

**DAVIE COUNTY
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

DAVIE COUNTY NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Terry N. Renegar, Chairman

James Blakley, Vice-Chairman

Benita Finney

Mark S. Jones

Richard Poindexter

COUNTY OFFICIALS

John Eller

County Manager

Robin M. West

Finance Director

E. Edward Vogler, Jr.

County Attorney

M. Brent Shoaf

Register of Deeds

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DAVIE COUNTY, NORTH CAROLINA

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FINANCIAL SECTION

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To the Board of County Commissioners
Davie County
Mocksville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davie County, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Davie 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 Davie County Watershed Improvement Commission. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Davie County Watershed Improvement Commission, 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. The financial statements of the Davie County Watershed Improvement Commission were not audited in accordance with *Government Auditing Standards*.

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 County'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 County'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 upon 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Davie County, North Carolina, as of June 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davie County's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2021 on our consideration of Davie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Davie 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 Davie County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
May 18, 2021

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Management's Discussion and Analysis

As management of Davie County, we offer readers of Davie County's financial statements this narrative overview and analysis of the financial activities of Davie County for the fiscal year ended June 30, 2020. 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 follows this narrative.

Financial Highlights

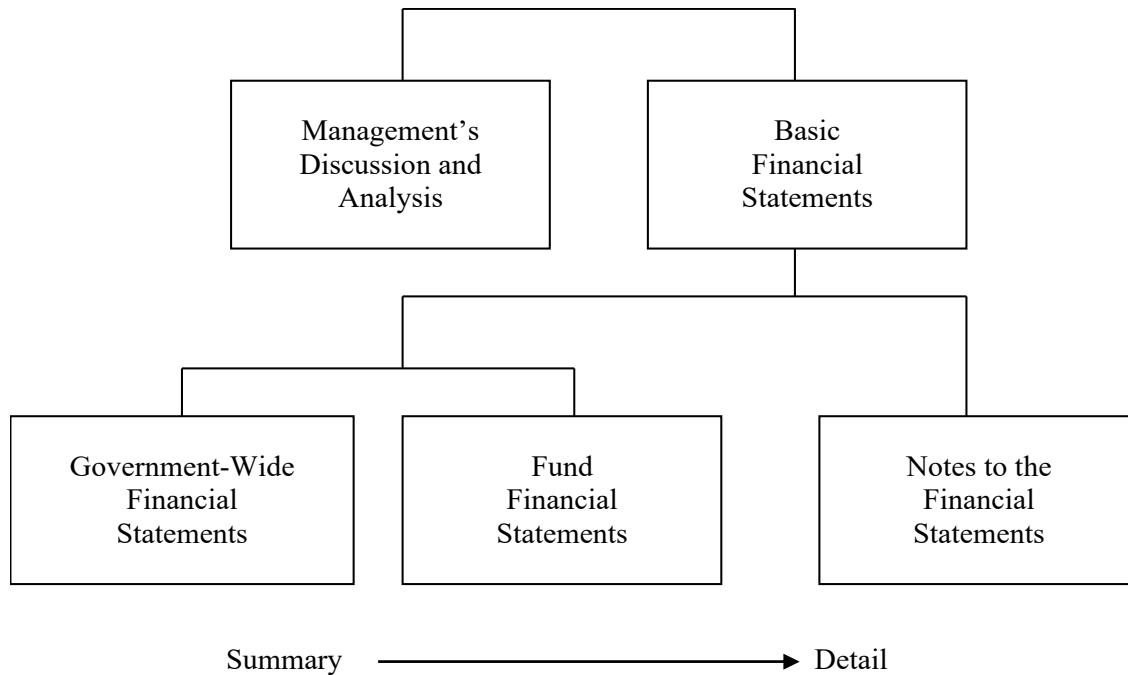
- The assets and deferred outflows of resources of Davie County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,808,483 (*net position*).
- The government's total net position increased by \$8,110,769 in the current year, primarily due to the increase in net position in the governmental and business-type activities. This is mostly due to the increase in capital grants and loans due to the construction in progress related to the East Davie Pump Station project that occurred during the current fiscal year.
- As of the close of the current fiscal year, Davie County's governmental funds reported combined ending fund balances of \$26,642,755 an increase of \$1,298,856 in comparison with the prior year. Approximately 72.0% of this total amount, or \$19,196,005, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,834,945, or 8.0%, of total General Fund expenditures for the fiscal year.
- Davie County has AA+ and Aa2 general obligation bond ratings.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Davie County's basic financial statements. Davie County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Davie County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through J) are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary funds statements, and 4) the fiduciary funds statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the County's nonmajor governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component unit. The governmental activities include most of the County's basic services, such as public safety, parks and recreation, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and solid waste services offered by Davie County. The final category is the component unit. The government-wide financial statements include one component unit, the Davie County Watershed Improvement Commission, for which Davie County is financially accountable. The Commission operates to maintain a watershed improvement program in the County. The governing board members are appointed by the County.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

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. Davie 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 Davie County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Davie 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. Davie 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. Davie County uses enterprise funds to account for its water and sewer activity and for its solid waste operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the functions of Davie County operations. The County uses one internal service fund to account for the self-insurance plan. These operations benefit both governmental and proprietary funds and have been included within the governmental activities in the government-wide statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Davie County has three fiduciary funds, all of which are agency funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Davie County's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found beginning on page 76 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 resources of Davie County exceeded its liabilities and deferred inflows of resources by \$12,808,483 as of June 30, 2020. The County's net position increased by \$8,110,769 for the fiscal year ended June 30, 2020. One of the largest portions of net position, \$44,674,554, reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). Davie County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Davie County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Davie County's net position, \$14,660,796, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted.

Davie County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 31,982,645	\$ 28,732,316	\$ 14,527,174	\$ 10,692,084	\$ 46,509,819	\$ 39,424,400
Capital assets	<u>29,546,275</u>	<u>20,917,174</u>	<u>39,510,812</u>	<u>27,196,572</u>	<u>69,057,087</u>	<u>48,113,746</u>
Total assets	<u>61,528,920</u>	<u>49,649,490</u>	<u>54,037,986</u>	<u>37,888,656</u>	<u>115,566,906</u>	<u>87,538,146</u>
Deferred Outflows of Resources	<u>5,029,949</u>	<u>5,099,572</u>	<u>291,251</u>	<u>300,727</u>	<u>5,321,200</u>	<u>5,400,299</u>
Liabilities:						
Long-term liabilities	79,417,648	75,527,465	13,138,599	164,547	92,556,247	75,692,012
Other liabilities	<u>13,265,196</u>	<u>10,005,576</u>	<u>1,827,495</u>	<u>2,033,186</u>	<u>15,092,691</u>	<u>12,038,762</u>
Total liabilities	<u>92,682,844</u>	<u>85,533,041</u>	<u>14,966,094</u>	<u>2,197,733</u>	<u>107,648,938</u>	<u>87,730,774</u>
Deferred Inflows of Resources	<u>411,719</u>	<u>489,197</u>	<u>18,966</u>	<u>20,760</u>	<u>430,685</u>	<u>509,957</u>
Net Position:						
Net investment in capital assets	18,157,686	22,176,821	26,516,868	27,196,572	44,674,554	49,373,393
Restricted	14,660,796	10,667,356	-	-	14,660,796	10,667,356
Unrestricted	<u>(59,354,176)</u>	<u>(64,117,353)</u>	<u>12,827,309</u>	<u>8,774,318</u>	<u>(46,526,867)</u>	<u>(55,343,035)</u>
Total net position	<u>\$ (26,535,694)</u>	<u>\$ (31,273,176)</u>	<u>\$ 39,344,177</u>	<u>\$ 35,970,890</u>	<u>\$ 12,808,483</u>	<u>\$ 4,697,714</u>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.58%
- Continued low cost of debt due to the County's high bond rating
- Adoption of a series of financial policy guidelines, including: Cash Management and Investment Policy, General Fund Balance Policy, Debt Policy, Cyber Security Policy, and Enterprise/Utility Policies
- Implemented Performance Based Budgets for departments focused on outcome attainment focused on historical/actual spending, prioritizing outcomes, using data to make informed decisions
- The County continues each year to update the Strategic Plan that was adopted in FY 2018. The Plan has five focus areas: Safe & Healthy Community, Education, Quality of Life & Place, Business Operations, and Growth & Infrastructure

Davie County's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 5,487,788	\$ 4,966,976	\$ 7,341,255	\$ 6,503,709	\$ 12,829,043	\$ 11,470,685
Operating grants and contributions	8,187,315	8,548,854	-	-	8,187,315	8,548,854
Capital grants and contributions	2,251,812	194,608	1,837,483	32,000	4,089,295	226,608
General revenues:						
Property taxes	38,169,556	36,556,215	-	-	38,169,556	36,556,215
Other taxes	9,643,174	9,091,439	-	-	9,643,174	9,091,439
Other	174,618	231,410	14,596	53,429	189,214	284,839
Total revenues	<u>63,914,263</u>	<u>59,589,502</u>	<u>9,193,334</u>	<u>6,589,138</u>	<u>73,107,597</u>	<u>66,178,640</u>
Expenses:						
General government	11,139,710	12,818,201	-	-	11,139,710	12,818,201
Public safety	17,784,992	13,340,053	-	-	17,784,992	13,340,053
Environmental protection	29,623	106,598	-	-	29,623	106,598
Economic and physical development	1,919,361	1,323,622	-	-	1,919,361	1,323,622
Human services	8,595,313	8,034,623	-	-	8,595,313	8,034,623
Culture and recreation	2,247,715	1,203,155	-	-	2,247,715	1,203,155
Education	15,123,981	15,776,398	-	-	15,123,981	15,776,398
Interest and fiscal changes	1,975,928	2,029,811	-	-	1,975,928	2,029,811
Solid waste	-	-	471,694	372,311	471,694	372,311
Water and sewer	-	-	5,708,511	5,698,307	5,708,511	5,698,307
Total expenses	<u>58,816,623</u>	<u>54,632,461</u>	<u>6,180,205</u>	<u>6,070,618</u>	<u>64,996,828</u>	<u>60,703,079</u>
Change in net position before transfers	5,097,640	4,957,041	3,013,129	518,520	8,110,769	5,475,561
Transfers, net	<u>(360,158)</u>	<u>(301,089)</u>	<u>360,158</u>	<u>301,089</u>	<u>-</u>	<u>-</u>
Change in net position	4,737,482	4,655,952	3,373,287	819,609	8,110,769	5,475,561
Net position, July 1	<u>(31,273,176)</u>	<u>(35,929,128)</u>	<u>35,970,890</u>	<u>35,151,281</u>	<u>4,697,714</u>	<u>(777,847)</u>
End of year - June 30	<u>\$ (26,535,694)</u>	<u>\$ (31,273,176)</u>	<u>\$ 39,344,177</u>	<u>\$ 35,970,890</u>	<u>\$ 12,808,483</u>	<u>\$ 4,697,714</u>

Governmental Activities. Governmental activities increased the County's net position by \$4,737,482. A key element for this increase was continued investment in County capital projects through grants and General fund pay as you go contributions for construction in progress over the prior year.

