the prior year, mostly due to additional grant funding obtained by the health department.
- Local option sales taxes increased by approximately \$330,000 from the prior year, due to tourism increasing in the local economy during the year.
- The landfill fund decreased in net position by \$61,019. This is due in part to decreased collection of disposal fee revenue and an increase in the transport to market expenses.

Madison County's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 1,796,752	\$ 1,889,537	\$ 1,915,545	\$ 1,987,139	\$ 3,712,297	\$ 3,876,676
Operating grants and contributions	6,465,455	5,959,372	-	-	6,465,455	5,959,372
General revenues						
Property taxes	12,905,214	13,108,399	-	-	12,905,214	13,108,399
Local option sales tax	3,989,755	3,660,148	-	-	3,989,755	3,660,148
Other taxes	586,264	566,970	-	-	586,264	566,970
Other items	109,318	209,708	-	32,297	109,318	242,005
Interest earnings	142,792	79,948	102	102	142,894	80,050
Total revenues	<u>25,995,550</u>	<u>25,474,082</u>	<u>1,915,647</u>	<u>2,019,538</u>	<u>27,911,197</u>	<u>27,493,620</u>
Expenses						
General government	2,997,958	2,381,091	-	-	2,997,958	2,381,091
Public safety	7,551,196	6,973,652	-	-	7,551,196	6,973,652
Economic and physical development	1,711,303	2,035,475	-	-	1,711,303	2,035,475
Human services	8,673,564	8,886,644	-	-	8,673,564	8,886,644
Culture and recreation	668,531	752,469	-	-	668,531	752,469
Education	4,352,871	3,728,214	-	-	4,352,871	3,728,214
Interest on long-term debt	410,568	553,030	-	-	410,568	553,030
Landfill	-	-	1,976,666	1,941,604	1,976,666	1,941,604
Total expenses	<u>26,365,991</u>	<u>25,310,575</u>	<u>1,976,666</u>	<u>1,941,604</u>	<u>28,342,657</u>	<u>27,252,179</u>
Change in net position	<u>(370,441)</u>	<u>163,507</u>	<u>(61,019)</u>	<u>77,934</u>	<u>(431,460)</u>	<u>241,441</u>
Net position, beginning	8,098,164	8,326,892	(694,308)	1,847,892	7,403,856	10,174,784
Restatements	-	(392,235)	1,427,052	(2,620,134)	1,427,052	(3,012,369)
Net position, ending	<u>\$ 7,727,723</u>	<u>\$ 8,098,164</u>	<u>\$ 671,725</u>	<u>\$ (694,308)</u>	<u>\$ 8,399,448</u>	<u>\$ 7,403,856</u>

Governmental activities. Governmental activities decreased the County's net position by \$370,441. Key elements influencing the current year results are as follows:

- Increases in grants and contributions (mostly in health and social services) were offset by the increase in expenses for general government, public safety, and education.
- Increases in education expenses related to various school construction projects that were completed during the year.

Business-type activities: Business-type activities decreased Madison County's net position by \$61,019. The key elements of this decrease are as follows:

- Decreased disposal fee revenue and an increase in expenses related to transporting residential trash out of the county as well as general expense increases attributed to the decrease in net position.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Madison County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Madison County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Madison County. At the end of the current fiscal year, Madison County's unassigned fund balance in the General Fund was \$2,391,280, while total fund balance reached

\$6,504,419. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.8% of total General Fund expenditures, while total fund balance represents 26.8% of that same amount.

At June 30, 2019, the governmental funds of Madison County reported a combined fund balance of \$6,944,063, which is a decrease of \$1,250,839 from the prior year. The primary reasons for this decrease are expenditures for tax revaluation and school capital construction projects.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased expenditures by \$1,493,801. These increases were offset by \$1,572,504 in increased budgeted revenue and a decrease of \$78,703 in appropriated fund balance and transfers.

Proprietary Funds. Madison 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 Landfill Fund at the end of the fiscal year amounted to a negative \$853,517. The beginning net position was restated to reflect the decreased post closure estimated liability based on North Carolina General Statutes. The total decrease in net position for the Landfill Fund for the year ended June 30, 2019 was \$61,019. Other factors concerning the finances of this fund have already been addressed in the discussion of Madison County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Madison County's capital assets for its governmental and business-type activities as of June 30, 2019, totals \$13,521,489 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Voting equipment
- Vehicles for the sheriff's department and health department
- Truck and excavator for the landfill

**Madison County's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 577,854	\$ 577,854	\$ 859,832	\$ 859,832	\$ 1,437,686	\$ 1,437,686
Buildings and improvements	10,455,402	10,778,266	305,782	322,079	10,761,184	11,100,345
Equipment	515,216	481,477	147,819	83,496	663,035	564,973
Computer equipment	71,667	79,667	-	-	71,667	79,667
Vehicles	376,108	357,111	211,809	94,758	587,917	451,869
Total capital assets	<u>\$ 11,996,247</u>	<u>\$ 12,274,375</u>	<u>\$ 1,525,242</u>	<u>\$ 1,360,165</u>	<u>\$ 13,521,489</u>	<u>\$ 13,634,540</u>

Additional information on the County's capital assets can be found in Note 6 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, Madison County had total installment debt outstanding of \$10,271,295 secured by assets purchased or constructed with the proceeds.

Madison County's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018 - Restated	2019	2018 - Restated
Installment purchases	\$ 10,271,295	\$ 11,452,333	\$ -	\$ -	\$ 10,271,295	\$ 11,452,333
Closure & post-closure costs	-	-	2,236,315	2,191,927	2,236,315	2,191,927
Compensated absences	917,592	995,627	48,423	60,844	966,015	1,056,471
Net pension liability (LGRS)	2,815,460	1,888,675	214,967	168,013	3,030,427	2,056,688
Net pension liability (LEOSSA)	286,700	299,936	-	-	286,700	299,936
Total capital assets	<u>\$ 14,291,047</u>	<u>\$ 14,636,571</u>	<u>\$ 2,499,705</u>	<u>\$ 2,420,784</u>	<u>\$ 16,790,752</u>	<u>\$ 17,057,355</u>

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 Madison County was approximately \$176,000,000. Additional information regarding Madison County's long-term debt can be found in Note 7 of the Basic Financial Statements.

The decrease in outstanding installment debt from \$11.5M in the prior year to \$10.3M in the current year is attributable to scheduled principal payments being made on outstanding debt issuances. There was no new installment debt issued during the year.

Economic Factors and Next Year's Budgets and Rates

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the County's financial condition and activities. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the County is not able to estimate the effects of the COVID-19 during fiscal year 2020 and beyond.

The County received approximately \$600,000 in federal CARES Act funding to be used for public safety, health, and other costs of the pandemic. These funds must be used by December 31, 2020.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Total General Fund expenditures and transfers out are budgeted at \$25,918,973 for 2020, a 6.7% increase from 2019 actuals. This includes an appropriation of fund balance of \$272,505. The County increased the ad valorem tax rate from \$0.52 to \$0.55 per \$100 of assessed value in order to generate additional revenues (budgeted at 4% over the prior year.)

Business-Type Activities: Total revenues and expenditures are projected substantially the same as last fiscal year's actual amounts, including appropriated fund balance of approximately \$50,000. The appropriation of fund balance is for non-recurring vehicle and equipment purchases.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Madison County, P.O. Box 579, Marshall, NC 28753.

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2019

	Primary Government			Component Units	
	Governmental	Business-type	Total	Madison County	Madison County
	Activities	Activities	Primary	Housing Authority	Tourism Development
			Government		Authority
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 4,309,757	\$ 1,538,104	\$ 5,847,861	\$ 435,562	\$ 466,243
Investments	-	-	-	75,173	-
Receivables, net of allowance for uncollectable	458,791	25,771	484,562	1,661	-
Taxes receivable, net of allowance for uncollectable	929,371	-	929,371	-	-
Due from other governments	1,228,025	19,363	1,247,388	-	-
Due from primary government	-	-	-	-	34,290
Other assets	103,970	-	103,970	-	-
Prepaid items	47,914	-	47,914	3,839	-
Restricted assets:					
Cash and cash equivalents	2,092,816	-	2,092,816	39,626	-
Total noncurrent assets	9,170,644	1,583,238	10,753,882	555,861	500,533
Noncurrent Assets:					
Net pension asset (ROD)	91,332	-	91,332	-	-
Capital assets:					
Non-depreciable	577,854	859,832	1,437,686	69,980	-
Depreciable, net of accumulated depreciation	11,418,393	665,410	12,083,803	782,974	310,392
Total capital assets	11,996,247	1,525,242	13,521,489	852,954	310,392
Total noncurrent assets	12,087,579	1,525,242	13,612,821	852,954	310,392
Total assets	21,258,223	3,108,480	24,366,703	1,408,815	810,925
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	2,226,851	165,942	2,392,793	45,160	-
Total deferred outflows of resources	2,226,851	165,942	2,392,793	45,160	-
LIABILITIES					
Accounts payable	511,127	79,448	590,575	4,525	6,730
Accrued liabilities	608,187	17,064	625,251	-	-
Interest payable	185,948	-	185,948	-	-
Due to component unit	34,290	-	34,290	-	-
Tenant security deposits	-	-	-	9,000	-
Unearned revenue	-	-	-	524	-
Landfill postclosure liability, due within one year	-	34,450	34,450	-	-
Landfill postclosure liability, due in more than one year	-	2,201,865	2,201,865	-	-
Notes payable, due within one year	963,000	-	963,000	-	-
Notes payable, due in more than one year	9,308,295	-	9,308,295	-	-
Compensated absences, due within one year	734,074	38,738	772,812	2,000	-
Compensated absences, due in more than one year	183,518	9,685	193,203	10,693	-
Net pension liability, due in more than one year (LGERS)	2,815,460	214,967	3,030,427	64,056	-
Total pension liability, due in more than one year (LEOSSA)	286,700	-	286,700	-	-
Total liabilities	15,630,599	2,596,217	18,226,816	90,798	6,730
DEFERRED INFLOWS OF RESOURCES					
Pension related items	126,752	6,480	133,232	1,931	-
Total deferred inflows of resources	126,752	6,480	133,232	1,931	-
NET POSITION					
Net investment in capital assets	6,662,913	1,525,242	8,188,155	852,954	310,392
Restricted for:					
Stabilization by State Statute	1,614,852	-	1,614,852	-	34,290
Register of deeds	156,801	-	156,801	-	-
School capital	1,915,000	-	1,915,000	30,626	-
Public safety	299,158	-	299,158	-	-
Tax revaluation	160,684	-	160,684	-	-
Economic and physical development	90,579	-	90,579	-	-
Unrestricted	(3,172,264)	(853,517)	(4,025,781)	477,666	459,513
Total net position	\$ 7,727,723	\$ 671,725	\$ 8,399,448	\$ 1,361,246	\$ 804,195

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 2,997,958	\$ 503,820	\$ 58,896	\$ -
Public safety	7,551,196	642,087	451,698	-
Economic and physical development	1,711,303	342,255	296,817	-
Human services	8,673,564	280,948	5,098,517	-
Culture and recreation	668,531	27,642	114,176	-
Education	4,352,871	-	184,500	-
Interest on long-term debt	410,568	-	260,851	-
Total governmental activities	<u>26,365,991</u>	<u>1,796,752</u>	<u>6,465,455</u>	<u>-</u>
Business-type activities:				
Landfill	1,976,666	1,915,545	-	-
Total business-type activities	<u>1,976,666</u>	<u>1,915,545</u>	<u>-</u>	<u>-</u>
 Total primary government	 <u>\$ 28,342,657</u>	 <u>\$ 3,712,297</u>	 <u>\$ 6,465,455</u>	 <u>\$ -</u>
 Component Unit:				
Madison County Housing Authority	\$ 1,278,615	\$ 152,083	\$ -	\$ 1,204,308
Madison County Tourism Development Authority	351,180	-	-	-
Total component unit	<u>\$ 1,629,795</u>	<u>\$ 152,083</u>	<u>\$ -</u>	<u>\$ 1,204,308</u>

General revenues:
Property taxes
Sales and use taxes
Other taxes
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position, beginning of year, restated
Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Madison County Housing Authority	Madison County Tourism Development Authority
\$ (2,435,242)	\$ -	\$ (2,435,242)	\$ -	\$ -
(6,457,411)	-	(6,457,411)	-	-
(1,072,231)	-	(1,072,231)	-	-
(3,294,099)	-	(3,294,099)	-	-
(526,713)	-	(526,713)	-	-
(4,168,371)	-	(4,168,371)	-	-
(149,717)	-	(149,717)	-	-
(18,103,784)	-	(18,103,784)	-	-
-	(61,121)	(61,121)	-	-
-	(61,121)	(61,121)	-	-
\$ (18,103,784)	\$ (61,121)	\$ (18,164,905)	\$ -	\$ -
			\$ 77,776	\$ -
			-	(351,180)
			\$ 77,776	\$ (351,180)
\$ 12,905,214	\$ -	\$ 12,905,214	\$ -	\$ -
3,989,755	-	3,989,755	-	-
586,264	-	586,264	-	373,947
142,792	102	142,894	316	-
109,318	-	109,318	4,413	-
17,733,343	102	17,733,445	4,729	373,947
(370,441)	(61,019)	(431,460)	82,505	22,767
8,098,164	732,744	8,830,908	1,278,741	781,428
\$ 7,727,723	\$ 671,725	\$ 8,399,448	\$ 1,361,246	\$ 804,195