Business-Type Activities. Business-type activities increased Davie County's net position by \$3,373,287. A key element for this increase was the capital grants and loans due to the construction in progress related to the East Davie Pump Station project that occurred during the current fiscal year.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Davie County. At the end of the current fiscal year, fund balance available in the General Fund was \$12,350,606, while total fund balance reached \$18,416,198. Fund balance available represents 20.0% of total General Fund expenditures and transfers out, while total fund balance represents 29.8% of that same amount.

The Capital Projects Fund accounts for the activities of several capital projects going on within the County. The majority of the revenue to support these projects comes from federal and state grants as well as debt issuance. At June 30, 2020, the net change in fund balance was an increase of \$1,740,847 with an ending fund balance of \$7,299,178. There were significant expenditures for the leasehold improvements project on Farmington Road for Health and Human Services and the Sheriff's Department.

At June 30, 2020, the governmental funds of Davie County reported a combined fund balance of \$26,342,755 an increase of \$1,298,856 from the prior year. The primary reason for this increase in fund balance were the loan proceeds received in March 2020 to be used for future Capital Projects.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues by \$1,217,821. A major portion of this increase was attributable to changes in amounts of funding received from the State of North Carolina and other grants. There was an increase in property taxes, as well as sales and use tax.

Proprietary Funds. Davie County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year was \$216,433, and those for the Water and Sewer Fund was \$12,610,876. The Solid Waste Fund net position increased \$22,678, and the Water and Sewer Fund net position increased \$3,350,609. Other factors concerning the finances of these two funds have already been addressed in the discussion of Davie County's business-type activities.

Capital Assets and Debt Administration

Capital Assets. Davie County's capital assets for its governmental and business-type activities as of June 30, 2020 total \$69,057,087 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchase of replacement vehicles for sheriff's office, emergency medical services, and development services
- HVAC and Chiller replacement for the County Administration Building
- Voting machines for the County Elections department

Davie County's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 840,355	\$ 722,688	\$ 552,624	\$ 552,624	\$ 1,392,979	\$ 1,275,312
Buildings	23,724,854	23,724,854	16,460,496	16,460,496	40,185,350	40,185,350
Furniture, equipment and computer	6,904,250	6,471,855	3,003,510	2,930,022	9,907,760	9,401,877
Vehicles and motor equipment	6,425,282	5,703,321	-	-	6,425,282	5,703,321
Water/sewer lines	-	-	21,228,459	20,509,414	21,228,459	20,509,414
Construction in progress	13,153,090	4,346,720	19,689,727	7,336,475	32,842,817	11,683,195
	51,047,831	40,969,438	60,934,816	47,789,031	111,982,647	88,758,469
Less:						
Accumulated depreciation	21,501,556	20,052,264	21,424,004	20,592,459	42,925,560	40,644,723
Capital assets, net	<u>\$ 29,546,275</u>	<u>\$ 20,917,174</u>	<u>\$ 39,510,812</u>	<u>\$ 27,196,572</u>	<u>\$ 69,057,087</u>	<u>\$ 48,113,746</u>

Additional information on Davie County's capital assets can be found beginning on page 41 of the basic financial statements.

Long-Term Debt. As of June 30, 2020, Davie County had total debt outstanding of \$85,342,365, including \$49,570,000 of bonded debt, which is debt backed by the full faith and credit of the County.

Davie County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation debt	\$ 49,570,000	\$ 52,820,000	\$ -	\$ -	\$ 49,570,000	\$ 52,820,000
QZAB	-	602,600	-	-	-	602,600
COPS	4,301,000	5,208,000	-	-	4,301,000	5,208,000
Installment loans	13,226,501	4,976,739	-	-	13,226,501	4,976,739
Unamortized premiums	5,250,920	5,725,948	-	-	5,250,920	5,725,948
Notes from direct borrowing	-	-	12,993,944	-	12,993,944	-
Total	<u>\$ 72,348,421</u>	<u>\$ 69,333,287</u>	<u>\$ 12,993,944</u>	<u>\$ -</u>	<u>\$ 85,342,365</u>	<u>\$ 69,333,287</u>

Davie County's total debt increased by \$16,009,078 during the fiscal year, due to the issuance of a Clean Water State Revolving Loan for the East Davie Pump Station project and \$9,250,000 for various Capital Projects, including the Farmington Road Leasehold Improvements and the Davie County Community Park.

As mentioned in the financial highlights section of this document, Davie County maintained its Aa2 bond rating from Moody's Investor Service and received a rating increase from AA to AA+ from Standard & Poor's Corporation, at the point the Parks and Recreation bonds were issued. This bond rating increase is a clear indication of the sound financial condition of Davie County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Davie County is approximately \$316,791,649. The County has no authorized, unissued bonds at June 30, 2020.

Additional information regarding Davie County's long-term debt can be found beginning on page 63 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- Davie County has encountered job growth percentages that represent more than double the next most successful county in the Piedmont Triad region. Davie County leads both the Piedmont Triad region and the state in job growth. The unemployment rate for June 2020 for Davie County was 7.40% which was lower than the North Carolina rate of 7.6%. This rate is higher than the prior year due to the global COVID-19 pandemic.
- Davidson-Davie Community College continues to expand to advance the future of high-quality healthcare in the region by expanding in-demand healthcare programs. There has been increased enrollment due to the Ignite Davie program, which allows Davie County students to attend the community college at no charge to them up to three years post-graduation.
- The County and the Town of Mocksville have agreed to a joint venture with a new Water Treatment Plant. This plant will service the southern portion of the County, include the Town of Mocksville. The project is still in the design phase.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Davie County is facing uncertainty related to the budget for fiscal year 2020-2021 due to COVID-19. Budgets were adjusted to be more conservative because of the uncertainty. Sales and Use tax has exceeded expectations, even during pandemic months of fiscal year 2019-2020.

Governmental Activities. The property tax rate of 77.8 cents was maintained for fiscal year 2020-2021. The Advance Rural Fire Protection District maintained a rate of 2.438 cents, in addition to the county-wide fire tax of four cents. The County's budget includes the five focus areas as outlined in the County's Strategic Plan and Performance Based Budget. Budgeted expenditures in the General Fund are increased to \$66,349,428.

Business-Type Activities. An increase in water and sewer rates of 2.25% for all customers was adopted effective July 1, 2020 to fund the water and sewer system, while keeping customer rates competitive as compared to other systems throughout the state.

Requests for Information

This financial 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, Davie County, 123 South Main Street, Mocksville, North Carolina 27028. Budget information and audited financial statements can also be found at <http://www.daviecountync.gov/95/Finance-Department>.

BASIC FINANCIAL STATEMENTS

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DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Davie County Watershed Improvement Commission
Assets:				
Cash and cash equivalents	\$ 18,797,618	\$ 12,157,018	\$ 30,954,636	\$ 324,494
Taxes receivable, net	605,910	-	605,910	-
Accounts receivable, net	393,532	1,385,807	1,779,339	-
Long-term receivable	261,000	-	261,000	-
Due from other governments	5,851,078	551,579	6,402,657	-
Accrued interest on investments	41	-	41	-
Restricted cash and cash equivalents	6,001,192	213,066	6,214,258	-
Inventories	230	219,704	219,934	-
Net pension asset	72,044	-	72,044	-
Capital assets:				
Land and construction in progress	13,993,445	20,242,351	34,235,796	-
Other capital assets, net of depreciation	15,552,830	19,268,461	34,821,291	-
Total capital assets	29,546,275	39,510,812	69,057,087	-
Total assets	61,528,920	54,037,986	115,566,906	324,494
Deferred Outflows of Resources:				
Deferred charges on refunding	219,274	-	219,274	-
Pension deferrals	3,755,018	219,069	3,974,087	-
OPEB deferrals	1,055,657	72,182	1,127,839	-
Total deferred outflows of resources	5,029,949	291,251	5,321,200	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	5,107,338	825,039	5,932,377	-
Advances from grantors	444,668	-	444,668	-
Liabilities to be paid from restricted assets:				
Customer deposits	-	213,066	213,066	-
Due within one year	6,938,942	487,233	7,426,175	-
Payroll liabilities	-	-	-	37
Non-current liabilities:				
Net pension liability (LGRS)	5,786,541	367,865	6,154,406	-
Total pension liability (LEOSSA)	1,548,394	-	1,548,394	-
Total OPEB liability	6,164,796	421,525	6,586,321	-
Due in more than one year	66,692,165	12,651,366	79,343,531	-
Total liabilities	92,682,844	14,966,094	107,648,938	37
Deferred Inflows of Resources:				
Prepaid property taxes	80,890	-	80,890	-
Pension deferrals	128,603	5,139	133,742	-
OPEB deferrals	202,226	13,827	216,053	-
Total deferred inflows of resources	411,719	18,966	430,685	-
Net Position:				
Net investment in capital assets	18,157,686	26,516,868	44,674,554	-
Restricted for:				
Stabilization by state statute	12,200,625	-	12,200,625	-
Register of Deeds	268,089	-	268,089	-
Register of Deeds' pension plan	78,432	-	78,432	-
Public safety	909,537	-	909,537	-
Economic and physical development	1,204,113	-	1,204,113	-
Unrestricted (deficit)	(59,354,176)	12,827,309	(46,526,867)	324,457
Total net position	\$ (26,535,694)	\$ 39,344,177	\$ 12,808,483	\$ 324,457

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 11,139,710	\$ 930,945	\$ 1,381,029	\$ 426,301
Public safety	17,784,992	2,907,604	1,428,224	1,566,770
Environmental protection	29,623	-	-	19,666
Economic and physical development	1,919,361	33,222	19,391	-
Human services	8,595,313	1,616,017	5,074,838	-
Cultural and recreational	2,247,715	-	283,833	239,075
Education	15,123,981	-	-	-
Interest and fiscal charges	1,975,928	-	-	-
Total governmental activities	<u>58,816,623</u>	<u>5,487,788</u>	<u>8,187,315</u>	<u>2,251,812</u>
Business-Type Activities:				
Water and Sewer Fund	5,708,511	7,170,041	-	1,837,483
Solid Waste Fund	471,694	171,214	-	-
Total business-type activities	<u>6,180,205</u>	<u>7,341,255</u>	<u>-</u>	<u>1,837,483</u>
Total primary government	<u>\$ 64,996,828</u>	<u>\$ 12,829,043</u>	<u>\$ 8,187,315</u>	<u>\$ 4,089,295</u>
Component Unit:				
Davie County Watershed				
Improvement Commission	\$ 16,879	\$ -	\$ -	\$ -
Total component unit	<u>\$ 16,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Davie County Watershed Improvement Commission
	Governmental Activities	Business-Type Activities	Total	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (8,401,436)	\$ -	\$ (8,401,436)	
Public safety	(11,882,394)	-	(11,882,394)	
Environmental protection	(9,957)	-	(9,957)	
Economic and physical development	(1,866,748)	-	(1,866,748)	
Human services	(1,904,458)	-	(1,904,458)	
Cultural and recreational	(1,724,807)	-	(1,724,807)	
Education	(15,123,981)	-	(15,123,981)	
Interest and fiscal charges	(1,975,928)	-	(1,975,928)	
Total governmental activities	(42,889,708)	-	(42,889,708)	
Business-Type Activities:				
Water and Sewer Fund	-	3,299,013	3,299,013	
Solid Waste Fund	-	(300,480)	(300,480)	
Total business-type activities	-	2,998,533	2,998,533	
Total primary government	(42,889,708)	2,998,533	(39,891,175)	
Component Unit:				
Davie County Watershed Improvement Commission				\$ (16,879)
Total component unit				(16,879)
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	38,169,556	-	38,169,556	-
Local option sales tax	9,507,272	-	9,507,272	-
Other taxes	135,902	-	135,902	-
Investment earnings, unrestricted	174,618	14,596	189,214	277
Other unrestricted intergovernmental revenue	-	-	-	29,000
Total general revenues, excluding transfers	47,987,348	14,596	48,001,944	29,277
Transfers to/from other funds	(360,158)	360,158	-	-
Total general revenues and transfers	47,627,190	374,754	48,001,944	29,277
Change in net position	4,737,482	3,373,287	8,110,769	12,398
Net Position:				
Beginning of year - July 1	(31,273,176)	35,970,890	4,697,714	312,059
End of year - June 30	<u>\$ (26,535,694)</u>	<u>\$ 39,344,177</u>	<u>\$ 12,808,483</u>	<u>\$ 324,457</u>