MADISON COUNTY, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,756,883	\$ 552,874	\$ 4,309,757
Taxes receivable, net	810,234	119,137	929,371
Accounts receivable	338,780	35,351	374,131
Due from other governments	1,208,312	19,713	1,228,025
Due from other funds	48,835	-	48,835
Prepaid expenses	47,914	-	47,914
Other assets	103,970	-	103,970
Restricted cash and cash equivalents	2,092,816	-	2,092,816
Total assets	<u>\$ 8,407,744</u>	<u>\$ 727,075</u>	<u>\$ 9,134,819</u>
LIABILITIES			
Accounts payable	\$ 415,900	\$ 95,227	\$ 511,127
Accrued expenses	607,191	996	608,187
Due to other funds	-	48,835	48,835
Due to component unit	-	34,290	34,290
Total liabilities	<u>1,023,091</u>	<u>179,348</u>	<u>1,202,439</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	810,234	108,083	918,317
Unavailable revenues - grants	70,000	-	70,000
Total deferred inflows of resources	<u>880,234</u>	<u>108,083</u>	<u>988,317</u>
FUND BALANCES			
Non-spendable:			
Prepaid	47,914	-	47,914
Other assets	103,970	-	103,970
Restricted for:			
Stabilization by State Statute	1,595,934	18,918	1,614,852
Register of deeds	156,801	-	156,801
School capital	1,915,000	-	1,915,000
Public safety	21,015	170,060	191,075
Economic and physical development	-	90,579	90,579
Tax revaluation	-	160,684	160,684
Assigned for subsequent year's expenditures	272,505	-	272,505
Unassigned	2,391,280	(597)	2,390,683
Total fund balances	<u>6,504,419</u>	<u>439,644</u>	<u>6,944,063</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,407,744</u>	<u>\$ 727,075</u>	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	11,996,247
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	988,317
The net pension liability (asset), total pension liability, and related deferred inflows and outflows of resources are resources related to the County's defined benefit pension plans which are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.	(910,729)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(11,290,175)

Net position of governmental activities	\$ 7,727,723
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The accompanying notes are an integral part of these financial statements.

MADISON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 11,503,873	\$ 1,324,547	\$ 12,828,420
Sales tax	3,989,755	-	3,989,755
Other taxes	200,754	385,510	586,264
Intergovernmental revenues	6,162,626	243,933	6,406,559
Permits and fees	1,197,152	-	1,197,152
Charges for services	599,600	-	599,600
Investment earnings	142,116	676	142,792
Miscellaneous	109,318	-	109,318
Total revenues	<u>23,905,194</u>	<u>1,954,666</u>	<u>25,859,860</u>
EXPENDITURES			
Current:			
General government	2,636,618	370,509	3,007,127
Public safety	5,813,345	1,482,161	7,295,506
Economic and physical development	1,242,180	404,170	1,646,350
Human services	8,598,306	-	8,598,306
Cultural and recreational	597,322	-	597,322
Education	3,788,889	563,982	4,352,871
Debt service:			
Principal repayments	1,181,038	-	1,181,038
Interest	432,179	-	432,179
Total expenditures	<u>24,289,877</u>	<u>2,820,822</u>	<u>27,110,699</u>
Revenues over (under) expenditures	<u>(384,683)</u>	<u>(866,156)</u>	<u>(1,250,839)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	218,038	-	218,038
Transfers out	-	(218,038)	(218,038)
Total other financing sources (uses)	<u>218,038</u>	<u>(218,038)</u>	<u>-</u>
Net change in fund balance	(166,645)	(1,084,194)	(1,250,839)
Fund balances, beginning of year	6,671,064	1,523,838	8,194,902
Fund balances, end of year	<u>\$ 6,504,419</u>	<u>\$ 439,644</u>	<u>\$ 6,944,063</u>

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

MADISON COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds	\$ (1,250,839)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(278,128)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	146,794
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 net position. This amount is the repayment of those long-term debt obligations.	1,181,038
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(169,306)</u>
Change in net position - governmental activities	<u>\$ (370,441)</u>

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

MADISON COUNTY, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Positive (Negative)
REVENUES				
Property taxes	\$ 11,771,751	\$ 11,755,766	\$ 11,503,873	\$ (251,893)
Sales tax	3,706,183	3,935,618	3,989,755	54,137
Other taxes	156,000	173,834	200,754	26,920
Intergovernmental revenues	5,860,616	6,889,057	6,162,626	(726,431)
Permits and fees	1,161,536	1,262,856	1,197,152	(65,704)
Charges for services	591,528	615,450	599,600	(15,850)
Investment earnings	55,000	142,116	142,116	-
Miscellaneous	23,500	123,921	109,318	(14,603)
Total revenues	23,326,114	24,898,618	23,905,194	(993,424)
EXPENDITURES				
General government	2,381,928	3,077,424	2,636,618	440,806
Public safety	5,465,617	5,749,798	5,813,345	(63,547)
Economic and physical development	1,427,534	1,360,195	1,242,180	118,015
Human services	9,309,885	9,610,524	8,598,306	1,012,218
Cultural and recreational	624,769	677,363	597,322	80,041
Education	3,778,697	3,788,889	3,788,889	-
Debt service:				
Principal retirements	963,000	1,181,038	1,181,038	-
Interest and other charges	171,328	171,328	432,179	(260,851)
Total expenditures	24,122,758	25,616,559	24,289,877	1,326,682
Revenues under expenditures	(796,644)	(717,941)	(384,683)	333,258
OTHER FINANCING SOURCES				
Appropriated fund balance	796,644	499,903	-	(499,903)
Transfers in	-	218,038	218,038	-
Total other financing sources	796,644	717,941	218,038	(499,903)
Net change in fund balances	-	-	(166,645)	(166,645)
Fund balances, beginning of year	6,671,064	6,671,064	6,671,064	-
Fund balances, end of year	\$ 6,671,064	\$ 6,671,064	\$ 6,504,419	\$ (166,645)

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2019

	Enterprise Fund Landfill Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,538,104
Receivables, net	25,771
Due from other governments	19,363
Total current assets	1,583,238
Noncurrent assets:	
Capital assets:	
Non-depreciable	859,832
Plant, property and equipment	2,693,091
Less accumulated depreciation	(2,027,681)
Total capital assets, net	1,525,242
Total assets	3,108,480
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	165,942
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	79,448
Payroll related liabilities	17,064
Accrued landfill closure and postclosure care costs	34,450
Compensated absences	38,738
Total current liabilities	169,700
Noncurrent liabilities:	
Accrued landfill closure and postclosure care costs	2,201,865
Compensated absences	9,685
Net pension liability	214,967
Total noncurrent liabilities	2,426,517
Total liabilities	2,596,217
DEFERRED INFLOWS OF RESOURCES	
Pension related items	6,480
NET POSITION	
Investment in capital assets	1,525,242
Unrestricted (deficit)	(853,517)
Total net position	\$ 671,725

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
	Landfill
	Fund
OPERATING REVENUES	
Charges for services	\$ 1,866,627
Recycling	48,918
Total operating revenues	<u>1,915,545</u>
OPERATING EXPENSES	
Salaries and employee benefits	872,893
Other operating expenses	972,059
Maintenance and repairs	60,206
Depreciation	71,508
Total operating expenses	<u>1,976,666</u>
Operating loss	(61,121)
NON-OPERATING REVENUES	
Investment earnings	102
Total non-operating revenues	<u>102</u>
Change in net position	(61,019)
Net position, beginning of year, restated	732,744
Net position, end of year	<u>\$ 671,725</u>

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Landfill</u> <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,905,878
Cash paid for goods and services	(972,664)
Cash paid to employees for services	(870,127)
Net cash provided by operating activities	<u>63,087</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and acquisition of capital assets	(236,585)
Net cash used in capital and related financing activities	<u>(236,585)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Repayment of interfund borrowing	(15,545)
Net cash used in capital and related financing activities	<u>(15,545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	102
Net cash provided by investing activities	<u>102</u>
Net decrease in cash and cash equivalents	(188,941)
Cash and cash equivalents, beginning of year	<u>1,727,045</u>
Cash and cash equivalents, end of year	<u>\$ 1,538,104</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (61,121)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	71,508
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in accounts receivable	1,576
Increase in due from other governments	(11,243)
Increase in accounts payable	15,213
Increase in accrued payroll	4,031
Increase in postclosure liability	44,388
Decrease in compensated absences payable	(12,421)
Increase in pension related items	11,156
Net cash provided by operating activities	<u>\$ 63,087</u>

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$ 117,170</u>
	<u><u>\$ 117,170</u></u>
LIABILITIES	
Due to others	<u>\$ 117,170</u>
	<u><u>\$ 117,170</u></u>

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

MADISON COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Madison County, North Carolina (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

A. Reporting Entity

Madison County, North Carolina (the "County"), was founded in 1851 and is located in the Appalachian Mountains of western North Carolina. The County has a commissioner/manager form of government with a five-member elected Board of Commissioners comprising the governing body. The County provides the following services to its citizens: public health, public safety, mental health, social service programs, planning and zoning, cultural and recreational programs, and housing and community development service programs. In addition, inspections, environmental resources, land records, and vital statistics information are provided. Elementary and secondary education is provided by the State through locally elected educational boards with the assistance of the County.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County and its component unit. The two discretely presented component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationship with the County. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit – Madison County Housing Authority

The members of the Madison County Housing Authority ("Housing Authority")'s governing board are appointed by the County Commissioners. The County can remove any commissioner of the Housing Authority with or without cause. The Housing Authority is financially dependent on the County to provide sufficient funds for operation. The Housing Authority, which has a June 30 year-end, is discretely presented in separate columns in the government-wide Statement of Net Position and Statement of Activities.

Complete financial statements for the Housing Authority may be obtained from their administrative offices at Madison County Housing Authority, 160 Ivy Ridge Apartments Drive, Mars Hill, NC 28754.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Unit – Madison County Tourism Development Authority

The members of the governing board of the Madison County Tourism Development Authority (“Authority”) are appointed by the County Commissioners. In addition, the County collects an occupancy tax, remitting 97% of such taxes collected to the Authority. The Authority, which has a June 30 year-end, is discretely presented in separate columns in the government-wide Statement of Net Position and Statement of Activities.

Complete financial statements of the Authority may be obtained from their administrative office at 107 Elizabeth Lane, P.O. Box 579, Marshall, NC 28753.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the County’s capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

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

The County reports the following major enterprise funds:

The **Landfill Fund** accounts for the operation, maintenance, and development of various landfills and disposal sites.

Additionally, the County reports the following fund types:

The **special revenue funds** are used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

The **capital projects fund** is used to account for several school construction projects.

The **agency funds** are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Inmate Trust Fund, which accounts for moneys deposited with the Sheriff's Department for the benefit of inmates.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which did not conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 enterprise funds include the cost of these goods 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.

D. Budgets

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund; the Fire District, Occupancy Tax, Revaluation, Soil and Water Conservation District, and Emergency Telephone special revenue funds; and the Landfill Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the 2016 Qualified School Financing Capital Project Fund.

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 project level for the capital project fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than ten percent of the function whose allocation is reduced. The governing board must approve all amendments. 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.

All budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments

All deposits of the County, Madison County Housing Authority, and Madison County Tourism Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Housing Authority and the Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, the Housing Authority, and the Tourism Development Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County, the Housing Authority, and the Tourism Development Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County, the Housing Authority, and the Tourism Development Authority's investments are carried at fair value as determined by quoted market prices. 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.

F. Cash and Cash Equivalents

The County pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Madison County Housing Authority and the Tourism Development Authority consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include monies, the use of which is restricted by contractual or legal requirements. The unexpended debt proceeds of the 2016 Qualified School Financing Capital Project Fund are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. Money in the General Fund restricted for school capital is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22. The unexpended forfeiture funds (public safety) and register of deeds funds are restricted by purpose.

H. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

I. Allowances

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

J. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are accounted for using the consumption method in the governmental funds.

L. Other Assets

Foreclosed property owned by the County is recorded at the amount of the past due property tax receivable. The County has evaluated the outstanding parcels and while the County carries \$311,910 of property, an allowance of \$207,940 is reported at June 30, 2019.

M. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	40 years
Improvements	15-30 years
Furniture and equipment	5-10 years
Vehicles	3-5 years
Computer equipment	5 years

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial statements will sometimes 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reports one (1) item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the accrual of ad valorem taxes, foreclosed property sales, and intergovernmental revenues which are earned by the County but are not considered available for the liquidation of current expenditures.

The County also has deferred inflows and outflows related to the recording of changes in its net pension liability – LGERS, net pension liability (asset) – ROD, and total pension liability - LEOSSA. Certain changes in the net pension liability (asset) are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension liability (asset) for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in proportion and differences between employer contributions and proportionate share of contributions which adjust the net pension liability (asset) are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County 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 does not have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

P. Long-Term Obligations

In the government-wide financial statements and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (G.S. 159-8(a)) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the County’s Board of Commissioners. Approval of a resolution after a formal vote of the County’s Board is required to establish a commitment of fund balance. Similarly, the County’s Board may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

Assigned – Fund balances are reported as assigned when amounts are constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. The County’s Board of Commissioners, through County Ordinance, has expressly delegated to the County Manager the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

R. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and the Register of Deeds’ Supplemental Pension Fund (RODSPF) and additions to/deductions from LGERS’ and RODSPF’s fiduciary net position have been determined on the same basis as they are reported by LGERS and RODSPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$11,290,175 difference are as follows:

Notes payable	\$ (10,271,295)
Accrued interest payable	(185,948)
Accrued interest receivable	84,660
Compensated absences (i.e. vacation)	<u>(917,592)</u>
Net adjustments to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (11,290,175)</u></u>

Another element of that reconciliation explains that “the net pension liability (asset), total pension liability and related deferred inflows and outflows of resources related to the County’s defined benefit pension plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.” The details of this \$910,729 difference are as follows:

Total pension liability - Law Enforcement Officers' Special Separation	
Allowance (LEOSSA) - pension plan	\$ (286,700)
Deferred outflows of resources - LEOSSA	24,819
Deferred inflows of resources - LEOSSA	(33,432)
Net pension liability - LGERS	(2,815,460)
Deferred outflows of resources - LGERS	2,177,655
Deferred inflows of resources - LGERS	(84,866)
Net pension asset - Register of Deeds Retirement Plan	91,332
Deferred outflows of resources - Register of Deeds	24,377
Deferred inflows of resources - Register of Deeds	<u>(8,454)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position –</i>	<u><u>\$ (910,729)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$278,128 difference are as follows:

Capital outlay	\$ 342,521
Depreciation expense	<u>(620,649)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (278,128)</u></u>

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$169,306 difference are as follows:

Compensated absences (i.e., vacation)	\$ 78,035
Change in accrued interest	21,611
Change in accrued interest receivable	(11,104)
Net pension liability and related deferred outflows and inflows - LGERS	(228,724)
Total pension liability and related deferred outflows and inflows - LEOSSA	(21,522)
Net pension asset and related deferred outflows and inflows- ROD	<u>(7,602)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (169,306)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Appropriations. The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the County will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund. Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the County Manager. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

The following is a list of the funds and departments which reported expenditures in excess of approved budgets:

General Fund:	
General government:	
Finance	\$ 3,927
Tax collector	2,377
Land records	632
Public safety:	
Sheriff and communications	93,723
Inspections and zoning	4,479
Animal control	3,015
Economic and physical development:	
Cooperative extension services	1,734
Soil and water conservation	3,973
Human services	
In-home aides	5,884
Debt service:	
Interest	260,851
Occupancy Tax Fund:	
Tourism development	111,078
Soil and Water Conservation District:	
Administration	114
Emergency Telephone System Fund:	
Hardware maintenance	10,062
Fire Districts Fund:	
Jupiter fire department	3,358

The over expended departments were funded through savings noted in other departments within the funds, or revenues collected in excess of appropriations.

Deficit Fund Balance. The Fire Districts Fund is reporting a deficit fund balance as of June 30, 2019 of \$597. This deficit will be recovered as property tax collections are received.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2019 are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 5,847,861
Restricted cash and cash equivalents	2,092,816
Fiduciary - agency funds	117,170
	<u>\$ 8,057,847</u>
Cash deposited with financial institutions	\$ 1,595,129
Cash deposited with NCCMT	6,462,718
	<u>\$ 8,057,847</u>

Credit risk. State statutes and the County's policies authorize the County to invest in obligations of the State of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The County does not have a credit rating policy which provides restrictions or limitations on credit ratings for the County's investments.

As of June 30, 2019, the County had \$6,462,718 invested in the NCCMT's cash portfolio which carried a credit rating of AAAM by Standard and Poor's. The NCCMT's cash portfolio is valued using amortized costs. The County has no policy regarding credit risk.

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.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the County's deposits are insured or collateralized as required by GASB and state statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at June 30, 2019, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Other Governmental	Solid Waste Landfill
Receivables:			
Taxes	\$ 1,459,148	\$ 200,825	\$ -
Accounts	338,780	52,676	25,771
Due from other governments	1,208,312	2,388	19,363
Less allowance for uncollectibles	(648,914)	(81,688)	-
Net total receivables	<u>\$ 2,357,326</u>	<u>\$ 174,201</u>	<u>\$ 45,134</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 577,854	\$ -	\$ -	\$ 577,854
Total	<u>577,854</u>	<u>-</u>	<u>-</u>	<u>577,854</u>
Capital assets, being depreciated:				
Buildings and improvements	16,011,017	37,420	-	16,048,437
Equipment	3,358,779	140,355	(453,308)	3,045,826
Vehicles and motor equipment	2,394,831	164,746	(346,260)	2,213,317
Computer equipment	80,000	-	-	80,000
Total being depreciated	<u>21,844,627</u>	<u>342,521</u>	<u>(799,568)</u>	<u>21,387,580</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,232,751)	(360,284)	-	(5,593,035)
Equipment	(2,877,302)	(106,616)	453,308	(2,530,610)
Vehicles and motor equipment	(2,037,720)	(145,749)	346,260	(1,837,209)
Computer equipment	(333)	(8,000)	-	(8,333)
Total	<u>(10,148,106)</u>	<u>(620,649)</u>	<u>799,568</u>	<u>(9,969,187)</u>
Total capital assets, being depreciated, net	<u>11,696,521</u>	<u>(278,128)</u>	<u>-</u>	<u>11,418,393</u>
Governmental activities capital assets, net	<u>\$ 12,274,375</u>	<u>\$ (278,128)</u>	<u>\$ -</u>	<u>\$ 11,996,247</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 859,832	\$ -	\$ -	\$ 859,832
Total	<u>859,832</u>	<u>-</u>	<u>-</u>	<u>859,832</u>
Capital assets, being depreciated				
Plant and distribution systems	821,428	-	-	821,428
Machinery and equipment	1,009,801	82,270	(4,050)	1,088,021
Vehicles	629,327	154,315	-	783,642
Total	<u>2,460,556</u>	<u>236,585</u>	<u>(4,050)</u>	<u>2,693,091</u>
Less accumulated depreciation for:				
Plant and distribution systems	(499,349)	(16,297)	-	(515,646)
Machinery and equipment	(926,305)	(17,947)	4,050	(940,202)
Vehicles	(534,569)	(37,264)	-	(571,833)
Total	<u>(1,960,223)</u>	<u>(71,508)</u>	<u>4,050</u>	<u>(2,027,681)</u>
Total capital assets being depreciated, net	<u>500,333</u>	<u>165,077</u>	<u>-</u>	<u>665,410</u>
Business-type activities capital assets, net	<u>\$ 1,360,165</u>	<u>\$ 165,077</u>	<u>\$ -</u>	<u>\$ 1,525,242</u>

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

Governmental activities:	
General government	\$ 91,548
Public safety	359,729
Economic and physical development	46,858
Human services	56,590
Culture and recreation	65,924
Total depreciation expense - governmental activities	<u>\$ 620,649</u>
Business-type activities:	
Solid Waste Landfill	\$ 71,508
Total depreciation expense - business-type activities	<u>\$ 71,508</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Direct borrowing -					
Installment notes payable	\$ 11,452,333	\$ -	\$ (1,181,038)	\$ 10,271,295	\$ 963,000
Net pension liability - LGERS	1,888,675	1,655,979	(729,194)	2,815,460	-
Total pension liability - LEOSSA	299,936	31,710	(44,946)	286,700	-
Compensated absences	995,627	982,935	(1,060,970)	917,592	734,074
Long-term liabilities	<u>\$ 14,636,571</u>	<u>\$ 2,670,624</u>	<u>\$ (3,016,148)</u>	<u>\$ 14,291,047</u>	<u>\$ 1,697,074</u>
Business-type activities:					
Closure & Post-closure liability	\$ 2,191,927	\$ 78,838	\$ (34,450)	\$ 2,236,315	\$ 34,450
Net pension liability - LGERS	168,013	102,217	(55,263)	214,967	-
Compensated absences	60,844	65,803	(78,224)	48,423	38,738
Long-term liabilities	<u>\$ 2,420,784</u>	<u>\$ 246,858</u>	<u>\$ (167,937)</u>	<u>\$ 2,499,705</u>	<u>\$ 73,188</u>

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability – LGERS, total pension liability - LEOSSA, and compensated absences are liquidated primarily by the General Fund.

The beginning balance of the County's Closure and Postclosure liability has been restated, for more information, see Note 12.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Obligation

Installment notes serviced by the County governmental funds are as follows:

	Balance as of June 30, 2019
<i>Governmental activities</i>	
\$6,445,000 for construction or renovation of various school buildings, due annually in the principal amount of \$429,667, plus interest of 4.67% per annum through February 2031.	\$ 4,937,961
\$9,600,000 for construction of new jail, due annually in the principal amount of \$480,000 plus interest of 2.94% per annum through February 2030.	5,280,000
\$800,000 Land and Municipal Building, due annually in the principal amount of \$53,333 plus interest of 1.86% per annum through June 2020.	53,334
Total	<u><u>\$ 10,271,295</u></u>

The facilities are pledged as collateral for the County's direct borrowing installment notes. If a default occurs, the mortgaged properties can be foreclosed, and the proceeds used to pay off the debt.

Note the interest incurred on the school construction note is reimbursed annually by the financial institution in exchange for a tax credit.

The debt service to maturity on the installment obligations is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2020	\$ 963,000	\$ 156,224	\$ 1,119,224
2021	909,667	141,120	1,050,787
2022	909,667	127,008	1,036,675
2023	909,667	112,896	1,022,563
2024	909,668	98,784	1,008,452
2025-2029	4,548,335	282,240	4,830,575
2030-2031	1,121,291	14,112	1,135,403
Total	<u><u>\$ 10,271,295</u></u>	<u><u>\$ 932,384</u></u>	<u><u>\$ 11,203,679</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Landfill Closure and Postclosure

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 sites after closure. The County reported a liability for closure and postclosure care of its two landfills in the Solid Waste Fund of \$3,643,805. The County's construction and demolition landfill continues to accept waste. As of June 30, 2019, the construction and demolition landfill has used approximately 59.5% of the permitted 131,600 cubic yards of capacity. The remaining costs, not yet accrued for the construction and demolition landfill of \$714,673 will be recognized over the future life of the landfills as capacity is used. Actual costs may be higher upon completion of the cost estimates, or due to inflation, change in technology, or changes in regulations.

NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 48,835
		<u>\$ 48,835</u>
Due to/from component unit:		
Component Unit	Nonmajor governmental fund	\$ 34,290
		<u>\$ 34,290</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and when payments between funds are made.

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 218,038
		<u>\$ 218,038</u>

Transfers are used to move unspent debt proceeds to be applied towards the principal balance of the loan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

Madison County participates in three defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS), Law Enforcement Officers Special Separation Allowance (LEOSSA), and the Register of Deeds' Supplemental Pension Fund (RODSPF). The Madison County Housing Authority is a participant in the County's Local Government Employees' Retirement System (LGERS) plan. The Housing Authority and the County's disclosures have been aggregated for disclosure purposes. Only the LGERS and RODSPF are funded with qualifying trusts and accounted for by the County under GASB Statement No. 68. The LEOSSA is reported in accordance with GASB Statement No. 73. The net pension liability (asset), total pension liability, and related deferred outflows of resources and deferred inflows of resources for the LGERS, LEOSSA, and RODSPF are summarized as follows:

	LGERS	LEOSSA	RODSPF	Total
Net pension asset	\$ -	\$ -	\$ 91,332	\$ 91,332
Net pension liability	3,094,483	-	-	3,094,483
Total pension liability	-	286,700	-	286,700
Deferred outflows of resources related to pensions	2,388,757	24,819	24,377	2,437,953
Deferred inflows of resources related to pensions	93,277	33,432	8,454	135,163

A. Local Governmental Employees' Retirement System

Plan Description. Madison 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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 postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Madison County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees 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 \$631,039 for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2019, the County reported a liability of \$3,094,483 for its proportionate share of the net pension liability, of which \$64,056 was reported by Madison County Housing Authority, a discretely presented component unit. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the County's proportion was 0.13044%, which was a decrease of 0.00703% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$861,862. At June 30, 2019, 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	\$ 477,405	\$ 16,019
Net difference between projected and actual earnings on pension plan investments	424,780	-
Changes in proportion and differences between County contributions and proportionate share of contributions	34,377	77,258
Changes in plan assumptions	821,156	-
County contributions subsequent to the measurement date	631,039	-
Total	<u>\$ 2,388,757</u>	<u>\$ 93,277</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

County contributions made subsequent to the measurement date of \$631,039 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2020	\$	820,576
2021		529,811
2022		86,738
2023		227,316
Total	\$	<u>1,664,441</u>

Actuarial Assumptions. The total pension liability as of June 30, 2018 was determined by the December 31, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%. This represents a reduction from the discount rate used in the prior year of 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 liability calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's proportionate share of the net pension liability (asset)	\$ 7,433,216	\$ 3,094,483	\$ (531,030)

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance

Plan Description. Madison County administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is administered by the State of North Carolina. 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. A separate report is not issued for the Plan.