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

DAVIE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	
	<u>General</u>	<u>Capital Projects Fund</u>	<u>Coronavirus Relief Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 14,047,771	\$ 3,837,958	\$ -	\$ 911,889	\$ 18,797,618
Taxes receivable, net	605,910	-	-	-	605,910
Accounts receivable, net	389,943	-	-	-	389,943
Long-term receivable	261,000	-	-	-	261,000
Due from other governments	4,445,674	556,009	831,553	17,842	5,851,078
Due from other funds	1,336,050	-	-	-	1,336,050
Accrued interest on investments	41	-	-	-	41
Restricted cash and cash equivalents	1,328,526	4,227,998	444,668	-	6,001,192
Inventories	230	-	-	-	230
Total assets	<u>\$ 22,415,145</u>	<u>\$ 8,621,965</u>	<u>\$ 1,276,221</u>	<u>\$ 929,731</u>	<u>\$ 33,243,062</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,922,687	\$ 1,322,787	\$ -	\$ 2,352	\$ 4,247,826
Due to other funds	-	-	831,553	-	831,553
Advances from grantors	-	-	444,668	-	444,668
Total liabilities	<u>2,922,687</u>	<u>1,322,787</u>	<u>1,276,221</u>	<u>2,352</u>	<u>5,524,047</u>
Deferred Inflows of Resources:					
Prepaid property taxes	80,890	-	-	-	80,890
Property taxes receivable	605,910	-	-	-	605,910
Other receivables	389,460	-	-	-	389,460
Total deferred inflows of resources	<u>1,076,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,076,260</u>
Fund Balances:					
Non-spendable:					
Inventories	230	-	-	-	230
Long-term receivable	261,000	-	-	-	261,000
Restricted:					
Stabilization by state statute	5,804,362	5,546,868	831,553	17,842	12,200,625
Restricted, all other	1,596,615	4,227,998	-	909,537	6,734,150
Committed	995,000	-	-	-	995,000
Assigned	4,924,046	-	-	-	4,924,046
Unassigned	4,834,945	(2,475,688)	(831,553)	-	1,527,704
Total fund balances	<u>18,416,198</u>	<u>7,299,178</u>	<u>-</u>	<u>927,379</u>	<u>26,642,755</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,415,145</u>	<u>\$ 8,621,965</u>	<u>\$ 1,276,221</u>	<u>\$ 929,731</u>	

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

DAVIE COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

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

Total fund balances	\$ 26,642,755
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,546,275
Deferred outflows related to long-term debt issue refunding	219,274
Deferred inflows of resources for taxes and other receivables	995,370
Net pension asset (ROD)	72,044
Net pension liability (LGERS)	(5,786,541)
Deferred inflows of resources related to pensions	(128,603)
Deferred outflows of resources related to pensions	3,755,018
Deferred inflows of resources related to OPEB	(202,226)
Deferred outflows of resources related to OPEB	1,055,657
Total OPEB liability	(6,164,796)
Total pension liability (LEOSSA)	(1,548,394)
Accrued vacation payable	(1,282,686)
The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	(909,691)
Some liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(72,799,150)</u>
Net position of governmental activities, per Exhibit A	<u><u>\$ (26,535,694)</u></u>

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds			Nonmajor Fund	
	General Fund	Capital Projects Fund	Coronavirus Relief Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 47,255,550	\$ -	\$ -	\$ 451,860	\$ 47,707,410
Intergovernmental	6,670,707	912,809	1,334,003	214,102	9,131,621
Charges for services	3,971,655	-	-	-	3,971,655
Permits and fees	1,036,230	-	-	-	1,036,230
Interest on investments	159,409	14,206	-	1,003	174,618
Miscellaneous	1,302,506	5,000	-	-	1,307,506
Total revenues	<u>60,396,057</u>	<u>932,015</u>	<u>1,334,003</u>	<u>666,965</u>	<u>63,329,040</u>
Expenditures:					
General government	7,214,001	8,272,661	-	-	15,486,662
Public safety	16,341,287	629,212	1,334,003	594,188	18,898,690
Environmental protection	54,072	34,615	-	-	88,687
Economic and physical development	1,944,429	-	-	-	1,944,429
Human services	9,139,207	-	-	-	9,139,207
Cultural and recreational	1,631,584	721,093	-	-	2,352,677
Education	15,123,981	-	-	-	15,123,981
Debt service:					
Principal	6,355,838	-	-	-	6,355,838
Interest and fees	2,360,966	-	-	-	2,360,966
Total expenditures	<u>60,165,365</u>	<u>9,657,581</u>	<u>1,334,003</u>	<u>594,188</u>	<u>71,751,137</u>
Revenues over (under) expenditures	<u>230,692</u>	<u>(8,725,566)</u>	<u>-</u>	<u>72,777</u>	<u>(8,422,097)</u>
Other Financing Sources (Uses):					
Transfers in	-	1,216,413	-	-	1,216,413
Transfers out	(1,576,571)	-	-	-	(1,576,571)
Proceeds from installment debt	596,000	9,250,000	-	-	9,846,000
Proceeds from sale of capital assets	235,111	-	-	-	235,111
Total other financing sources (uses)	<u>(745,460)</u>	<u>10,466,413</u>	<u>-</u>	<u>-</u>	<u>9,720,953</u>
Net change in fund balances	<u>(514,768)</u>	<u>1,740,847</u>	<u>-</u>	<u>72,777</u>	<u>1,298,856</u>
Fund Balances:					
Beginning of year - July 1	<u>18,930,966</u>	<u>5,558,331</u>	<u>-</u>	<u>854,602</u>	<u>25,343,899</u>
End of year - June 30	<u>\$ 18,416,198</u>	<u>\$ 7,299,178</u>	<u>\$ -</u>	<u>\$ 927,379</u>	<u>\$ 26,642,755</u>

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

DAVIE COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Amounts reported for governmental activities in the Statement of Activities are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,298,856
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,633,158
Pension expense - LEOSSA	(100,755)
Pension expense - LGERS and ROD	(1,231,385)
OPEB plan expense	(291,138)
Net book value of capital assets disposed of during the year, not recognized on modified accrual basis.	(4,057)
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 the governmental funds. Neither transaction has any effect on net position. This amount includes principal payments and premium amortization.	
Principal payments	6,355,838
Debt proceeds	(9,846,000)
Expenses reported on fund financial statements that are capitalized on government-wide statements	385,038
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(168,067)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	307,858
The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>(601,864)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 4,737,482</u>

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

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance With Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Taxes	\$ 46,382,656	\$ 46,925,308	\$ 47,255,550	\$ 330,242
Intergovernmental	6,637,080	7,313,832	6,670,707	(643,125)
Charges for sales and services	3,557,170	3,549,474	3,971,655	422,181
Permits and fees	905,498	905,498	1,036,230	130,732
Interest on investments	25,000	25,000	159,409	134,409
Miscellaneous	939,510	945,623	1,302,506	356,883
Total revenues	<u>58,446,914</u>	<u>59,664,735</u>	<u>60,396,057</u>	<u>731,322</u>
Expenditures:				
General government	8,107,966	8,071,143	7,214,001	857,142
Public safety	17,673,764	18,795,141	16,341,287	2,453,854
Environmental protection	58,000	58,000	54,072	3,928
Economic and physical development	2,103,804	2,172,734	1,944,429	228,305
Human services	10,044,067	10,591,968	9,139,207	1,452,761
Cultural and recreational	1,816,508	1,856,657	1,631,584	225,073
Education	14,495,963	15,137,211	15,123,981	13,230
Debt service:				
Principal	5,881,456	6,484,056	6,355,838	128,218
Interest and fees	4,199,276	4,199,276	2,360,966	1,838,310
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>64,430,804</u>	<u>67,416,186</u>	<u>60,165,365</u>	<u>7,250,821</u>
Revenues over (under) expenditures	<u>(5,983,890)</u>	<u>(7,751,451)</u>	<u>230,692</u>	<u>7,982,143</u>
Other Financing Sources (Uses):				
Transfers (to) other funds	(1,738,258)	(2,392,514)	(1,576,571)	815,943
Proceeds from sale of capital assets	-	-	235,111	235,111
Installment debt issued	2,625,000	2,625,000	596,000	(2,029,000)
Total other financing sources (uses)	<u>886,742</u>	<u>232,486</u>	<u>(745,460)</u>	<u>(977,946)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(5,097,148)</u>	<u>(7,518,965)</u>	<u>(514,768)</u>	<u>7,004,197</u>
Appropriated fund balance	<u>5,097,148</u>	<u>7,518,965</u>	<u>-</u>	<u>(7,518,965)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(514,768)</u>	<u>\$ (514,768)</u>
Fund Balance:				
Beginning of year - July 1			<u>18,930,966</u>	
End of year - June 30			<u>\$ 18,416,198</u>	

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities			Governmental Activities
	Major			Self-Insurance
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
Assets:				
Current assets:				
Cash and cash equivalents	\$ 11,887,637	\$ 269,381	\$ 12,157,018	\$ -
Accounts receivable, net	1,358,937	26,870	1,385,807	3,589
Due from other governments	525,838	25,741	551,579	-
Inventory, at cost	219,704	-	219,704	-
Cash and cash equivalents, restricted	213,066	-	213,066	-
Total current assets	14,205,182	321,992	14,527,174	3,589
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	20,028,248	214,103	20,242,351	-
Other capital assets, net of depreciation	19,052,503	215,958	19,268,461	-
Total non-current assets	39,080,751	430,061	39,510,812	-
Total assets	53,285,933	752,053	54,037,986	3,589
Deferred Outflows of Resources:				
OPEB deferrals	72,182	-	72,182	-
Pension deferrals	219,069	-	219,069	-
Total deferred outflows of resources	291,251	-	291,251	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	759,093	65,946	825,039	408,783
Due to other funds	-	-	-	504,497
Liabilities to be paid from restricted assets:				
Customer deposits	213,066	-	213,066	-
Current portion of compensated absences	69,000	-	69,000	-
Current portion of long-term debt	400,233	-	400,233	-
Accrued landfill post-closure liabilities	-	18,000	18,000	-
Total current liabilities	1,441,392	83,946	1,525,338	913,280
Non-current liabilities:				
Compensated absences payable	36,042	-	36,042	-
Total OPEB liability	421,525	-	421,525	-
Net pension liability	367,865	-	367,865	-
Accrued landfill post-closure liabilities	-	21,613	21,613	-
Non-current portion of long-term debt	12,593,711	-	12,593,711	-
Total non-current liabilities	13,419,143	21,613	13,440,756	-
Total liabilities	14,860,535	105,559	14,966,094	913,280
Deferred Inflows of Resources:				
Pension deferrals	5,139	-	5,139	-
OPEB deferrals	13,827	-	13,827	-
Total deferred inflows of resources	18,966	-	18,966	-
Net Position:				
Net investment in capital assets	26,086,807	430,061	26,516,868	-
Unrestricted	12,610,876	216,433	12,827,309	(909,691)
Total net position	\$ 38,697,683	\$ 646,494	\$ 39,344,177	\$ (909,691)