All full time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2017, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Active plan members	23
Total	<u>23</u>

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 and refunds 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 paragraph 4.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

The discount rate used to measure the total pension liability is the Standard & Poor's 20-year Municipal Bond High Grade Rate Index. Since the prior measurement date, the discount rate has changed from 3.16% to 3.64% due to a change in the Municipal Bond Rate.

The plan currently uses RP-2014 Health Annuitant 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid benefits of \$7,250 during the reporting period.

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

At June 30, 2019, the County reported a total pension liability of \$286,700. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$30,226. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 14,561	\$ 13,284
Differences between expected and actual experience	10,258	20,148
Total	<u>\$ 24,819</u>	<u>\$ 33,432</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

The County reported no deferred outflows of resources related to pensions, resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized as reductions of pension expense as follows:

Year ending June 30

2020	\$	(916)
2021		(916)
2022		(916)
2023		(847)
2024		(3,430)
Thereafter		(1,588)
Total	\$	<u>(8,613)</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the County for the fiscal year ended June 30, 2019 were as follows:

	<u>Total Pension Liability</u>
Balance at June 30, 2018	\$ 299,936
Service cost	21,229
Interest	9,336
Assumption changes	(12,278)
Difference between expected and actual experience	(22,480)
Benefit payments	(7,250)
Other changes	(1,793)
Balance at June 30, 2019	<u>\$ 286,700</u>

The required schedule of changes in the County's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.64 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 311,739	\$ 286,700	\$ 264,054

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory cost-sharing multiple-employer, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,719 for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

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

At June 30, 2019, the County reported an asset of \$91,332 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2018, the County's proportion was 0.55142%, which was an increase of .01286% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$12,359. At June 30, 2019, 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	\$ 805	\$ 4,169
Net difference between projected and actual earnings on pension plan investments	14,557	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	4,285
Changes in assumptions	4,296	-
County contributions subsequent to the measurement date	4,719	-
Total	<u>\$ 24,377</u>	<u>\$ 8,454</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

County contributions made subsequent to the measurement date of \$4,719 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2020	\$	4,484
2021		169
2022		4,290
2023		2,261
Total	\$	<u>11,204</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

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, 2018 is 1.40%, including inflation.

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

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.

The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.75 percent) or one percentage point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (72,010)	\$ (91,332)	\$ (107,626)

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.

D. Supplemental Retirement Income Plan for Law Enforcement Officers

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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Additionally, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$43,590.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. 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. 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 offices. The County considers these contributions to be immaterial.

At retirement, qualifying former employees have the option to purchase COBRA insurance benefits as required by Federal law at the cost of the former employee. The County offers no other postemployment benefits and bears no cost of providing the required COBRA insurance to retired individuals.

NOTE 10. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial coverage for general liability, property, and casualty insurance. Through this coverage, the County obtains property coverage equal to replacement cost values of owned property with the exception of contractor's equipment, which is insured for actual value, and vehicles that are insured for actual cash value or the cost of repair. Commercial automobile liability has a limit of \$1,000,000 for each occurrence and a \$2,000,000 aggregate limit. The County also has law enforcement liability coverage of \$2,000,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (CONTINUED)

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through NFIP.

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

In accordance with G.S. 159-29, the County’s employees that have access to \$100 or more of the County’s funds at any given time are performance bonded through a commercial surety bond. The director of finance, assistant director of finance, tax collector, register of deeds, and sheriff are individually bonded for \$200,000, \$200,000, \$100,000, \$100,000, and \$25,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

Litigation:

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Grant Contingencies:

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the County believes such disallowances, if any, will not be significant.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. JOINT VENTURES

Mental Health. Vaya Health (formerly Smoky Mountain Center) is the local Medicaid health plan administrator for mental health, substance abuse, and intellectual/development disability Medicaid services. Vaya Health serves residents of Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes, and Yancey counties.

The twenty-three counties participating within Vaya Health are represented through a County Commissioner Advisory Board or positions on board membership. Within available resources, the County has an ongoing financial responsibility for the Vaya Health because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest in Vaya Health, so no equity interest has been reflected in the financial statements at June 30, 2019. The County contributed \$30,000 to fund operations during fiscal year June 30, 2019. Complete financial statements for Vaya Health may be obtained from the offices at 200 Ridgefield Court, Asheville, NC 28806.

NOTE 12. RESTATEMENT

The County has determined a restatement to the net position of the Solid Waste Landfill Fund and the Business-type Activities is required to account for the estimated landfill closure and postclosure liability. The County was incorrectly accruing the State required potential assessment and corrective action (PACA) for the municipal solid waste landfill. As the landfill was closed prior to the enactment of the General Statute 130A-295.2, the County was not required to accrue for those State required estimates. As such the following restatements were made to the County's Solid Waste Landfill Fund and the Business-type Activities:

	Business-type Activities	Solid Waste Landfill Fund
Beginning net position, as previously reported	\$ (694,308)	\$ (694,308)
Change in reporting of PACA liability	1,427,052	1,427,052
Beginning net position, as restated	<u>\$ 732,744</u>	<u>\$ 732,744</u>

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

LAST SIX FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.13044%	0.13747%	0.12910%	0.12437%	0.12654%	0.12390%
County's proportion of the net pension liability (asset) (\$)	\$ 3,094,483	\$ 2,100,161	\$ 2,739,934	\$ 558,165	\$ (146,265)	\$ 1,493,471
County's covered payroll	\$ 8,337,936	\$ 8,282,859	\$ 7,766,905	\$ 7,847,083	\$ 7,505,059	\$ 7,129,806
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.11%	25.36%	35.28%	7.11%	(1.95%)	20.95%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	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.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MADISON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS LAST SIX FISCAL YEARS

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 631,039	\$ 611,505	\$ 615,070	\$ 528,400	\$ 536,040	\$ 520,202
Contributions in relation to the contractually required contribution	631,039	611,505	615,070	528,400	536,040	520,202
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 7,817,059	\$ 8,337,936	\$ 8,282,859	\$ 7,766,905	\$ 7,847,083	\$ 7,505,059
Contributions as a percentage of covered payroll	8.07%	7.33%	7.43%	6.80%	6.83%	6.93%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MADISON COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

MADISON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY LAST THREE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018	2017
Beginning balance of the total pension liability	\$ 299,936	\$ 234,227	\$ 213,202
Service Cost	21,229	25,330	19,484
Interest on the total pension liability	9,336	9,041	7,611
Difference between expected and actual experience in the measurement of the total pension liability	(22,480)	18,748	-
Change of assumptions or other inputs	(12,278)	12,590	(6,070)
Benefit payments	(7,250)	-	-
Other changes	(1,793)	-	-
Ending balance of the total pension liability	<u>\$ 286,700</u>	<u>\$ 299,936</u>	<u>\$ 234,227</u>

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MADISON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL LAST THREE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018	2017
Total pension liability	\$ 286,700	\$ 299,936	\$ 234,227
County's covered payroll	\$ 962,949	\$ 973,157	\$ 904,876
Total pension liability as a percentage of covered payroll	29.77%	30.82%	25.88%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MADISON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST SIX FISCAL YEARS*

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension asset (%)	0.55142%	0.53856%	0.51720%	0.48856%	0.47362%	0.38040%
County's proportion of the net pension liability (asset) (\$)	\$ (91,332)	\$ (91,927)	\$ (96,697)	\$ (113,225)	\$ (107,357)	\$ (81,251)
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MADISON COUNTY, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST SIX FISCAL YEARS**

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,719	\$ 4,679	\$ 4,679	\$ 4,225	\$ 3,867	\$ 4,147
Contributions in relation to the contractually required contribution	4,719	4,679	4,679	4,225	3,867	4,147
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MADISON COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Method and assumptions used in calculations of actuarially determined contributions : The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Fire Districts Fund – accounts for the collection of special fire district taxes that are returned quarterly to the fire districts on a budgeted basis.

Occupancy Tax Fund – accounts for the collection of occupancy taxes

Revaluation Fund – accounts for the accumulation of funds to be used for tax revaluation.

Soil and Water Conservation District Fund – accounts for the activity conducted in the Soil and Water Conservation District.

Emergency Telephone System Fund – accounts for revenues from E-911 subscriber fees and wireless 911 fees and expenditures associated with the purchase and maintenance of emergency communications equipment for the enhanced 911 computer aided dispatch system.

Capital Project Fund

2016 Qualified School Financing Capital Project Fund - accounts for the issuance of long-term financing and the related capital projects for local school construction projects.

MADISON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

	Special Revenue Funds					Capital Project Fund	
	Fire Districts Fund	Occupancy Tax Fund	Revaluation Fund	Soil and Water Conservation District Fund	Emergency Telephone System Fund	2016 Qualified School Financing Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ 11	\$ 239,342	\$ 89,775	\$ 223,746	\$ -	\$ 552,874
Accounts receivable	-	35,351	-	-	-	-	35,351
Due from other governments	-	-	-	793	18,920	-	19,713
Taxes receivable, net	119,137	-	-	-	-	-	119,137
Total assets	<u>\$ 119,137</u>	<u>\$ 35,362</u>	<u>\$ 239,342</u>	<u>\$ 90,568</u>	<u>\$ 242,666</u>	<u>\$ -</u>	<u>\$ 727,075</u>
LIABILITIES							
Accounts payable	\$ 11,054	\$ -	\$ 78,658	\$ -	\$ 5,515	\$ -	\$ 95,227
Accrued expenses	-	-	-	-	996	-	996
Due to other funds	597	1,061	-	-	47,177	-	48,835
Due to component unit	-	34,290	-	-	-	-	34,290
Total liabilities	<u>11,651</u>	<u>35,351</u>	<u>78,658</u>	<u>-</u>	<u>53,688</u>	<u>-</u>	<u>179,348</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	<u>108,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,083</u>
FUND BALANCES							
Restricted:							
Stabilization by State Statute	-	-	-	-	18,918	-	18,918
Public safety	-	-	-	-	170,060	-	170,060
Economic and physical development	-	11	-	90,568	-	-	90,579
Tax revaluation	-	-	160,684	-	-	-	160,684
Unassigned	<u>(597)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(597)</u>
Total fund balances (deficit)	<u>(597)</u>	<u>11</u>	<u>160,684</u>	<u>90,568</u>	<u>188,978</u>	<u>-</u>	<u>439,644</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 119,137</u>	<u>\$ 35,362</u>	<u>\$ 239,342</u>	<u>\$ 90,568</u>	<u>\$ 242,666</u>	<u>\$ -</u>	<u>\$ 727,075</u>

MADISON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds					Capital Project Fund	
	Fire Districts Fund	Occupancy Tax Fund	Revaluation Fund	Soil and Water Conservation District Fund	Emergency Telephone System Fund	2016 Qualified School Financing Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES							
Ad valorem taxes	\$ 1,324,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,324,547
Other taxes and licenses	-	385,510	-	-	-	-	385,510
Restricted intergovernmental	-	-	-	36,031	207,902	-	243,933
Investment earnings	-	3	627	-	-	46	676
Total revenues	1,324,547	385,513	627	36,031	207,902	46	1,954,666
EXPENDITURES							
Current:							
General government	-	-	370,509	-	-	-	370,509
Public safety	1,324,547	-	-	-	157,614	-	1,482,161
Economic and physical development	-	385,511	-	18,659	-	-	404,170
Education	-	-	-	-	-	563,982	563,982
Total expenditures	1,324,547	385,511	370,509	18,659	157,614	563,982	2,820,822
Excess (deficiency) of revenues over expenditures	-	2	(369,882)	17,372	50,288	(563,936)	(866,156)
OTHER FINANCING USES							
Transfers out	-	-	-	-	-	(218,038)	(218,038)
Total other financing uses	-	-	-	-	-	(218,038)	(218,038)
Net change in fund balances	-	2	(369,882)	17,372	50,288	(781,974)	(1,084,194)
FUND BALANCES (DEFICIT), beginning of year	(597)	9	530,566	73,196	138,690	781,974	1,523,838
FUND BALANCES (DEFICIT), end of year	<u>\$ (597)</u>	<u>\$ 11</u>	<u>\$ 160,684</u>	<u>\$ 90,568</u>	<u>\$ 188,978</u>	<u>\$ -</u>	<u>\$ 439,644</u>

MADISON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes:				
Taxes	\$ 11,560,751	\$ 11,425,768	\$ 11,285,268	\$ (140,500)
Penalties and interest	211,000	329,998	218,605	(111,393)
Total property taxes	11,771,751	11,755,766	11,503,873	(251,893)
Sales tax:				
Local option sales tax	3,706,183	3,895,585	3,949,722	54,137
Medical hold harmless	-	40,033	40,033	-
Total sales tax	3,706,183	3,935,618	3,989,755	54,137
Other taxes:				
Video programming tax	16,000	16,000	12,081	(3,919)
Tax reimbursement	20,000	23,000	23,648	648
Payments in lieu of taxes	120,000	134,834	165,025	30,191
Total other taxes	156,000	173,834	200,754	26,920
Intergovernmental revenues:				
Emergency management	38,983	38,983	38,524	(459)
Senior citizen programs	3,500	24,955	24,955	-
Transportation	234,599	247,954	193,602	(54,352)
Soil and water	25,500.00	25,500	26,820	1,320
Other federal and state grants	284,028	785,014	690,987	(94,027)
Health department	1,587,750	1,947,919	1,825,621	(122,298)
Social services	3,397,756	3,506,628	3,026,745	(479,883)
In-home aids	77,500	87,487	84,414	(3,073)
Nutrition	130,000	130,000	161,737	31,737
Library	81,000	94,617	89,221	(5,396)
Total intergovernmental revenues	5,860,616	6,889,057	6,162,626	(726,431)
Permits and fees:				
Register of deeds	312,000	313,500	318,277	4,777
Building permits and inspections	164,500	164,500	150,374	(14,126)
Court facilities fees	92,002	92,002	86,213	(5,789)
Board of elections	100	240	201	(39)
Sheriff	563,934	633,664	519,702	(113,962)
Animal control	29,000	58,950	122,385	63,435
Total permits and fees	1,161,536	1,262,856	1,197,152	(65,704)
Charges for services:				
Transportation fees	128,257	190,834	191,881	1,047
Health department fees	325,000	277,574	265,458	(12,116)
Library	14,900	12,302	10,882	(1,420)
Nutrition income	11,800	12,119	15,490	3,371
Parks and recreation fees	12,921	23,621	16,760	(6,861)
Other sales and services	98,650	99,000	99,129	129
Total charges for services	591,528	615,450	599,600	(15,850)
Investment earnings	55,000	142,116	142,116	-
Miscellaneous revenues:				
Local grants	11,600	25,050	3,827	(21,223)
Other	11,900	98,871	105,491	6,620
Total miscellaneous revenues	23,500	123,921	109,318	(14,603)
Total revenues	23,326,114	24,898,618	23,905,194	(993,424)

continued

MADISON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures:				
General government:				
Governing body	\$ 204,505	\$ 790,895	\$ 405,430	\$ 385,465
Finance	547,506	592,332	596,259	(3,927)
Tax collector	283,723	244,866	247,243	(2,377)
Tax supervisor	241,244	221,286	183,003	38,283
Land records	77,744	18,551	19,183	(632)
Legal	40,000	40,000	40,000	-
Court facilities	19,900	19,900	13,941	5,959
Board of elections	286,238	356,485	344,199	12,286
Register of deeds	286,706	304,379	302,019	2,360
Physical facilities	394,362	488,730	485,341	3,389
Total general government	2,381,928	3,077,424	2,636,618	440,806
Public Safety:				
Sheriff and communications	3,006,009	3,244,174	3,337,897	(93,723)
Emergency management	70,608	62,436	59,423	3,013
911 dispatchers	612,562	607,139	596,212	10,927
NC Forest Services	93,157	93,157	78,529	14,628
Inspections and zoning	258,907	295,258	299,737	(4,479)
Medical examiner	8,000	21,000	11,900	9,100
Ambulance/rescue squad	1,126,670	1,126,670	1,126,668	2
Animal control	289,704	299,964	302,979	(3,015)
Total public safety	5,465,617	5,749,798	5,813,345	(63,547)
Economic and physical development:				
Transportation	505,452	484,303	459,591	24,712
Economic development	136,980	136,513	44,699	91,814
Planning and development	179,531	162,531	160,432	2,099
Information technology center	211,024	179,578	174,481	5,097
Cooperative extension services	267,864	271,170	272,904	(1,734)
Soil and water conservation	126,683	126,100	130,073	(3,973)
Total economic and physical development	1,427,534	1,360,195	1,242,180	118,015
Human Services:				
Medical transportation	126,081	128,381	118,341	10,040
Department of public health	3,006,871	3,127,993	3,113,397	14,596
Management administration	403,568	465,129	217,141	247,988
Department of social services	5,077,485	5,195,941	4,491,886	704,055
Child support enforcement	116,055	127,430	103,085	24,345
In-home aides	204,142	188,938	194,822	(5,884)
Nutrition-congregate meals	375,683	376,712	359,634	17,078
Total human services	9,309,885	9,610,524	8,598,306	1,012,218
Culture and recreational:				
Libraries	514,585	546,240	466,588	79,652
Parks and recreation	110,184	131,123	130,734	389
Total culture and recreational	624,769	677,363	597,322	80,041

continued

MADISON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures (Continued):				
Education:				
Madison County schools	\$ 3,666,197	\$ 3,676,389	\$ 3,676,389	\$ -
Community college	112,500	112,500	112,500	-
Total education	3,778,697	3,788,889	3,788,889	-
Debt Service:				
Principal	963,000	1,181,038	1,181,038	-
Interest	171,328	171,328	432,179	(260,851)
Total debt service	1,134,328	1,352,366	1,613,217	(260,851)
Total expenditures	24,122,758	25,616,559	24,289,877	1,326,682
Excess (deficiency) of revenues over expenditures	(796,644)	(717,941)	(384,683)	333,258
Other financing sources				
Appropriated fund balance	796,644	499,903	-	(499,903)
Transfers in	-	218,038	218,038	-
Total other financing sources	796,644	717,941	218,038	(499,903)
Net change in fund balances	-	-	(166,645)	(166,645)
Fund balance, beginning of year	6,671,064	6,671,064	6,671,064	-
Fund balance, end of year	\$ 6,671,064	\$ 6,671,064	\$ 6,504,419	\$ (166,645)

MADISON COUNTY, NORTH CAROLINA

FIRE DISTRICTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Ad valorem taxes	\$ 1,384,592	\$ 1,384,592	\$ 1,324,547	\$ (60,045)
EXPENDITURES				
Public safety:				
Marshall Fire Department	146,453	146,453	139,153	7,300
Mars Hill Fire Department	568,652	568,652	566,035	2,617
Ebbs Chapel Fire Department	232,890	232,890	215,906	16,984
Jupiter Fire Department	26,090	26,090	29,448	(3,358)
Leicester Fire Department	112,788	112,788	94,385	18,403
Big Pine Fire Department	31,748	31,748	29,306	2,442
Country Fire Department	27,460	27,460	27,207	253
Laurel Fire Department	55,007	55,007	50,172	4,835
Walnut Fire Department	123,917	123,917	122,909	1,008
Spring Creek Fire Department	59,587	59,587	50,026	9,561
Total expenditures	1,384,592	1,384,592	1,324,547	60,045
Net change in fund balances	-	-	-	-
FUND BALANCE (DEFICIT), beginning of year	(597)	(597)	(597)	-
FUND BALANCE (DEFICIT), end of year	\$ (597)	\$ (597)	\$ (597)	\$ -

MADISON COUNTY, NORTH CAROLINA

OCCUPANCY TAX FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Room tax	\$ 274,423	\$ 274,423	\$ 385,510	\$ 111,087
Investment earnings	10	10	3	(7)
Total revenues	274,433	274,433	385,513	111,080
EXPENDITURES				
Economic and physical development:				
Tourism development	274,433	274,433	385,511	(111,078)
Total expenditures	274,433	274,433	385,511	(111,078)
Net change in fund balances	-	-	2	2
FUND BALANCE, beginning of year	9	9	9	-
FUND BALANCE, end of year	\$ 9	\$ 9	\$ 11	\$ 2

MADISON COUNTY, NORTH CAROLINA

REVALUATION FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Investment earnings	\$ -	\$ -	\$ 627	\$ 627
EXPENDITURES				
General government:				
Reserve for revaluation	-	651,275	370,509	280,766
Total expenditures	-	651,275	370,509	280,766
Deficiency of revenues under expenditures	-	(651,275)	(369,882)	281,393
OTHER FINANCING SOURCES				
Transfer in	-	651,275	-	(651,275)
Total other financing sources	-	651,275	-	(651,275)
Net change in fund balances	-	-	(369,882)	(369,882)
FUND BALANCE, beginning of year	530,566	530,566	530,566	-
FUND BALANCE, end of year	\$ 530,566	\$ 530,566	\$ 160,684	\$ (369,882)

MADISON COUNTY, NORTH CAROLINA

SOIL AND WATER CONSERVATION DISTRICT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Restricted intergovernmental	\$ 13,500	\$ 35,972	\$ 36,031	\$ 59
EXPENDITURES				
Economic and physical development:				
Water monitoring grant	-	12,060	1,770	10,290
Library cistern project	15,000	15,000	275	14,725
Administration	10,000	16,500	16,614	(114)
Total expenditures	25,000	43,560	18,659	24,901
Excess (deficiency) of revenues over expenditures	(11,500)	(7,588)	17,372	24,960
OTHER FINANCING SOURCES				
Appropriated fund balance	11,500	7,588	-	(7,588)
Total other financing sources	11,500	7,588	-	(7,588)
Net change in fund balances	-	-	17,372	17,372
FUND BALANCE, beginning of year	73,196	73,196	73,196	-
FUND BALANCE, end of year	\$ 73,196	\$ 73,196	\$ 90,568	\$ 17,372

MADISON COUNTY, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Restricted intergovernmental	\$ 207,902	\$ 189,958	\$ 207,902	\$ 17,944
EXPENDITURES				
Public safety:				
Implemental functions	57,165	58,129	46,711	11,418
Professional services	9,000	14,580	14,580	-
Phone and furniture	12,600	27,975	26,509	1,466
Hardware maintenance	45,000	50,000	60,062	(10,062)
Training	4,980	4,980	1,540	3,440
Capital outlay	78,749	34,294	8,212	26,082
Total expenditures	207,494	189,958	157,614	32,344
Net change in fund balances	408	-	50,288	50,288
FUND BALANCE, beginning of year	138,690	138,690	138,690	-
FUND BALANCE, end of year	\$ 139,098	\$ 138,690	\$ 188,978	\$ 50,288

MADISON COUNTY, NORTH CAROLINA
2016 QUALIFIED SCHOOL FINANCING CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
PROJECT LIFE AS OF JUNE 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance (Over)/Under</u>
Revenues:					
Investment earnings	\$ -	\$ 677	\$ 46	\$ 723	\$ 723
Expenditures:					
Madison Early College High School	3,912,275	3,757,236	37,160	3,794,396	117,879
Brush Creek Elementary School	1,585,365	1,180,280	23,827	1,204,107	381,258
Hot Springs Elementary School	13,360	23,098	25,787	48,885	(35,525)
Mars Hill Elementary School	240,000	102,500	259,580	362,080	(122,080)
Madison County Middle School	364,000	343,638	32,657	376,295	(12,295)
Madison County High School	186,000	146,485	169,268	315,753	(129,753)
Professional service	144,000	82,302	-	82,302	61,698
Early College Furniture	-	28,164	15,703	43,867	(43,867)
Total expenditures	<u>6,445,000</u>	<u>5,663,703</u>	<u>563,982</u>	<u>6,227,685</u>	<u>217,315</u>
Revenues over/(under) expenditures	<u>(6,445,000)</u>	<u>(5,663,026)</u>	<u>(563,936)</u>	<u>(6,226,962)</u>	<u>218,038</u>
Other Financing Sources (Uses)					
Qualified school construction bonds	6,445,000	6,445,000	-	6,445,000	-
Transfers out	<u>(218,038)</u>	<u>-</u>	<u>(218,038)</u>	<u>(218,038)</u>	<u>-</u>
Total other financing sources (uses)	<u>6,226,962</u>	<u>6,445,000</u>	<u>(218,038)</u>	<u>6,226,962</u>	<u>-</u>
Net change in fund balance	<u>\$ (218,038)</u>	<u>\$ 781,974</u>	<u>(781,974)</u>	<u>\$ -</u>	<u>\$ 218,038</u>
Fund balance, beginning of year			781,974		
Fund balance, end of year			<u>\$ -</u>		

MADISON COUNTY, NORTH CAROLINA

LANDFILL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,852,000	\$ 1,854,353	\$ 1,866,627	\$ 12,274
Recycling	66,800	66,800	48,918	(17,882)
State and federal grants	2,000	2,000	-	(2,000)
Investment earnings	-	-	102	102
Total revenues	1,920,800	1,923,153	1,915,647	(7,506)
EXPENDITURES				
Salaries and benefits	902,762	872,692	874,158	(1,466)
Maintenance and repairs	70,000	62,422	60,206	2,216
Other operating expenses	1,048,038	1,168,039	817,101	350,938
Capital outlay	-	-	236,585	(236,585)
Total expenditures	2,020,800	2,103,153	1,988,050	115,103
Deficiency of revenues under expenditures	(100,000)	(180,000)	(72,403)	107,597
OTHER FINANCING SOURCES				
Appropriated fund balance	100,000	180,000	-	(180,000)
Total other financing sources	100,000	180,000	-	(180,000)
Net change in net position	\$ -	\$ -	(72,403)	\$ (72,403)
Adjustments to full accrual:				
Capital outlays			236,585	
Increase in estimated postclosure costs			(154,958)	
Decrease in compensated absences			12,421	
Increase in net pension liability			(11,156)	
Depreciation expense			(71,508)	
Change in net position - GAAP Basis			\$ (61,019)	