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities			Governmental Activities
	Major			Self-Insurance Internal Service Fund
	Water and Sewer Fund	Solid Waste Fund	Total	
Operating Revenues:				
Charges for sales and services	\$ 7,069,506	\$ 171,214	\$ 7,240,720	\$ 3,905,015
Miscellaneous	100,535	-	100,535	-
Total operating revenues	7,170,041	171,214	7,341,255	3,905,015
Operating Expenses:				
Salaries and benefits	1,721,758	-	1,721,758	-
Administration	-	-	-	1,114,147
Insurance claims paid	-	-	-	3,392,732
Other operating expenses	3,170,213	456,689	3,626,902	-
Depreciation	816,540	15,005	831,545	-
Total operating expenses	5,708,511	471,694	6,180,205	4,506,879
Operating income (loss)	1,461,530	(300,480)	1,161,050	(601,864)
Non-Operating Revenues (Expenses):				
Interest on investments	14,596	-	14,596	-
Income (loss) before capital contributions and transfers	1,476,126	(300,480)	1,175,646	(601,864)
Capital contributions	1,837,483	-	1,837,483	-
Transfer from General Fund	37,000	323,158	360,158	-
Total contributions and transfers	1,874,483	323,158	2,197,641	-
Change in net position	3,350,609	22,678	3,373,287	(601,864)
Net Position:				
Beginning of year - July 1	35,347,074	623,816	35,970,890	(307,827)
End of year - June 30	\$ 38,697,683	\$ 646,494	\$ 39,344,177	\$ (909,691)

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

DAVIE COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities			Governmental Activities
	Major			Self-Insurance Internal Service Fund
	Water and Sewer	Solid Waste	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 7,019,994	\$ 158,682	\$ 7,178,676	\$ -
Cash received from interfund services provided	-	-	-	3,905,371
Cash paid for goods and services	(3,206,009)	(458,067)	(3,664,076)	(4,422,183)
Cash paid to employees for services	(1,597,906)	-	(1,597,906)	-
Customer deposits paid, net	(2,266)	-	(2,266)	-
Net cash provided (used) by operating activities	2,213,813	(299,385)	1,914,428	(516,812)
Cash Flows from Non-Capital Financing Activities:				
Payments to/from other funds	-	-	-	504,497
Interfund transfer in (out)	37,000	323,158	360,158	-
Net cash provided (used) by non-capital financing activities	37,000	323,158	360,158	504,497
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(13,453,300)	-	(13,453,300)	-
Capital contributions	1,837,483	-	1,837,483	-
Proceeds from revolving loan	12,993,944	-	12,993,944	-
Change in project related accounts receivable	(525,838)	-	(525,838)	-
Net cash provided (used) by capital and related financing activities	852,289	-	852,289	-
Cash Flows from Investing Activities:				
Interest on investments	14,596	-	14,596	-
Net increase (decrease) in cash and cash equivalents	3,117,698	23,773	3,141,471	(12,315)
Cash and Cash Equivalents:				
Beginning of year - July 1	8,983,005	245,608	9,228,613	12,315
End of year - June 30	\$ 12,100,703	\$ 269,381	\$ 12,370,084	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 1,461,530	\$ (300,480)	\$ 1,161,050	\$ (601,864)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	816,540	15,005	831,545	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(150,047)	(12,532)	(162,579)	356
(Increase) decrease in inventory	(5,202)	-	(5,202)	-
(Increase) decrease in due from other funds	-	-	-	6,627
Increase (decrease) in accounts payable and accrued liabilities	(30,594)	21,300	(9,294)	78,069
Increase (decrease) in net pension liability	45,127	-	45,127	-
Increase (decrease) in deferred inflows of resources for pensions	(257)	-	(257)	-
(Increase) decrease in deferred outflows of resources for pensions	33,466	-	33,466	-
Increase (decrease) in deferred inflows of resources for OPEB	(1,537)	-	(1,537)	-
(Increase) decrease in deferred outflows of resources for OPEB	(23,990)	-	(23,990)	-
Increase (decrease) in customer deposits	(2,266)	-	(2,266)	-
Increase (decrease) in other post-employment benefits	68,257	-	68,257	-
Increase (decrease) in accrued landfill post-closure liabilities	-	(22,678)	(22,678)	-
Increase (decrease) in compensated absences payable	2,786	-	2,786	-
Net cash provided (used) by operating activities	\$ 2,213,813	\$ (299,385)	\$ 1,914,428	\$ (516,812)

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

DAVIE COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 37,884
Taxes receivable	<u>195,894</u>
Total assets	<u>\$ 233,778</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 35,125
Intergovernmental payable	<u>198,653</u>
Total liabilities	<u>\$ 233,778</u>

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable.

Davie County Watershed Improvement Commission

Davie County Watershed Improvement Commission (the "Commission") exists to operate and maintain a watershed improvement program in the County. The members of the Commission's governing board are appointed by the County. The Commission, which has a June 30 year-end, is presented as if it were a governmental fund.

Davie County Industrial Facilities and Pollution Control Financing Authority

Davie County Industrial Facilities and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Davie County Watershed Improvement Commission	Discrete	The Commission's governing board is appointed by the County's Board of Commissioners.	Davie County Watershed Improvement Commission P.O. Box 413 Mocksville, NC 27028
Davie County Industrial Facilities and Pollution Control Financing Authority	Discrete	The Authority is governed by a 12-member Board of Commissioners that is appointed by the County Commissioners. The County can remove any Commissioner of the Authority with or without cause.	None issued

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-Wide Statements

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

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

Fund Financial Statements

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

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

The County reports the following major governmental funds:

General Fund – 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.

Capital Projects Fund – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The County has one capital project fund within its governmental fund types.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Coronavirus Relief Fund – This special revenue fund accounts for funds received from federal government sources authorized by the CARES Act.

The County reports the following major enterprise funds:

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

Solid Waste Fund – This fund is used to account for the maintenance and operation of solid waste sites.

The County reports the following fund types:

Internal Service Fund – Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the government and to other governmental units on a cost reimbursement basis. The measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles here are those applicable to similar businesses in the private sector and, thus, these funds are maintained on the accrual basis. The County maintains one internal service fund, the Self Insurance Internal Service Fund, which is self-insured.

Agency Funds – Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following three agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Property Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Deed of Trust Fund, which accounts for the fees collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

The County reports the following nonmajor governmental funds:

Emergency Telephone System Fund – This special revenue fund is used to account for the E911 communications system activities.

Fire District Fund – This special revenue fund is used to account for the ad valorem tax levy of the Advance Rural Fire Protection District.

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

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the state at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, then by general revenues.

B. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System Fund, the Fire District Fund, and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Projects Fund, Coronavirus Relief Fund, and the Enterprise Capital Projects Fund. The Enterprise Capital Projects Fund is consolidated with the enterprise operating fund for reporting purposes. The County operates under a financial plan for the Self Insurance Internal Service Fund. The financial plan is adopted by the governing board at the time the budget ordinance is approved, as required by the General Statutes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund and at the fund level for the Special Revenue Funds, enterprise funds, and Capital Projects Fund. The County Manager is authorized by the budget ordinance to transfer appropriations between departments of the same fund up to \$100,000 with an official report of such transfers to the Board at the next regular meeting of the Board of Commissioners. Amendments are required for any revisions that alter total expenditures of any fund or that change department appropriations. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

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

Deposits and Investments

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

State law [G.S. 159-30(c)] authorizes the County 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 majority of the County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The North Carolina Capital Management Trust (NCCMT), which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a7 fund which invests in treasuries and government agencies and is rated AAAM by S&P. The second fund, the Term Portfolio, is a short-term bond fund investing in treasuries, government agencies, and money market instruments allowed under G.S. 159-30. The Term Portfolio has no rating. Both the Government Portfolio and the Term Portfolio are reported at fair value.

Cash and Cash Equivalents

The County pools moneys 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.

Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. The reserve for debt services is restricted for the purpose of payment of future debt service requirements. The unexpended debt proceeds of the General Fund are classified as restricted because their use is restricted for the purpose for which the debt was originally issued. The unexpended debt proceeds of the Capital Projects Fund are classified as restricted because they can only be spent for specified project related expenditures. The advance from grantors of the Coronavirus Relief Fund represent funds restricted by the grantor for specified expenditures that have not been spent.

Governmental Activities:

General Fund	Reserve for debt service	\$ 1,204,113
General Fund	Unexpended debt proceeds	124,413
Coronavirus Relief Fund	Advance from grantors	444,668
Capital Projects Fund	Unexpended debt proceeds	<u>4,227,998</u>
Total		6,001,192

Business-Type Activities:

Water and Sewer Fund	Customer deposits	<u>213,066</u>
Total restricted cash		<u>\$ 6,214,258</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

Allowances for Doubtful Accounts

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

Inventories

The inventories of the County are valued at cost (first-in, first-out method), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when consumed, rather than when purchased. The inventory of the County's enterprise funds consists of materials and supplies held for consumption and is reported at lower of cost or market. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed.

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization cost is \$5,000 for land, buildings, improvements, plant assets, furniture and equipment, vehicles and motor equipment, and computer equipment and software. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	<u>Estimated Useful Lives</u>
Governmental Activities:	
Buildings	40 years
Furniture and equipment	5 - 10 years
Vehicles and motor equipment	5 years
Computer equipment and software	3 - 5 years
Business-Type Activities:	
Buildings	50 years
Equipment	5 - 10 years
Water/sewer lines	25 - 50 years

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 and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criteria – a charge on refunding, and OPEB and pension related deferrals. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criteria for this category – prepaid property taxes, OPEB deferrals, and pension related deferrals.

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

Long-term Receivable – portion of fund balance that is not an available resource because it represents amount not expected to be converted to cash during the subsequent fiscal year.

Restricted Fund Balance

This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Register of Deeds – portion of fund balance that is restricted by state statute for automation enhancement (software) improvements. It is used to pay for the computer equipment and imaging technology for the Register of Deeds' office.

Restricted for General Government – portion of fund balance restricted by revenue source for general government related activities and unspent debt proceeds.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as police, fire, EMS, and Emergency Telephone System.

Restricted for Economic and Physical Development – portion of fund balance restricted by revenue source for economic development related activities and unspent debt proceeds.

Restricted fund balance at June 30, 2020 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>
Restricted, All Other:			
Register of Deeds	\$ 268,089	\$ -	\$ -
General government	-	4,227,456	-
Public safety	124,413	-	909,537
Economic and physical development	1,204,113	542	-
Total	<u>\$ 1,596,615</u>	<u>\$ 4,227,998</u>	<u>\$ 909,537</u>

Restricted net position on Exhibit A differs from restricted fund balance on Exhibit C by the amount restricted for Register of Deeds' pension plan of \$78,432 as well as unexpended debt proceeds of \$4,352,411 at June 30, 2020.

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Davie County's governing body. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to year-end, commit fund balance. Once adopted, any changes or removal of specific purpose restrictions requires majority action by the governing body through another ordinance.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Future Capital Projects – portion of fund balance that is committed for potential capital projects in future year's budgets that is not already classified in restricted.

Committed fund balance at June 30, 2020 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Future capital projects	\$ 995,000

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that Davie County intends to use for specific purposes. The County's governing body has the authority to assign fund balance.

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

Assigned fund balance at June 30, 2020 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Subsequent year's expenditures	\$ 4,924,046

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

Davie County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

Davie County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least greater than or equal to 25% of the General Fund expenditures of the County. Monies in excess of the 25% target may be used to fund one-time capital expenditures or other one-time costs or may be transferred to a Capital Reserve Fund for future use for a specific purpose within a specified time frame. The Board of Commissioners may, from time to time,

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

appropriate available fund balances that will reduce the available fund balances below the 25% threshold for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the County. In such circumstances, the Commissioners will adopt a plan to restore the available fund balance to or above the threshold within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Commissioners will establish a different but appropriate time period.

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

Total fund balance - General Fund	\$ 18,416,198
Less:	
Inventories	230
Long-term receivable	261,000
Stabilization by state statute	<u>5,804,362</u>
Fund balance available for appropriation	<u>\$ 12,350,606</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	General Fund	Capital Projects Fund	Water and Sewer Fund	W&S Capital Project Fund
Encumbrances	<u>\$ 22,114</u>	<u>\$ 4,990,859</u>	<u>\$ 10,000</u>	<u>\$ 1,394,342</u>

Defined Benefit Cost-Sharing Plans

The County participates in two cost-sharing, multi-employer, defined benefit pension plans that are administered by the state; the Local Governmental Employees' Retirement System (LGERs) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2. Detail Notes On All Funds

A. Assets

Deposits

All deposits of the County are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have a policy regarding custodial credit risk for deposits.

At June 30, 2020, the County's deposits had a carrying amount of \$17,937,057 and a bank balance of \$13,406,794. Of the bank balance, \$1,124,413 was covered by federal depository insurance and \$12,282,381 was covered by collateral held under the Pooling Method. Cash on hand was \$2,750.

Investments

As of June 30, 2020, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months
NCCMT - Government Portfolio	Fair Value - Level 1	\$ 10,013,719	\$ 10,013,719	N/A
NCCMT - Term Portfolio*	Fair Value - Level 1	9,253,252	9,253,252	N/A
Total investments		\$ 19,266,971	\$ 19,266,971	\$ -

*As of June 30, 2020, the NCCMT Term Portfolio had a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P. The NCCMT Term Portfolio has no rating.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Interest Rate. As a means of limiting its exposure to fair value losses arising from risking interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be tiered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

Property Tax-Use-Value Assessment on Certain Lands

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

Year Levied	Tax	Interest	Total
2017	\$ 3,077,565	\$ 1,007,903	\$ 4,085,468
2018	3,099,273	736,077	3,835,350
2019	3,175,062	468,322	3,643,384
2020	3,194,046	183,658	3,377,704
Total	<u>\$ 12,545,946</u>	<u>\$ 2,395,960</u>	<u>\$ 14,941,906</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Receivables

Receivables at the government-wide level at June 30, 2020 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,289,532	\$ 1,168,460	\$ 4,445,674	\$ 41	\$ 6,903,707
Other governmental	-	-	1,405,404	-	1,405,404
Total receivables	1,289,532	1,168,460	5,851,078	41	8,309,111
Allowance for doubtful accounts	(896,000)	(562,550)	-	-	(1,458,550)
Total governmental activities	<u>\$ 393,532</u>	<u>\$ 605,910</u>	<u>\$ 5,851,078</u>	<u>\$ 41</u>	<u>\$ 6,850,561</u>
Business-Type Activities:					
Solid Waste Fund	\$ 26,870	\$ -	\$ 25,741	\$ -	\$ 52,611
Water and Sewer Fund	1,482,637	-	525,838	-	2,008,475
Total receivables	1,509,507	-	551,579	-	2,061,086
Allowance for doubtful accounts	(123,700)	-	-	-	(123,700)
Total business-type activities	<u>\$ 1,385,807</u>	<u>\$ -</u>	<u>\$ 551,579</u>	<u>\$ -</u>	<u>\$ 1,937,386</u>

Due from other governments consisted of the following:

Governmental Activities:

Sales tax refund reimbursement	\$ 717,488
Grants	1,630,225
Local option sales tax	2,765,480
Due from state - DMV MV taxes	347,168
NC E911 funds	250,609
Other	140,108
Total governmental activities	<u>\$ 5,851,078</u>

Business-Type Activities:

Scrap tire tax and white goods disposal tax	\$ 25,741
Grants	525,838
Total business-type activities	<u>\$ 551,579</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

Governmental Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Construction in progress	\$ 4,346,720	\$ 9,657,581	\$ 46,417	\$ (804,794)	\$ 13,153,090
Land	<u>722,688</u>	<u>117,667</u>	<u>-</u>	<u>-</u>	<u>840,355</u>
Total non-depreciable capital assets	<u>5,069,408</u>	<u>9,775,248</u>	<u>46,417</u>	<u>(804,794)</u>	<u>13,993,445</u>
Depreciable Capital Assets:					
Buildings	23,724,854	-	-	-	23,724,854
Furniture and equipment, computer equipment, and software	6,471,855	158,703	531,102	804,794	6,904,250
Vehicles and motor equipment	<u>5,703,321</u>	<u>760,240</u>	<u>38,279</u>	<u>-</u>	<u>6,425,282</u>
Total depreciable capital assets	<u>35,900,030</u>	<u>918,943</u>	<u>569,381</u>	<u>804,794</u>	<u>37,054,386</u>
Less Accumulated Depreciation:					
Buildings	11,293,460	607,586	-	-	11,901,046
Furniture and equipment, computer equipment, and software	5,288,978	572,000	527,049	-	5,333,929
Vehicles and motor equipment	<u>3,469,826</u>	<u>835,030</u>	<u>38,275</u>	<u>-</u>	<u>4,266,581</u>
Total accumulated depreciation	<u>20,052,264</u>	<u>\$ 2,014,616</u>	<u>\$ 565,324</u>	<u>\$ -</u>	<u>21,501,556</u>
Total depreciable capital assets	<u>15,847,766</u>				<u>15,552,830</u>
Governmental activity capital assets, net	<u>\$ 20,917,174</u>				<u>\$ 29,546,275</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Governmental Activities:

General government	\$ 659,248
Public safety	1,291,473
Environmental protection	1,746
Human services	51,811
Cultural and recreation	10,338
Total	<u>\$ 2,014,616</u>

Proprietary Capital Assets

The capital asset activity of the proprietary funds at June 30, 2020 was as follows:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Business-Type Activities:				
Solid Waste:				
Non-Depreciable Capital Assets:				
Land	<u>\$ 214,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,103</u>
Depreciable Capital Assets:				
Buildings	603,213	-	-	603,213
Equipment	<u>31,436</u>	<u>-</u>	<u>-</u>	<u>31,436</u>
Total depreciable capital assets	<u>634,649</u>	<u>-</u>	<u>-</u>	<u>634,649</u>
Less Accumulated Depreciation:				
Buildings	372,250	15,005	-	387,255
Equipment	<u>31,436</u>	<u>-</u>	<u>-</u>	<u>31,436</u>
Total accumulated depreciation	<u>403,686</u>	<u>\$ 15,005</u>	<u>\$ -</u>	<u>418,691</u>
Total capital assets				
being depreciated, net	<u>230,963</u>			<u>215,958</u>
Solid waste capital assets, net	<u>445,066</u>			<u>430,061</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Increases	Decreases	Transfers	Balance June 30, 2020
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	338,521	\$ -	\$ -	\$ -	338,521
Construction-in-progress	7,336,475	13,072,297	-	(719,045)	19,689,727
Total non-depreciable capital assets	7,674,996	13,072,297	-	(719,045)	20,028,248
Depreciable Capital Assets:					
Water/sewer lines	20,509,414	-	-	719,045	21,228,459
Buildings	15,857,283	-	-	-	15,857,283
Equipment and vehicles	2,898,586	73,488	-	-	2,972,074
Total depreciable capital assets	39,265,283	73,488	-	719,045	40,057,816
Less Accumulated Depreciation:					
Water/sewer lines	10,556,132	338,963	-	-	10,895,095
Buildings	7,394,745	311,224	-	-	7,705,969
Equipment and vehicles	2,237,896	166,353	-	-	2,404,249
Total accumulated depreciation	20,188,773	\$ 816,540	\$ -	\$ -	21,005,313
Total capital assets being depreciated, net	19,076,510				19,052,503
Water/Sewer capital assets, net	26,751,506				39,080,751
Business-type activities capital assets, net	\$ 27,196,572				\$ 39,510,812

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 29,546,275	\$ 39,510,812
Long-term debt	(72,348,421)	(12,993,944)
Unexpended debt proceeds	4,352,411	-
Long-term debt for assets not owned by the County	56,607,421	-
Net investment in capital assets	\$ 18,157,686	\$ 26,516,868

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:			
General	\$ 3,331,470	\$ 450,729	\$ 3,782,199
Other governmental	<u>1,325,139</u>	<u>-</u>	<u>1,325,139</u>
Total	<u>\$ 4,656,609</u>	<u>\$ 450,729</u>	<u>\$ 5,107,338</u>
 Business-Type Activities:			
Solid waste	\$ 65,946	\$ -	\$ 65,946
Water and sewer	<u>759,093</u>	<u>-</u>	<u>759,093</u>
Total	<u>\$ 825,039</u>	<u>\$ -</u>	<u>\$ 825,039</u>

Pension Plan and Other Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the state-wide 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.

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,419,881 for the year ended June 30, 2020.

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, 2020, the County reported a liability of \$6,154,406 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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,

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

actuarially determined. At June 30, 2020, the County's proportion was .22536% (measured as of June 30, 2019), which was a decrease of .00236% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the County recognized pension expense of \$2,725,471. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,053,790	\$ -
Changes in assumptions	1,003,066	-
Net difference between projected and actual earnings on pension plan investments	150,114	-
Changes in proportion and differences between County contributions and proportionate share of contributions	8,068	85,648
County contributions subsequent to the measurement date	1,419,881	-
Total	<u>\$ 3,634,919</u>	<u>\$ 85,648</u>

\$1,419,881 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 1,068,457
2022	314,558
2023	587,586
2024	158,789
2025	-
Thereafter	-
Total	<u>\$ 2,129,390</u>

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

Inflation	3.0 percent
Salary increase	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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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	100.0%	

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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the net pension liability (asset)	\$ 14,076,252	\$ 6,154,406	\$ (430,253)

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.