MADISON COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

<u>ASSETS</u>	Social Services	Motor Vehicle Tax	Inmate Trust	Total
Cash	\$ 85,779	\$ 11,227	\$ 20,164	\$ 117,170
Total assets	<u>\$ 85,779</u>	<u>\$ 11,227</u>	<u>\$ 20,164</u>	<u>\$ 117,170</u>
 <u>LIABILITIES</u>				
Due to others	\$ 85,779	\$ 11,227	\$ 20,164	\$ 117,170
Total liabilities	<u>\$ 85,779</u>	<u>\$ 11,227</u>	<u>\$ 20,164</u>	<u>\$ 117,170</u>

MADISON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Social Services Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 99,525	\$ 216,943	\$ (230,689)	\$ 85,779
Total assets	<u>\$ 99,525</u>	<u>\$ 216,943</u>	<u>\$ (230,689)</u>	<u>\$ 85,779</u>
LIABILITIES				
Due to others	\$ 99,525	\$ 216,943	\$ (230,689)	\$ 85,779
Total liabilities	<u>\$ 99,525</u>	<u>\$ 216,943</u>	<u>\$ (230,689)</u>	<u>\$ 85,779</u>
<u>Motor Vehicle Tax Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 8,839	\$ 111,073	\$ (108,685)	\$ 11,227
Total assets	<u>\$ 8,839</u>	<u>\$ 111,073</u>	<u>\$ (108,685)</u>	<u>\$ 11,227</u>
LIABILITIES				
Due to others	\$ 8,839	\$ 111,073	\$ (108,685)	\$ 11,227
Total liabilities	<u>\$ 8,839</u>	<u>\$ 111,073</u>	<u>\$ (108,685)</u>	<u>\$ 11,227</u>
(Continued)				

MADISON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Inmate Trust Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 19,777	\$ 165,657	\$ (165,270)	\$ 20,164
Total assets	<u>\$ 19,777</u>	<u>\$ 165,657</u>	<u>\$ (165,270)</u>	<u>\$ 20,164</u>
LIABILITIES				
Due to others	\$ 19,777	\$ 165,657	\$ (165,270)	\$ 20,164
Total liabilities	<u>\$ 19,777</u>	<u>\$ 165,657</u>	<u>\$ (165,270)</u>	<u>\$ 20,164</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 128,141	\$ 493,673	\$ (504,644)	\$ 117,170
Total assets	<u>\$ 128,141</u>	<u>\$ 493,673</u>	<u>\$ (504,644)</u>	<u>\$ 117,170</u>
LIABILITIES				
Due to others	\$ 128,141	\$ 493,673	\$ (504,644)	\$ 117,170
Total liabilities	<u>\$ 128,141</u>	<u>\$ 493,673</u>	<u>\$ (504,644)</u>	<u>\$ 117,170</u>

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE JUNE 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 11,474,231	\$ 10,953,775	\$ 520,456
2017-2018	404,833	-	157,741	247,092
2016-2017	220,831	-	65,533	155,298
2015-2016	128,881	-	30,842	98,039
2014-2015	91,991	-	16,800	75,191
2013-2014	95,404	-	13,327	82,077
2012-2013	91,038	-	9,364	81,674
2011-2012	81,983	-	5,254	76,729
2010-2011	72,502	-	4,600	67,902
2009-2010	59,500	-	4,810	54,690
2008-2009	46,233	-	46,233	-
	<u>\$ 1,293,196</u>	<u>\$ 11,474,231</u>	<u>\$ 11,308,279</u>	<u>1,459,148</u>
	Less: allowance for uncollectible accounts - General Fund			<u>(648,914)</u>
	Ad valorem taxes receivable - net			<u>\$ 810,234</u>
	<u>Reconciliation to revenues:</u>			
	Ad valorem taxes - General Fund			\$ 11,503,873
	Reconciling items:			
	Interest and penalties			(218,605)
	Taxes written off			69,621
	Other adjustments			(46,610)
	Total collections and credits			<u>\$ 11,308,279</u>

MADISON COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY COUNTY-WIDE LEVY JUNE 30, 2019

				Total Levy	
	County - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	\$ 2,206,582,885	0.520	\$ 11,474,231	\$ 10,496,152	\$ 978,079
Discoveries	9,118,077	0.520	47,414	47,414	-
Adjustments	<u>(11,253,654)</u>	0.520	<u>(58,519)</u>	<u>(58,519)</u>	<u>-</u>
Total property valuation	<u><u>\$ 2,204,447,308</u></u>				
Net levy			11,463,126	10,485,047	978,079
Uncollected taxes at June 30, 2019			<u>(520,456)</u>	<u>(520,456)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 10,942,670</u></u>	<u><u>\$ 9,964,591</u></u>	<u><u>\$ 978,079</u></u>
Current levy collection percentage			<u><u>95.46%</u></u>	<u><u>95.04%</u></u>	<u><u>100.00%</u></u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Commissioners
Madison 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 Madison County, North Carolina (the "County") as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 20, 2020. Our report includes a reference to other auditors who audited the financial statements of the Madison County Housing Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005, which we consider to be material weaknesses.

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

Madison County, North Carolina's Responses to Findings

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
August 20, 20



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**To the Board of Commissioners
Madison County, North Carolina**

Report on Compliance for Each Major Federal Program

We have audited Madison County, North Carolina's (the "County") 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, 2019. The County's major federal programs are identified in the summary of auditor's 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.

Auditor's 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 for the year ended June 30, 2019.

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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
APPLICABLE SECTIONS OF THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

**To the Board of Commissioners
Madison County, North Carolina**

Report on Compliance for Each Major State Program

We have audited Madison County, North Carolina's (the "County") 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, 2019. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 the 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, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about 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.

Basis for Qualified Opinions on Rural Operating Assistance Program (ROAP) and State Foster Care

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the State Foster Care Program as described in finding number 2019-010 for Eligibility, and the Rural Operating Assistance Program (ROAP) as described in finding number 2019-007 for Eligibility, 2019-008 for Reporting, and 2019-009 for Period of Availability. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinions on Rural Operating Assistance Program (ROAP) and State Foster Care Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Rural Operating Assistance Program (ROAP) and State Foster Care Program for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major State Programs

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 other major state 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, 2019.

Other Matters

Madison County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Madison County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-007, 2019-008, 2019-009, and 2019-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-006 and 2019-011 to be significant deficiencies.

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

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
August 20, 2020

MADISON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures		Payments To All Subrecipients
			Federal	State	
FEDERAL AWARDS					
U.S. Department of Agriculture:					
Passed through North Carolina Department of Health and Human Services:					
Supplemental Nutrition Assistance Program:					
SNAP Administration	10.561		\$ 199,784	\$ -	\$ -
Supplemental Nutrition Assistance Program Cluster			199,784	-	-
Total U.S. Department of Agriculture			199,784	-	-
U.S. Department of Housing and Urban Development:					
Passed through North Carolina Department of Commerce:					
Community Development Block Grant	14.228		1,158	-	-
Community Development Block Grant	14.228		39,206	-	-
Community Development Block Grant			40,364	-	-
Total U.S. Department of Housing and Urban Development			40,364	-	-
U.S. Department of Transportation:					
Public Transportation of Nonurbanized Areas:					
Administration	20.509	18-CT-018	56,670	3,540	-
Total U.S. Department of Transportation			56,670	3,540	-
U.S. Department of Health and Human Services					
Passed through Land of Sky Regional Council					
Social Services Block Grant	93.667		6,471	185	-
Passed through North Carolina Department of Health and Human Services					
SSBG Other Services	93.667		229,942	-	-
Total Social Services Block Grant			236,413	185	-
Aging Cluster:					
Nutrition Services Incentive Program	93.053		24,489	-	-
Grants for Supportive Services and Senior Centers - Title III, Part B	93.044		984	58	-
Grants for Supportive Services and Senior Centers - Title III, Part B	93.044		32,406	67,607	-
Special Program for the Aging - Title III, Part C	93.045		62,951	3,703	-
Special Program for the Aging - Title III, Part C	93.045		41,267	25,387	-
Total Aging Cluster			162,097	96,755	-
Passed through North Carolina Department of Health and Human Services					
Child Care Development Cluster:					
Child Care Development Fund - Administration	93.596		79,561	-	-
Total Child Care Development Cluster			79,561	-	-
Temporary Assistance for Needy Families:					
Temporary Assistance for Needy Families (TANF)	93.558		282,650	-	-
TANF - Work First	93.558		83,199	44,970	-
Total Temporary Assistance for Needy Families Cluster			365,849	44,970	-
Foster Care and Adoption Cluster:					
Foster Care Program:					
Foster Care Title IV-E	93.658		230,620	42,436	-
IV-E Admin County Paid to CCI	93.658		352,192	102,057	-
Total Foster Care			582,812	144,493	-
Adoption Program:					
IV-E Adoption	93.659		212,313	53,030	-
Total Adoption			212,313	53,030	-
Total Foster Care and Adoption State Cluster (1)			795,125	197,523	-
Medicaid:					
Medical Assistance - Administration	93.778		735,889	3,948	-
Total Medicaid Cluster			735,889	3,948	-
Breast and Cervical Cancer Control Grants	93.898		5,610	10,200	-
Healthy Communities Activities	93.991		35,809	4,137	-
Maternal and Child Health Services Block Grant	93.994		335,735	24,328	289,117
North Carolina's Hospital Preparedness Program	93.074		28,041	-	-
Well-Integrated Screening and Evaluation for Women	93.094		810	-	-
North Carolina's TB Elimination and Laboratory Project	93.116		50	-	-
Family Planning	93.217		20,567	33,738	-
Immunization Grants	93.268		10,466	-	-
Well-Integrated Screening and Evaluation for Women	93.476		4,762	-	-
Family Preservation	93.556		13,194	-	-
Refugee Assistance Admin	93.566		70	-	-
Low-Income Home Energy Assistance Program:					
Crisis Intervention Payments	93.568		62,649	-	-
Low Income Energy Administration	93.568		16,665	-	-
Low Income Energy Assistance	93.568		101,700	-	-
Total Low-Income Home Energy Assistance Grant			181,014	-	-

continued

MADISON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures		Payments To All Subrecipients
			Federal	State	
FEDERAL AWARDS (Continued)					
Permanency Planning - Service & Admin	93.645		\$ 9,110	\$ -	\$ -
Independent Living - LINKS	93.674		8,891	1,352	-
Child Support Enforcement Program -IV-D Administration	93.563		83,522	-	-
Children's Health Insurance Program (CHIP):					
North Carolina Health Choice - Administration	93.767		22,288	-	-
Total Child Support Enforcement Grant			22,288	-	-
Total U.S. Department of Health and Human Services			3,134,873	417,136	289,117
U.S. Department of Homeland Security:					
Passed through North Carolina Department of Crime Control and Public Safety					
Emergency Management Preparedness Grant	97.042		38,524	-	-
Total U.S. Department of Homeland Security			38,524	-	-
TOTAL FEDERAL AWARDS			3,470,215	420,676	289,117
STATE AWARDS					
Passed through Land of Sky Regional Council:					
Senior Center General Purpose Funding			-	24,955	-
North Carolina Department of Health and Human Services:					
<u>Division of Social Services:</u>					
State Foster Care			-	338,002	-
CPSS Expansion			-	23,328	-
Energy Assistance - Private Grants			-	1,870	-
CWS / Adopt			-	60,853	-
Total Division of Social Services			-	424,053	-
<u>Division of Child Health:</u>					
Smart Start			-	51,851	-
Total Division of Child Health			-	51,851	-
<u>Division of Public Health:</u>					
General Aid to Counties			-	82,078	-
General Communicable Disease Control			-	10,783	-
Triple P			-	108,307	108,307
Public Health Nursing			-	150,000	-
Tuberculosis			-	2,164	-
HIV/STD			-	827	-
Total Division of Public Health			-	354,159	108,307
Total North Carolina Department of Health and Human Services			-	830,063	108,307
North Carolina Department of Transportation:					
<u>Rural Operating Assistance Program</u>					
Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	54,225	-
ROAP Employment/Work First		DOT-16CL	-	6,868	-
Rural General Public Program		DOT-16CL	-	54,195	-
Total Rural Operating Assistance Program			-	115,288	-
Total North Carolina Department of Transportation			-	115,288	-
North Carolina Department of Cultural Resources:					
<u>Division of State Library:</u>					
State Aid to Public Libraries			-	81,147	-
Total North Carolina Department of Cultural Resources			-	81,147	-
North Carolina Department of Public Safety					
Juvenile Crime Prevention Programs			-	80,272	80,206
Total North Carolina Department of Public Safety			-	80,272	80,206
TOTAL STATE AWARDS			-	1,131,725	188,513
TOTAL FEDERAL AND STATE AWARDS			\$ 3,470,215	\$ 1,552,401	\$ 477,630

MADISON COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related Fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report, including any funds expended for the State funded portion of those same programs.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The County elected not to utilize the 10% de minimis indirect cost rate.