Law Enforcement Officers' Special Separation Allowance

Plan Description. Davie 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 creditable years of service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	56
Total	59

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 following criteria, which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$45,251 as benefits came due for the reporting period.

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

At June 30, 2020, the County reported a total pension liability of \$1,548,394. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$173,319.

At June 30, 2020, 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	\$ 206,621	\$ -
Changes of assumptions	78,524	44,620
County benefit payments and plan administrative expense made subsequent to the measurement date	44,161	-
Total	<u>\$ 329,306</u>	<u>\$ 44,620</u>

\$44,161 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 55,019
2022	55,019
2023	55,552
2024	42,327
2025	32,608
Thereafter	-
Total	<u>\$ 240,525</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 1,674,003	\$ 1,548,394	\$ 1,433,425

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

	2020
Beginning balance	\$ 1,230,202
Service cost	72,344
Interest on the total pension liability	43,956
Difference between expected and actual experience in the measurement of the total pension liability	202,235
Changes of assumptions or other inputs	44,908
Benefit payments	(45,251)
Ending balance of the total pension liability	\$ 1,548,394

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.64 percent at December 31, 2018 to 3.26 percent at December 31, 2019.

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 that the County contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The County contributed \$145,843 for the reporting year. No amounts were forfeited.

Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits them to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency.

401(k) Deferred Compensation Plan

The County also has an approved 401(k) retirement plan covering substantially all employees not engaged in law enforcement. For the year ended June 30, 2020, the County contributed 3% of participating full-time employees' salaries for those employees who voluntarily contributed at least 1% of their salary. The County's contributions were calculated using a covered payroll of \$11,614,389; the County's total payroll was \$14,288,802. The total contribution for the fiscal year ended was \$702,779, which consisted of \$348,433 from the County and \$354,346 from the employees. The County's required contribution and the employees' voluntary contributions represented 3.00% and 3.28%, respectively, of the covered payroll amount.

Register of Deeds' Supplemental Pension Fund

Plan Description. Davie County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, 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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,789 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$72,044 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the County's proportion was .36493%, which was a decrease of .01356% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$7,917. At June 30, 2020, 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	\$ -	\$ 3,474
Net difference between projected and actual earnings on pension plan investments	737	-
Changes in proportion and differences between County contributions and proportionate share of contributions	5,336	-
County contributions subsequent to the measurement date	3,789	-
Total	<u>\$ 9,862</u>	<u>\$ 3,474</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$3,789 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2021	\$ 2,621
2022	1,369
2023	32
2024	(1,423)
2025	-
Thereafter	-
Total	<u>\$ 2,599</u>

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

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

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

The actuarial assumptions used in the December 31, 2018 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.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2019 is 1.4%.

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

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

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	(2.75%)	(3.75%)	(4.75%)
County's proportionate share of the net pension liability (asset)	\$ <u>(59,553)</u>	\$ <u>(72,044)</u>	\$ <u>(82,606)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The net pension liability for LGERS and ROD was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability for LEOSSA was measured as of December 31, 2019, with an actuarial valuation date of December 31, 2018. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$ 6,154,406	\$ (72,044)	\$ -	\$ 6,082,362
Proportion of the net pension liability (asset)	0.22536%	0.36493%	n/a	-
Total pension liability	-	-	1,548,394	1,548,394
Pension expense	2,725,471	7,917	173,319	2,906,707

At June 30, 2020, the County reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred Outflows of Resources:				
Differences between expected and actual experience	\$ 1,053,790	\$ -	\$ 206,621	\$ 1,260,411
Changes of assumptions	1,003,066	-	78,524	1,081,590
Net difference between projected and actual earnings on pension plan investments	150,114	737	-	150,851
Changes in proportion and differences between County contributions and proportionate share of contributions	8,068	5,336	-	13,404
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,419,881	3,789	44,161	1,467,831
	<u>\$ 3,634,919</u>	<u>\$ 9,862</u>	<u>\$ 329,306</u>	<u>\$ 3,974,087</u>
Deferred Inflows of Resources:				
Differences between expected and actual experience	\$ -	\$ 3,474	\$ -	\$ 3,474
Changes of assumptions	-	-	44,620	44,620
Changes in proportion and differences between County contributions and proportionate share of contributions	85,648	-	-	85,648
	<u>\$ 85,648</u>	<u>\$ 3,474</u>	<u>\$ 44,620</u>	<u>\$ 133,742</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Other Post-Employment Benefits – Healthcare Benefits

Plan Description

Plan Administration. Under a County resolution, the County administers the Healthcare Benefits Plan (HCB Plan), a single-employer defined benefit healthcare plan that is used to provide post-employment benefits other than pensions (OPEB) for all retirees of the County who participate in the North Carolina Local Government Employees' Retirement System (System). At retirement, all employees who retire under the County's retirement plan have the option to purchase individual medical coverage at the County's group rate. The cost of insurance is borne by the retirees at a prorata share based on years of service. Also, retirees can purchase coverage for their dependents at the County's group rates. This benefit is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The County's contribution is dependent on the employee's number of years of creditable service and the employee's age at retirement. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

County Contributions Based on Years of Creditable Service		
Years of Service	Age at Retirement	Percent Paid
20 years	60+	50%
25 years	Any	75%
30 years	Any	100%

Plan Membership. At June 30, 2018 (valuation date), the HCB Plan membership consisted of the following:

Members	
Retirees and dependents receiving benefits	17
Active members	313
Total	330

Total OPEB Liability

The County's total OPEB liability of \$6,586,321 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General Employees	3.50 - 7.75 percent
Law Enforcement Officers	3.50 - 7.35 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.89 percent
Measurement Date	3.50 percent
Health Care Cost Trends	
Pre-Medicare medical and Prescription Drug	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028

The County selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by the Bond Buyer, and the discount rate used to measure the Total OPEB Liability is the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	<u>\$ 5,887,804</u>
Changes for the year:	
Service cost at end of year	338,323
Interest	222,328
Difference between expected and actual experience	213,873
Changes of assumptions or other inputs	272,174
Benefit payments and implicit subsidy credit	<u>(348,181)</u>
Net change in total OPEB liability	698,517
Balance at June 30, 2020	<u><u>\$ 6,586,321</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 7,343,626</u>	<u>\$ 6,586,321</u>	<u>\$ 5,913,039</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 5,689,594</u>	<u>\$ 6,586,321</u>	<u>\$ 7,668,574</u>

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

For the year ended June 30, 2020, the County recognized OPEB expense of \$687,173. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 668,882	\$ 13,281
Changes of assumptions or other inputs	348,078	202,772
Benefit payments and administrative costs made subsequent to the measurement date	<u>110,879</u>	<u>-</u>
Total	<u>\$ 1,127,839</u>	<u>\$ 216,053</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$110,879 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the total OPEB liability in the year ending June 30, 2021.

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

Year Ending June 30	Amount
2021	\$ 117,114
2022	117,114
2023	117,114
2024	117,114
2025	117,114
Thereafter	215,337
Total	<u>\$ 800,907</u>

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 twelve highest months' salary in a row during the twenty-four months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separation rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 219,274	\$ -
Pension deferrals	3,974,087	133,742
OPEB deferrals	1,127,839	216,053
Prepaid taxes not yet earned (General Fund)	-	80,890
Taxes receivable, net (General Fund)	-	605,910
Other receivables (General Fund)	-	389,460
Total	<u>\$ 5,321,200</u>	<u>\$ 1,426,055</u>

Closure and Post-Closure Care Costs – Landfill Facilities

Federal and state laws and regulations require the County to place a final cover on its landfill facility when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed its landfill prior to April 4, 1994. The County continues the required monitoring during the post-closure care period for up to thirty years. Post-closure costs consist of water quality monitoring, maintenance of the landfill surface and vegetation, mowing, inspections, and recordkeeping. Costs during the monitoring period are estimated to be \$22,678 per year. A liability of \$39,613 is recorded on the books in the Solid Waste Fund to provide for future post-closure costs. Actual post-closure costs may be higher due to inflation, changes in technology, or changes in regulations.

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation on coverage up to the statutory limits.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request.

Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation.

Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

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

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial crime coverage with a \$250,000 occurrence limit. The Finance Director is bonded for \$50,000, and all other individuals holding positions requiring statutory bonds are covered elsewhere.

The County self-insures for employee health coverage, which is administered by a private company, with a stop loss provision of \$130,000 per member per plan year. The maximum lifetime benefit is unlimited, in accordance with healthcare reform. The County carries commercial insurance coverage above these limits. There have been no significant reductions in insurance coverage from the previous year and in the plan year from July 1, 2019 through June 30, 2020, the County did not have any stop-loss claims resulting in stop-loss credits. The County carries commercial coverage for all other risks of loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's).

Changes in the balances in claims for employee and dependent health insurance during the last fiscal year are as follows:

	2020
Unpaid claims, beginning	\$ 330,714
Incurred claims	3,470,801
Claim payments	<u>(3,392,732)</u>
Unpaid claims, ending	<u>\$ 408,783</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Claims and Judgments

At June 30, 2020, the County was defendant to various lawsuits. In the opinion of the County's management and the County Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Operating Leases

The County is committed under various operating leases for land, buildings, and equipment. For the year ended June 30, 2020, total lease expenditures under these operating leases totaled \$40,940. For the current year, the operating leases were for storage spaces and the Cooleemee Branch Library. These are annual commitments that expire in June of each fiscal year. Therefore, there are no future obligations.

Long-Term Obligations

General Obligation Bonds Payable

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due. The following bonds were issued to refund Series 1996 GO Bonds and 2004 GO bonds, respectively. General obligation bonds payable at June 30, 2020 are comprised of the following individual issues:

Serviced by the General Fund:

\$5,130,000 refunding bonds due on November 1 and May 1, in installments of \$455,000 to \$1,160,000 through May 1, 2024; interest at 2.00% to 4.00%	\$ 2,235,000
\$54,500,000 School Building Serial bond due on November 1 and May 1, in installments of \$2,285,000 to \$4,655,000 through May 1, 2032; interest at 2.00% to 5.00%	42,585,000
\$5,000,000 Parks & Recreation Serial bond due on April 1 and October 1, in installments of \$250,000 through October 1, 2038; interest at 3.00% to 4.00%	<u>4,750,000</u>
Total general obligation bonds	<u>\$ 49,570,000</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County has outstanding general obligation bonds from direct placements related to governmental-type activities totaling \$49,570,000 secured by a pledge of the faith and credit and taxing power of the County with a levy on all property taxable by the County such as ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon. All general obligation bonds totaling \$49,570,000 have the following provisions in case of default, (1) the local government commission impounding the books and records of any unit of local governments and assume full control of all its financial affairs; (2) the Commission is vested with all of the powers of the governing board of the unit of local government as to levy taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon such governing board by law; (3) the Commission will create a plan for refinancing, adjusting or comprising such debt.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 3,355,000	\$ 1,999,300
2022	3,440,000	1,844,650
2023	3,465,000	1,759,950
2024	3,560,000	1,594,900
2025	3,655,000	1,425,300
2026-2030	23,770,000	4,183,700
2031-2035	7,325,000	554,439
2036-2039	1,000,000	73,439
Total	<u>\$ 49,570,000</u>	<u>\$ 13,435,678</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Installment Purchase Contracts

Installment purchase contract for economic development contracts due in annual installments of \$200,000 beginning February 15, 2017 through February 15, 2026; at 0% interest	\$ 1,200,000
Installment purchase contract for capital purchases due in increasing annual installments from June 1, 2017 through June 1, 2021; at 1.39% interest	258,000
Installment purchase contract for renovations to Central Davie Academy due in annual installments of \$173,000 beginning November 1, 2017 through May 1, 2026; at 2.29% interest	1,035,501
Installment purchase contract for vehicles and related equipment due in annual installments of \$173,000 beginning June 2, 2018 through June 1, 2022; at 1.97% interest	362,000
Installment purchase contract for vehicles and related equipment due in annual installments of \$170,000 beginning June 2, 2019 through June 1, 2023; at 3.13% interest.	525,000
Installment purchase contract for vehicles and related equipment due in annual installments of \$173,000 beginning August 27, 2019 through June 1, 2024; at 1.953% interest	596,000
Installment purchase contract for various capital improvements due in annual installments of \$463,000 beginning August 1, 2020 through February 1, 2040; at 2.79% interest	<u>9,250,000</u>
Total installment purchase contracts	<u>\$ 13,226,501</u>

The County has outstanding installment purchase debt from direct placements related to governmental-type activities totaling \$1,200,000 secured with an escrow account held at Branch Banking and Trust Company in the amount of \$1,200,000. The County's outstanding installment purchase debt from direct placements related to governmental-type activities of \$1,200,000 contain provisions that an event of default would result in the lender taking possession of the collateral escrow account and apply the proceeds thereof to the County's outstanding amount.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County's outstanding installment purchase debt from direct placements related to governmental activities of \$258,000 are secured with the equipment and in any and all additions, accessions, repairs, replacements, substitutions, and modifications to the equipment. The County's outstanding installment purchase debt from direct placements related to governmental activities of \$258,000 contain provisions that an event of default would result in (1) repayment of principal amount and all accrued interest and other charges immediately due and payable without notice of demand to the County, (2) appropriate court actions to enforce performance by the County, termination of the contract to all or any part if the equipment, (3) repossession of any proceeds of the equipment including net proceeds, (4) and termination of the escrow fund in accordance with the escrow agreement.

The County has outstanding installment purchase debt from direct placements related to governmental-type activities totaling \$1,035,501 secured with as Deed of Trust granting a lien on the mortgaged property, together with all buildings, improvements and fixtures located and to be located on the property. The outstanding installment purchase debt contains provisions that an event of default would result in (1) declare the entire amount of the principal component of the Installment Payments and accrued and unpaid interest component to the date of declaration to be immediately due and payable; (2) exercise all remedies available at law or in equity or under the Deed of Trust, including foreclosure and sale of the Mortgaged Property, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance of Installment Payments due; (3) subject to the Enforcement Limitation, proceed by appropriate court action to enforce performance by the County of the applicable covenants of the Agreement or to recover for the breach thereof.

The County has outstanding installment purchase debt from direct placements related to governmental-type activities totaling \$362,000 are secured with the equipment. The County's outstanding installment purchase debt from direct placements related to governmental-type activities of \$362,000 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments and all accrued interest and other charges immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies at law or in equity, including those right and remedies of a secured party or creditor under the Uniform Commercial Code and the general laws of the State with respect to enforcement of the security interest granted or reserved; (4) pay on demand to the bank, the reasonable costs and reasonable attorneys' fees, incurred by the bank in the collection of payments and additional payments of the enforcement of observation of any obligation or agreement by the County.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The County has outstanding installment purchase debt from direct placements related to governmental-type activities totaling \$525,000 secured with all moneys on deposit from time to time in the Project Fund and all property acquired by the County with funds advanced by BB&T, all personal property obtained in substitution or replacement therefore, and all personal property obtained in the substitution or replacement for any of the Security Property, and all proceeds of the foregoing. The County's outstanding installment purchase debt from direct placements related to governmental-type activities of \$525,000 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) payment of any remaining balance in the Project Fund to be applied against outstanding Required Payments in any manner BB&T may reasonably deem appropriate (4) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The County has outstanding installment purchase debt from direct placements related to governmental-type activities totaling \$596,000 are secured with the equipment. The County's outstanding installment purchase debt from direct placements related to governmental-type activities of \$596,000 contain provisions that an event of default would result in (1) declare the entire amount of the principle component of the Installment Payments and the accrued interest and unpaid interest component to the date of declaration to be immediately due and payable; (2) exercise all remedies available at law or in equity or under the Security Agreement, including sale of the Equipment, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance of Installment Payments due; (3) subject to the Enforcement Limitation, proceed by appropriate court action to enforce performance by the County of the applicable covenants of the Agreement or to recover for the breach thereof.

The County has outstanding installment purchase debt from direct placements related to governmental-type activities totaling \$9,250,000 are secured with mortgaged property. The County's outstanding installment purchase debt from direct placements related to governmental-type activities of \$9,250,000 contain provisions that an event of default would result in (1) declare the entire amount of the principle component of the Installment Payments and the accrued interest and unpaid interest component to the date of declaration to be immediately due and payable; (2) exercise all remedies available at law or in equity or under the Deed of Trust, including foreclosure and sale of the Mortgaged Property, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance of Installment Payments due; (3) subject to the Enforcement Limitation, proceed by appropriate court action to enforce performance by the County of the applicable covenants of the Agreement or to recover for the breach thereof.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Annual debt service requirements to maturity for the County's installment purchase contracts are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 1,558,000	\$ 292,980
2022	1,309,000	289,030
2023	1,134,000	260,827
2024	956,000	236,012
2025	958,000	216,792
2026-2030	2,690,501	842,494
2031-2035	2,311,000	515,620
2036-2040	2,310,000	193,347
Total	<u>\$ 13,226,501</u>	<u>\$ 2,847,102</u>

Certificates of Participation

On February 17, 2015, the County issued \$7,303,000 in certificates of participation Series 2015, with an interest rate of 2.520% to finance the construction and equipping of a new middle school and the Davie Campus of Davidson County Community College. The debt is serviced by the General Fund. The principal amount outstanding as of June 30, 2015 is \$7,219,000. Debt service payments are due June 1st of each year in principal installments ranging from \$80,000 to \$930,000, plus interest at 2.520% with the final payment in June 2025.

\$ 4,301,000

Total certificates of participation

\$ 4,301,000

The County has outstanding certificates of participation from direct placements related to governmental-type activities totaling \$4,301,000 secured with as Deed of Trust granting Davie County Public Facilities Financing Corporation a lien on the mortgaged property. The certificates contain provisions that an event of default would result in the exercise of all remedies available at law or in equity or under the Deed of Trust, including foreclosure and sale of the Mortgaged Property, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Annual debt service requirements to maturity for the County's Certificates of Participation are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 895,000	\$ 108,385
2022	882,000	85,831
2023	862,000	63,605
2024	842,000	41,882
2025	820,000	20,664
Total	<u>\$ 4,301,000</u>	<u>\$ 320,367</u>

Advance Refunding

In February 2015, the County issued \$7,303,000 in certificates of participation Series 2015 with an interest rate of 2.52%. The proceeds were used to advance refund \$6,760,000 of outstanding Series 2006 certificates of participation, which had interest rates ranging from 3.5% to 5.0%. The net proceeds of \$7,197,630 (including \$105,370 in underwriting fees and other issuance costs) were deposited with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the certificates of participation Series 2006 are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The reacquisition price exceeded the net carrying amount of the old debt by \$314,104. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded a portion of the 2006 certificates of deposit to reduce its total debt service payments over 11 years by \$479,460 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$423,537.

Debt Related to Capital Activities

General obligation bonds (\$50,070,920 including unamortized premium), Installment Purchases (\$2,235,501) and Certificates of Participation (\$4,301,000) represent debt not considered in the calculation of net investment in capital assets for governmental activities, as these debt issues are not associated with capital assets owned by the County. The deferred charges on refunding (\$219,274) are related to debt issues for assets not owned by the County.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Revolving Loans Payable

On June 6, 2019, the County was approved for a maximum loan amount of \$16,402,098 from the United States Environmental Protection Agency, passed through the North Carolina Department of Environmental Quality under the Clean Water State Revolving Fund. The loan proceeds are being used for a Sanitary Sewer Project. The loan is repayable at 1.53% for 20 years beginning six months after the completion of the project.

\$ 12,993,944

Total revolving loans payable

\$ 12,993,944

The County's outstanding notes from direct borrowings related to business-type activities of \$12,993,944 contain provisions that an event of default would result in immediate prepayment of loan in whole and any further commitment of funds may be withdrawn.

Annual debt service requirements to maturity for the County's Revolving Loans are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2021	\$ 400,233	\$ 369,043
2022	575,855	193,421
2023	584,699	184,577
2024	593,679	175,596
2025	602,797	166,478
2026-2030	3,155,735	690,643
2031-2035	3,405,631	440,748
2036-2039	3,675,315	171,063
Total	<u>\$ 12,993,944</u>	<u>\$ 2,391,569</u>

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation debt - direct placements	\$ 52,820,000	\$ -	\$ 3,250,000	\$ 49,570,000	\$ 3,355,000
Unamortized premiums	5,725,948	-	475,028	5,250,920	425,942
Notes from direct placements	4,976,739	9,846,000	1,596,238	13,226,501	1,558,000
Qualified Zone Academy bonds - direct placement	602,600	-	602,600	-	-
Certificates of participation - direct placement	5,208,000	-	907,000	4,301,000	895,000
Net pension liability (LGERS)	5,079,559	706,982	-	5,786,541	-
Total OPEB Liability	5,534,536	630,260	-	6,164,796	-
Compensated absences	1,114,619	1,430,012	1,261,945	1,282,686	705,000
Total pension liability (LEOSSA)	<u>1,230,202</u>	<u>318,192</u>	<u>-</u>	<u>1,548,394</u>	<u>-</u>
Total governmental activities	<u>\$ 82,292,203</u>	<u>\$ 12,931,446</u>	<u>\$ 8,092,811</u>	<u>\$ 87,130,838</u>	<u>\$ 6,938,942</u>
Business-Type Activities:					
<i>Solid Waste Fund</i>					
Accrued landfill post-closure care costs	\$ 62,291	\$ -	\$ 22,678	\$ 39,613	\$ 18,000
<i>Water and Sewer Fund</i>					
Notes from direct borrowing	-	12,993,944	-	12,993,944	400,233
Net pension liability (LGERS)	322,738	45,127	-	367,865	-
Total OPEB Liability	353,268	68,257	-	421,525	-
Compensated absences	<u>102,256</u>	<u>176,465</u>	<u>173,679</u>	<u>105,042</u>	<u>69,000</u>
Total Water and Sewer Fund	<u>778,262</u>	<u>13,283,793</u>	<u>173,679</u>	<u>13,888,376</u>	<u>469,233</u>
Total business-type activities	<u>\$ 840,553</u>	<u>\$ 13,283,793</u>	<u>\$ 196,357</u>	<u>\$ 13,927,989</u>	<u>\$ 487,233</u>

Compensated absences, OPEB, and pension obligations for governmental activities typically have been liquidated in the General Fund. Compensated absences are accounted for on an FIFO basis.