- (1) The Foster Care and Adoption programs are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes.

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
Material weaknesses identified?

☒ yes ☐ no

Significant deficiencies identified?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:
Material weaknesses identified:

☐ yes ☒ no

Significant deficiencies identified:

☐ yes ☒ none reported

Type of auditor's report issued on compliance of major
federal programs:

Unmodified

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

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)
93.778
93.658
10.561

Name of Federal Program or Cluster
Medicaid Cluster
Foster Care Title IV-E
Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between type A and
type B programs:

\$750,000

Auditee qualified as low-risk auditee?

No

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Awards

Internal control over major state programs:

Material weaknesses identified: ☒ yes ☐ no

Significant deficiencies identified: ☒ yes ☐ none reported

Type of auditor's report issued on compliance of major state programs:

Unmodified, for all state programs except Rural Operating Assistance Program (ROAP) and State Foster Care Program, which are qualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

☒ yes ☐ no

Identification of major state programs:

Program Name

Medicaid Cluster

Foster Care Title IV-E

Rural Operating Assistance Program (ROAP)

State Foster Care

State Aid to Libraries

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The size of the County's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the County: cash receipting, recording and reconciliation process; journal entry review; revenue and receivable recording; accounts payable and expense/expenditure recording; personnel and payroll recording; capital asset maintenance; and debt and debt service expenditures.

Context/Cause: Although the small size of the County's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. During the course of our test-work, we noted the following areas where the County's control procedures were not sufficient to mitigate risks created due to insufficient oversight:

- During our review of the County's manual journal entries which are posted to the County's general ledger, we noted not all entries have support maintained for the entry and not all journal entries are reviewed and approved by someone other than the preparer. As a matter of improved documentation, we recommend the County maintain, either in paper or electronic format, supporting calculations and evidence of the required journal entry, as well as the documented review, and approval of the entry by a knowledgeable independent individual, prior to the entry being posted to the general ledger.
- During our walkthrough procedures it was noted the County does not have a documented independent review of the bank reconciliations. We recommend the County require the reviewer to document their review of the bank reconciliation on the reconciliation itself.
- During our walkthrough procedures it was noted the County Fiscal Officer often reviews and approves expenditures as well as being an authorized signer of the checks that are issued. We recommend that these two duties be properly segregated.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Segregation of Duties (Continued)

- During our walkthrough procedures, it was noted the Payroll Director has the ability to manually change or alter employee's worked hours each pay-period and once the time is altered, there is no independent review or approval of the changes before or after the payroll is processed. Segregation of duties issues arise as the Payroll Director has the ability to input, change, and approve any hours worked or comp time awarded. In addition, it was noted no one is performing a secondary review of the payroll summary to verify that only valid new employees were added or that valid payroll changes were made. We recommend that a person other than the Payroll Director review these changes and set up additional compensating controls to reduce the risk of misappropriation of assets.
- During our review of purchase card transactions it was noted that the department heads review their own purchase card transactions for approval prior to payment. We suggest that each department heads purchase card transactions be reviewed and approved by someone other than the department head.
- During our disbursement testing, we noted that department heads approve their own requests for travel reimbursements. We suggest that each department head's request for travel reimbursement be reviewed and approved by someone other than that department head.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend the County segregate duties and/or implement compensating controls in the key areas noted above.

Auditee's Response: We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-002 Capital Assets

Criteria: Internal controls should be in place to ensure that all capital asset amounts reported within the financial statements are accurate, in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient as several capital asset balances were not correctly reported by the County.

Context/Cause: During our testing, audit adjustments were required to properly report capital asset balances in the Landfill fund and governmental activities:

- An adjustment of approximately \$45,000 was required in governmental activities to decrease accumulated depreciation and depreciation expense due to errors in the calculation of current year depreciation expense.
- An adjustment of approximately \$35,000 was required in the Landfill Fund to decrease accumulated depreciation and depreciation expense due to errors in the calculation of current year depreciation expense.

Effects/Possible Effects: If the above mentioned adjustments and corrections had not been made, capital assets and related accounts of the County would have been significantly misstated as of June 30, 2019, thus providing misleading information to the readers of the financial statements.

Recommendation: We recommend the County carefully review its capital asset detail and related items (including construction in progress, retainage payable, and depreciation expense) to ensure that all capital assets and components thereof, are properly recorded and depreciated during the year and at year-end in accordance generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will ensure that capital assets are properly reported during the year and at the conclusion of each financial reporting cycle.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-003 Accounting for Foreclosed Properties

Criteria: Internal controls should be in place to ensure that amounts reported as foreclosed property (assets) and other related balance sheet accounts are appropriate, and properly valued. Changes in these asset accounts should be recorded in the proper period in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's foreclosed property account and other related balance sheet accounts.

Context/Cause: During our testing, an audit adjustment was required to adjust the other asset balance for the foreclosed properties held by the County as of June 30, 2019. These are properties on which the County has foreclosed due to a backlog of unpaid property taxes owed to the County. The properties are then auctioned off for collection on the outstanding balances. The receivable for the property tax is considered collected at the time of the foreclosure, however, the foreclosed properties are held for sale and should be reported at the net realizable value, or the original lien value, whichever is lower. During the audit of the current year activity, it was noted the County had both acquired and sold additional properties during fiscal year 2019, but did not account for this activity in the related balance sheet accounts.

Effects: Total adjustments of approximately \$359,000 were required to bring the current year general ledger property value in agreement with the subsidiary ledger.

Recommendation: We recommend the County carefully review all foreclosed property transactions to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We will take necessary steps in the future to ensure that foreclosed property and the related balance sheet accounts are properly recorded.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-004 Expense Recognition and Related Liabilities

Criteria: Generally, expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles (GAAP).

Condition: Misstatements were detected in the reporting of the County's expenses and the related Statement of Net Position accounts.

Context/Cause: The County's management determined the County was incorrectly accruing the State required potential assessment and corrective action (PACA) for the County's municipal solid waste landfill (MSWL). As the MSWL was closed and the closure approved by the State, prior to the enactment of the General Statute 130A-295.2, the County was not required to accrue those State mandated estimates.

Effects: As such, an adjustment of approximately \$1,427,000 was required in the Solid Waste Landfill Fund to properly report the landfill closure and postclosure care costs liability in accordance with GAAP, as of June 30, 2018.

Recommendation: We recommend the County carefully review all expenses and related balance sheet accounts to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures and their related liabilities are properly recorded.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-005 Timely Reporting of Accurate Financial Information

Criteria: Timely and accurate financial reporting of all funds included in the financial statements of the County to facilitate informed financial decisions by the County's management and those with oversight of management is imperative.

Condition: Internal controls were not sufficient to facilitate the accurate, timely reporting of the County's overall financial position and results of operation as of and for the fiscal year ended June 30, 2019.

Context/Cause: The County did not complete its year-end closing process to provide the final trial balances and the necessary subsidiary ledgers of its funds for the fiscal year ended June 30, 2019 audit until March 2020. The Schedule of Expenditures of Federal and State Awards (SEFSA) was also not prepared and provided until March 2020.

Effects: The County was unable to report accurate financial information on either an accrual or modified accrual basis, as appropriate, in a timely manner.

Recommendation: We recommend the County implement procedures to ensure timely and accurate financial reporting to facilitate informed financial decisions.

Auditee's Response: We concur with the finding. We will take necessary steps to ensure that all funds pertaining to the County are included in the monthly accrual/modified accrual, as appropriate, closeout procedures, which in turn will simplify the year end accrual/modified accrual, as appropriate, close out procedures.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION IV STATE AWARD FINDINGS AND QUESTIONED COSTS

**2019-006 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs**

Criteria: Departments, agencies and/or organizations using ROAP funds to provide services shall determine a billing/reimbursement rate by mile, hour or trip which is based on the fully allocated cost of the service. The fully allocated cost of providing a trip should include both direct costs and shared (indirect) costs. The ITRE Rate Setting Model or other fully allocated cost model approved by the Public Transportation Division (PTD) are acceptable.

Condition: During testing of the per trip costs utilized by the County, the rates were not based on the fully allocated cost of the service and were not calculated using the ITRE (Institution for Transportation Research and Education) Rate Setting Model.

Context/Cause: During testing of the program costs reported on the quarterly reports for the operation of the ROAP activities, we noted the costs were based on a rate calculated by taking the current year award and dividing it by the prior year trip count. The County was not setting rates by using the State recommended Rate Setting Model.

Effects: While the rates were calculated using an other basis for the fiscal year ended June 30, 2019, the overall cost of running the transportation programs were significantly greater than the available funding. During the year, the fully allocated rate of the program generated a per trip rate greater than that ultimately charged by the County, therefore, there were no questioned costs.

Questioned Costs. None.

Recommendation: We recommend the County utilize a rate cost which complies with the requirements of the program.

Auditee's Response: We will review our cost rate structure to ensure we utilize the ITRE rate setting model in the coming fiscal year.

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION IV STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2019-007 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Eligibility**

Criteria: Departments, agencies and/or organizations using ROAP funds to provide services shall determine that the intended population of the service group was deemed eligible based on the trip purpose for the Elderly and Disabled Transportation Assistance Program (EDTAP), Employment, and Rural General Public (RGP) based on the program guidelines.

Condition: During our testing of the County's eligibility determinations for the fiscal year ended June 30, 2019, we noted the County did not have proper controls in place to ensure the program participants case files were maintained with approved applications and verified eligibility determinations.

Context/Cause: The Transportation Authority was unable to produce approved applications or certifications for all the sampled program participants. Due to turnover in the program management and record retention concerns, the County was unable to verify many of the selected participants.

Effects: During the testing for the EDTAP private riders, we sampled 7 of the 61 disbursements or 11.5% and noted one (1) of the seven (7) participants did not have approved documentation to verify eligibility for the EDTAP Private Rider program. During the testing for the transit riders, we sampled sixty (60) of the 253 disbursements or 23.7% and noted fifty-three (53) of the sixty (60) participants did not have approved documentation to verify eligibility for the respective transit program. In total 54 of the 67 riders, or 80.6% of the testing riders, did not have County approved eligibility determinations.

Questioned Costs. For the EDTAP Private Riders we noted known questioned costs of \$189 and projected questioned costs of \$78. For the remaining transit riders we noted known questioned costs of \$6,533 for EDTAP and \$4,005 for RGP, with projected questioned costs of \$49,316 for EDTAP and \$57,039 for RGP. In total the questioned costs of \$10,277 and \$106,433, known and projected, respectively, were cited for the riders which could not be verified as eligible for the programs.

Recommendation: We recommend the County work with all program riders to have them immediately reapply and maintain in case files the County approved application, and verification of the eligibility of the program riders based on the program guidelines.

Auditee's Response: We concur with the finding. During the current fiscal year, management assessed the documentation maintained on-site and will immediately begin working to ensure all riders are evaluated and case files updated for appropriate eligibility determinations and documented County approval.

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION IV STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-008 **Rural Operating Assistance Program (ROAP)**
North Carolina Department of Transportation
Reporting

Criteria: Four quarterly milestone ROAP reports are required per grant cycle. Close monitoring by the County Finance Officer is required in order to ensure appropriate and maximum utilization of all program funds. The County is required to report trip and expense data associated with the EDTAP, EMPL, and RGP separately.

Condition: During our testing of the County's fiscal year 2019 quarterly ROAP reports, we noted the County did not have proper controls in place to ensure the EDTAP reports contained accurate trip data that is consistent with the data found on the ROAP day sheets and trip logs.

Context/Cause: The Transportation Authority provided day sheets and trip logs that contained data that was not consistent with the data found on its required quarterly reports for EDTAP.

Effects: During our testing of the fiscal year 2019 EDTAP, EMPL, and RGP quarterly reports, we noted that all four quarterly reports submitted for EDTAP did not contain data consistent with the supporting day sheets and trip logs.

Questioned Costs. None.

Recommendation: We recommend that the County work on improving its internal controls related to the preparation of its quarterly EDTAP ROAP reports in order to ensure that the data contained on these reports is accurate and in line with program guidelines.

Auditee's Response: We concur with the finding. County management is working with the Transportation department to review reporting processes to improve accuracy of the reports submitted and maintenance of any reconciliation reports or schedules used by the County to complete the quarterly reports.

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION IV STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2019-009 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs and Period of Availability**

Criteria: In the North Carolina Department of Transportation Public Transportation Division (PTD) Supplement, the PTD has specified that only certain expenses are considered eligible transportation expenses for ROAP-funded projects. This Supplement also specifies that all expenses incurred for a ROAP-funded project must be incurred within the period of availability of the ROAP grant.

Condition: During our testing of the County's internal controls over the allowable costs and period of availability requirements, we noted the County did not have proper controls in place to ensure adequate documentation was available to support the allowability of its ROAP-funded expenses.

Context/Cause: The Transportation Authority was unable to produce the supporting invoices and other documentation requested related to several ROAP expenses. Due to turnover in the program management and record retention concerns, the County was unable to provide documentation to show whether or not these expenses were allowable and within the period of availability.

Effects: During our testing of expenditures, the County was unable to produce supporting documentation for 6 of the 60 disbursements selected. Therefore, we were unable to identify whether or not these expenditures were allowable or within the period of availability.

Questioned Costs. The County was unable to provide invoices to support seven expenditures, totaling \$1,567. Additionally, based on our sample size, the projected questioned costs amount to \$24,931.

Recommendation: We recommend the County implement better record retention policies and procedures for its ROAP-funded expenditures.

Auditee's Response: Management is working with the Transportation department to ensure all invoices and back up for charges are properly maintained to support all charges incurred, whether program eligible or not.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION IV
STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-010 State Foster Care
North Carolina Department of Health and Human Services
Eligibility

Criteria: Individuals receiving assistance must meet the eligibility requirements identified in the Family Support and Child Welfare, Chapter XIII Child Welfare Funding Manual. State Foster Care Benefit funds are only available if: (1) children are ineligible for IV-E funding, or (2) TEA funds are deemed inappropriate by the County. Prior to the utilization of these funds for foster care maintenance payments, a County agency must complete the foster care eligibility determination form (DSS-5120) for each child in foster care placement. This form documents the eligibility or ineligibility of each child to receive federal IV-E, TEA, or State Foster Care Benefit funds. Subsequent eligibility periods, at least every 12 months, should be documented on the DSS-5120(a) forms to assure ongoing court documentation.

Condition: During testing of eligibility determinations for the fiscal year ended June 30, 2019, we noted three (3) of the eight (8) sampled foster care beneficiaries were improperly charged to the State Foster Care Program based on the annual re-determination form DSS-5120(a) maintained in the respective case files.

Context/Cause: The County was determining the eligibility in the original period of application, however, could not produce the annual redetermination support.

Effects: During our testing of the controls surrounding eligibility determinations, our sample of foster care benefits provided 4% coverage of the disbursements, and of those sampled beneficiaries, we noted \$1,973 or 13.5% of sampled benefits paid in the year ended June 30, 2019 were disbursed to recipients who were improperly determined to be eligible based on the DSS-5120(a) maintained in the case file.

Questioned Costs. Three of our eight foster children sponsors were noted to have improperly received benefits of \$1,973 during the year ended June 30, 2019. Additionally, based on our sample size, the projected questioned benefits amount to approximately \$45,800.

Recommendation: We recommend the County implement controls to ensure the annual eligibility determinations are performed for all recipients of the foster care benefits, and maintained within the respective case files.

Auditee's Response: We will review our procedures for evaluating participant eligibility and ensure the documentation is appropriately maintained in the participant files.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION IV
STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-011 Cross-Cutting State Supplement
North Carolina Department of Health and Human Services, Division of Social Services
Reporting

Criteria: The Cross-Cutting Section of the North Carolina Department of Health and Human Services Division of Social Services requires salaries for all County DSS employees be reported on the DSS-1571. County DSS employees that provide direct client services during the month must maintain day sheets in accordance with the DSS Services Information System Policy.

Condition: During testing of payroll costs for the fiscal year ended June 30, 2019, we noted that the time sheets for fourteen (14) of the sixty (60) sampled DSS employees did not agree with the corresponding payroll reports maintained by the County.

Context/Cause: The County does not have a process in place for matching the time charged by employees in the County payroll system compared to the employees' day sheets.

Effects: During our testing of the controls surrounding reporting, our sample of DSS employees provided 9.7% coverage of total wages and benefits, and of those sampled employees, we noted \$2,580 or 1.5% of sampled wages and benefits paid in the year ended June 30, 2019 did not match the amount of wages and benefits earned on the employees' time sheets.

Questioned Costs. Fourteen of our sixty employees sampled were noted to have received wages and benefits lower than the amount indicated on the employees' time sheets, for a total of \$2,580 during the year ended June 30, 2019. Additionally, based on our sample size, the projected questioned wages and benefits amount to approximately \$26,576.

Recommendation: We recommend the County implement controls to ensure the number of hours for which DSS employees are being paid matches the number of hours on the employees' day sheets.

Auditee's Response: County management is working with Department of Social Services to ensure all time sheets are properly reviewed, reconciled, and documented as to any discrepancies. Additionally, the importance of record maintenance will be emphasized with the department.

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-001 Segregation of Duties

Condition: The size of the County's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the County: cash receipting, recording and reconciliation process; journal entry review; revenue and receivable recording; accounts payable and expense/expenditure recording; personnel and payroll recording; capital asset maintenance; and debt and debt service expenditures.

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Current Status: This was not resolved in the current year (see repeat finding 2019-001).

2018-002 Timely Preparation and Review of Bank Reconciliations

Condition: Internal controls were not sufficient to facilitate the accurate, timely reporting of the County's Department of Social Services cash balances in two of the four cash accounts maintained outside of the County's finance department, as of and for the fiscal year ended June 30, 2018.

Criteria: Internal controls should be in place to ensure bank accounts are timely reconciled throughout the fiscal year and reconciling items are properly handled and recorded correctly in the general ledger in accordance with generally accepted accounting principles.

Current Status: This was resolved in the current year.

2018-003 Expenses and Related Liability Accounts

Condition: Misstatements were detected in the reporting of the County's expenses and the related Statement of Net Position accounts.

Criteria: Generally, expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles (GAAP).

Current Status: Repeat finding – 2019-004.

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

2018-004 Capital Assets

Condition: Internal controls were not sufficient as several capital asset balances were not correctly reported by the County.

Criteria: Internal controls should be in place to ensure that all capital asset amounts reported within the financial statements are accurate, in accordance with generally accepted accounting principles.

Current Status: This was not resolved in the current year (see repeat finding 2019-002).

2018-005 Revenue Recognition

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's revenues and related balance sheet accounts.

Criteria: Internal controls should be in place to ensure that amounts reported as revenues and related balance sheet accounts are appropriate, are properly valued, and are recorded in the proper period in accordance with generally accepted accounting principles.

Current Status: This was resolved in the current year.

2018-006 Timely and Accurate Reporting of the Schedule of Expenditures of Federal and State Awards

Condition: Internal controls were not in place to timely prepare, support, or reconcile the expenditures reported on the schedule of expenditures of federal and state awards (SEFSA) to the County's underlying accounting records. The County was not able to timely prepare the complete schedule of expenditures of federal and state awards until March 2019. Additionally, the County prepares the majority portion of the schedule of expenditures of federal and state awards based on revenues received from the State for state and pass-through federal funds.

Criteria: 2 CFR 200.302(b)(1) states that all nonfederal entities must identify in its accounts all federal awards received and expended. The schedule of expenditures of federal and state awards (SEFSA), as required by 2 CFR 200.510(b), should be derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements for the County.

Current Status: This was not resolved in the current year (see repeat finding 2019-005).

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

**2018-007 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Eligibility**

Condition: During our testing of the County's eligibility determinations for the fiscal year ended June 30, 2018, we noted the County did not have proper controls in place to ensure the program participants case files were maintained with approved applications and verified eligibility determinations.

Criteria: Departments, agencies and/or organizations using ROAP funds to provide services shall determine the intended population of the service group was deemed eligible based on the trip purpose for the Elderly and Disabled Transportation Assistance Program (EDTAP), Employment, and Rural General Public (RGP) based on the program guidelines.

Current Status: This was not resolved in the current year (see repeat finding 2019-007).

**2018-008 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs**

Condition: During testing of the per trip costs utilized by the County, the rates were not based on the fully allocated cost of the service and were not calculated using the ITRE (Institution for Transportation Research and Education) Rate Setting Model.

Criteria: Departments, agencies and/or organizations using ROAP funds to provide services shall determine a billing/reimbursement rate by mile, hour or trip which is based on the fully allocated cost of the service. The fully allocated cost of providing a trip should include both direct costs and shared (indirect) costs. The ITRE Rate Setting Model or other fully allocated cost model approved by the Public Transportation Division (PTD) are acceptable.

Current Status: This was not resolved in the current year (see repeat finding 2019-006).

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

2018-009 State Foster Care
North Carolina Department of Health and Human Services
Eligibility

Criteria: Individuals receiving assistance must meet the eligibility requirements identified in the Family Support and Child Welfare, Chapter XIII Child Welfare Funding Manual. State Foster Care Benefit funds are only available if: (1) children are ineligible for IV-E funding, (2) TEA funds are deemed inappropriate by the county. Prior to the utilization of these funds for foster care maintenance payments, a county agency must complete the foster care eligibility determination form (DSS-5120) for each child in foster care placement. This form documents the eligibility or ineligibility of each child to receive federal IV-E, TEA, or State Foster Care Benefit funds. Subsequent eligibility periods, at least every 12 months, should be documented on the DSS-5120(a) forms to assure ongoing court documentation.

Condition: During testing of eligibility determinations for the fiscal year ended June 30, 2018, we noted one (1) of the twelve (12) sampled foster care beneficiaries was improperly charged to the State Foster Care Program based on the annual re-determination form DSS-5120(a) maintained in the respective case files.

Current Status: This was not resolved in the current year (see repeat finding 2019-010).



Madison County Finance Office

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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

2019-001 Segregation of Duties

Contact Person Responsible for the Corrective Action Plan: Kary Ledford, Finance Officer

Corrective Action Plan: We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

Anticipated Completion Date: July 31, 2020

2019-002 Capital Assets

Contact Person Responsible for the Corrective Action Plan: Kary Ledford, Finance Officer

Corrective Action Plan: We will ensure that capital assets are properly reported during the year and at the conclusion of each financial reporting cycle.

Anticipated Completion Date: June 30, 2020

2019-003 Accounting for Foreclosed Properties

Contact Person Responsible for the Corrective Action Plan: Kary Ledford, Finance Officer

Corrective Action Plan: We will take necessary steps in the future to ensure that revenues and related balance sheet accounts are properly recorded.

Anticipated Completion Date: June 30, 2020

2019-004 Expense Recognition and Related Liabilities

Contact Person Responsible for the Corrective Action Plan: Kary Ledford, Finance Officer

Corrective Action Plan: We will take necessary steps to ensure the expenses of the County are appropriately accrued within generally accepted accounting principles and the State statutes.

Anticipated Completion Date: June 30, 2020



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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

2019-005 Timely Reporting of Accurate Financial Information

Contact Person Responsible for the Corrective Action Plan: Kary Ledford, Finance Officer

Corrective Action Plan: We will take necessary steps to ensure that all funds pertaining to the County are included in the monthly accrual or modified accrual, as appropriate, closeout procedures, which in turn will simplify the year end accrual or modified accrual, as appropriate, close out procedures.

Anticipated Completion Date: June 30, 2020

**2019-006 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs**

Contact Person Responsible for the Corrective Action Plan: Brooke Ledford, Director of Transportation

Corrective Action Plan: We will review our cost rate structure to ensure we utilize the ITRE rate setting model in the coming fiscal year.

Anticipated Completion Date: August 30, 2020

**2019-007 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Eligibility**

Contact Person Responsible for the Corrective Action Plan: Brooke Ledford, Director of Transportation

Corrective Action Plan: During the current fiscal year, management assessed the documentation maintained on-site and will immediately begin working to ensure all riders are evaluated and case files updated for appropriate eligibility determinations and documented County approval.

Anticipated Completion Date: August 30, 2020



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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

**2019-008 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Reporting**

Contact Person Responsible for the Corrective Action Plan: Brooke Ledford, Director of Transportation

Corrective Action Plan: County management is working with the Transportation department to review reporting processes to improve accuracy of the reports submitted and maintenance of any reconciliation reports or schedules used by the County to complete the quarterly reports.

Anticipated Completion Date: August 30, 2020

**2019-009 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs and Period of Availability**

Contact Person Responsible for the Corrective Action Plan: Brooke Ledford, Director of Transportation

Corrective Action Plan: Management is working with the Transportation department to ensure all invoices and back up for charges are properly maintained to support all charges incurred, whether program eligible or not.

Anticipated Completion Date: August 30, 2020

**2019-010 State Foster Care
North Carolina Department of Health and Human Services
Eligibility**

Contact Person Responsible for the Corrective Action Plan: Connie Harris, Director of Social Services

Corrective Action Plan: We will review our procedures for evaluating participant eligibility and ensure the documentation is appropriately maintained in the participant files.

Anticipated Completion Date: December 31, 2020



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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

2019-011 **Cross-Cutting State Supplement**
North Carolina Department of Health and Human Services, Division of Social Services
Reporting

Contact Person Responsible for the Corrective Action Plan: Connie Harris, Director of Social Services

Corrective Action Plan: County management is working with Department of Social Services to ensure all time sheets are properly reviewed, reconciled, and documented as to any discrepancies. Additionally, the importance of record maintenance will be emphasized with the department.

Anticipated Completion Date: December 31, 2020