At June 30, 2020, the County had a legal debt margin of approximately \$316,791,649.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

C. Interfund Balances and Activity

Transfers from/to other funds for the year ended June 30, 2020 consist of the following:

	Transfers		Purpose
	From	To	
Transfers From/To Other Funds:			
General Fund	\$ 1,576,571	\$ -	
Capital Projects Fund	-	1,216,413	to fund future capital projects
Water and Sewer Fund	-	37,000	to fund operations
Solid Waste Fund	-	323,158	to fund operations
Total	<u>\$ 1,576,571</u>	<u>\$ 1,576,571</u>	

All transfers in the current year were for operations or capital construction.

The due to/from other funds as of June 30, 2020 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Coronavirus Relief Fund	\$ 831,553
General Fund	Self-Insurance Internal Service Fund	504,497
		<u>\$ 1,336,050</u>

Transaction with Component Unit

The County contributed \$29,000 to the Davie County Watershed Improvement Commission for operations.

3. Related Organizations

The Council of Economic Development (Council) was established to coordinate and promote the economic development of the County. Two of the twelve Board members are appointed by the County. The Council maintains its own accounting system. The County contributed \$161,934 to the Council during the fiscal year ended June 30, 2020.

The Davie County Hospital Foundation, Inc. is a non-profit organization that was established to recruit physicians and provide office space for the physicians' medical practices. Four of the seven Board members are appointed by the County; however, the County's responsibility for this organization does not extend beyond making these appointments.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

4. Joint Ventures

The County, in conjunction with the State of North Carolina, participates in a joint venture to operate the colleges of Davidson and Davie Counties (Community College). The County appoints two members out of the fifteen-member Board of Trustees of the Community College. The President of the Community College's student government serves as an ex-officio non-voting member of the Community College's Board of Trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Davie Campus of Davidson County Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Davie Campus of Davidson County Community College's facilities. The County contributed \$671,335 and \$55,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2020. The Community College entered into a contract for the construction of a Davie Campus during the 2007 fiscal year. Davie County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2019. Complete financial statements for the Davie Campus of Davidson County Community College may be obtained from the Community College's administrative offices at P.O. Box 1287, Lexington, NC 27293 or 1205 Salisbury Road, Mocksville, North Carolina 27028.

The County also participates in a joint venture to operate Yadkin Valley Economic Development District, Inc. (District) with three other local governments. Each participating government appoints two Board members to the twenty-seven-member Board of the District. The District is a joint venture established to improve the economic conditions for citizens of the participating governments. The County has an ongoing financial responsibility for the joint venture because the District's continued existence depends on the participating governments' continued funding. None of the participating governments has an equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2020. The County contributed \$54,000 to the District for the fiscal year ended June 30, 2020. Complete financial statements for the Yadkin Valley Economic Development District, Inc. can be obtained from the District's offices at P.O. Box 309, Boonville, North Carolina 27011.

The County, in conjunction with Forsyth County and Stokes County, participates in Cardinal Innovations Healthcare, an area mental health authority. The County appoints three members to the 19-member Board. Cardinal Innovations Healthcare is a joint venture established to provide the participating counties with legally mandated mental health services. The County has an ongoing financial responsibility to Cardinal Innovations Healthcare because Cardinal's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in Cardinal Innovations Healthcare so no equity interest has been reflected in the financial statement at June 30, 2020. Complete financial statements for Cardinal Innovations Healthcare can be obtained from its corporate office at 4855 Milestone Avenue, Kannapolis, North Carolina 28081.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5. Jointly Governed Organization

The County, in conjunction with four other counties and 21 other municipalities, established the Piedmont Triad Regional Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member of the council's governing board. The County paid membership fees of \$12,777 to the Council during the fiscal year ended June 30, 2020.

6. Construction Commitments

The government has several active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
East Davie Sewer project	\$ 12,609,371	\$ 1,155,726
Water Supply Improvements	426,266	29,734
Jeffco Lift Station	203,171	41,534
Leasehold Improvement Project	2,818,325	4,524,830
Davie County Community Park	6,871,174	286,003
Total	<u>\$ 22,928,307</u>	<u>\$ 6,037,827</u>

7. Federal and State-Assisted Programs

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

8. Severance Pay Agreements

The County has employment agreements with the County Manager that results in the following payments if employment is terminated without cause:

- If termination without cause occurs, six months of salary and benefits based upon his then current salary, payable within thirty (30) days of the termination date.

DAVIE COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

9. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact County revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

On February 3, 2021, the County entered into an installment purchase contract from direct placements in the amount of \$1,127,000 with Truist Bank. The funds are similar to other current installment purchase debt and will be used to purchase new vehicles for the County's regular use.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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DAVIE COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,230,202	\$ 1,177,576	\$ 977,000	\$ 912,271
Service cost	72,344	74,045	58,265	58,470
Interest on the total pension liability	43,956	36,603	37,465	32,563
Difference between expected and actual experience in the measurement of the total pension liability	202,235	31,126	36,659	-
Changes of assumptions or other inputs	44,908	(50,660)	80,980	(26,018)
Benefit payments	(45,251)	(38,488)	(12,793)	(286)
Ending balance of the total pension liability	<u>\$ 1,548,394</u>	<u>\$ 1,230,202</u>	<u>\$ 1,177,576</u>	<u>\$ 977,000</u>

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

Pension schedules in the required supplementary information are intended to present information for ten years and that additional years' information will be displayed as it becomes available.

DAVIE COUNTY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST FOUR FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,548,394	\$ 1,230,202	\$ 1,177,576	\$ 977,000
Covered payroll	2,860,601	2,781,841	2,578,802	2,429,565
Total pension liability as a percentage of covered payroll	54.13%	44.22%	45.66%	40.21%

Notes to the Schedules:

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

Pension schedules in the required supplementary information are intended to present information for ten years and that additional years' information will be displayed as it becomes available.

DAVIE COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2020	2019	2018
Service cost at end of year	\$ 338,323	\$ 279,702	\$ 303,012
Interest	222,328	173,588	151,622
Difference between expected and actual experience	213,873	639,556	(20,658)
Changes of assumptions or other inputs	272,174	145,523	(315,422)
Benefit payments and implicit subsidy credit	<u>(348,181)</u>	<u>(449,346)</u>	<u>(113,236)</u>
Net change in total OPEB liability	698,517	789,023	5,318
Total OPEB liability - beginning	<u>5,887,804</u>	<u>5,098,781</u>	<u>5,093,463</u>
Total OPEB liability - ending	<u>\$ 6,586,321</u>	<u>\$ 5,887,804</u>	<u>\$ 5,098,781</u>
Covered payroll	\$ 13,907,651	\$ 13,907,651	\$ 12,895,580
Total OPEB liability as a percentage of covered payroll	47.36%	42.33%	39.54%

Notes to Schedule:

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

Fiscal Year	Rate
2018	3.56%
2019	3.89%
2020	3.50%

Pension schedules in the required supplementary information are intended to present information for ten years and that additional years' information will be displayed as it becomes available.

DAVIE COUNTY, NORTH CAROLINA

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

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.22536%	0.22772%	0.22227%	0.22739%	0.22178%	0.21736%	0.23290%
Proportion of the net pension liability (asset) (\$)	\$ 6,154,406	\$ 5,402,297	\$ 3,395,670	\$ 4,825,977	\$ 995,334	\$ (1,281,872)	\$ 2,807,339
Covered payroll	\$ 14,822,680	\$ 14,262,056	\$ 13,312,927	\$ 12,936,172	\$ 12,598,405	\$ 12,060,535	\$ 11,593,129
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.52%	37.88%	25.51%	37.31%	7.90%	(10.63%)	24.22%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	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.

** This will be the same percentage for all participant employers in the LGERS plan.

Pension schedules in the required supplementary information are intended to present information for ten years and that additional years' information will be displayed as it becomes available.

DAVIE COUNTY, NORTH CAROLINA

DAVIE COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,419,881	\$ 1,169,408	\$ 1,090,295	\$ 991,110	\$ 876,944	\$ 890,745	\$ 851,104
Contributions in relation to the contractually required contribution	1,419,881	1,169,408	1,090,295	991,110	876,944	890,745	851,104
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,658,672	\$ 14,822,680	\$ 14,262,056	\$ 13,312,927	\$ 12,936,172	\$ 12,598,405	\$ 12,060,535
Contributions as a percentage of covered payroll	9.07%	7.89%	7.64%	7.44%	6.78%	7.07%	7.06%

Pension schedules in the required supplementary information are intended to present information for ten years and that additional years' information will be displayed as it becomes available.

DAVIE COUNTY, NORTH CAROLINA
**DAVIE COUNTY'S PROPORTIONATE SHARE
 OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SEVEN FISCAL YEARS***

	Register of Deeds' Supplemental Pension Fund						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.36493%	0.37849%	0.42516%	0.40919%	0.42021%	0.40000%	0.39000%
Proportion of the net pension liability (asset) (\$)	\$ (72,044)	\$ (62,689)	\$ (72,571)	\$ (76,502)	\$ (97,379)	\$ (90,657)	\$ (83,261)
Plan fiduciary net position as a percentage of the total pension liability**	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

** This will be the same percentage for all participant employers in the ROD plan.

Pension schedules in the required supplementary information are intended to present information for ten years and that additional years' information will be displayed as it becomes available.

DAVIE COUNTY, NORTH CAROLINA**DAVIE COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

	Register of Deeds' Supplemental Pension Fund						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,789	\$ 3,469	\$ 5,654	\$ 3,694	\$ 3,343	\$ 3,363	\$ 3,266
Contributions in relation to the contractually required contribution	<u>3,789</u>	<u>3,469</u>	<u>5,654</u>	<u>3,694</u>	<u>3,343</u>	<u>3,363</u>	<u>3,266</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pension schedules in the required supplementary information are intended to present information for ten years and that additional years' information will be displayed as it becomes available.

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 37,166,656	\$ 37,448,245	\$ 281,589
Penalties and interest	160,000	164,131	4,131
Total	<u>37,326,656</u>	<u>37,612,376</u>	<u>285,720</u>
Other Taxes:			
Local Option Sales Tax:			
Article 39 - one percent	3,282,000	3,209,978	(72,022)
Article 40 - one-half of one percent	2,460,000	2,513,332	53,332
Article 42 - one-half of one percent	2,100,000	2,096,843	(3,157)
Article 44 - one-half of one percent	<u>1,620,000</u>	<u>1,687,119</u>	<u>67,119</u>
Total	<u>9,462,000</u>	<u>9,507,272</u>	<u>45,272</u>
Occupancy Tax	<u>136,652</u>	<u>135,902</u>	<u>(750)</u>
Unrestricted Intergovernmental Revenues:			
Hold Harmless revenue	1,053,651	1,053,651	-
Beer and wine tax	-	11,526	11,526
Towns of Mocksville, Cooleemee, and fire department reimbursement	<u>320,328</u>	<u>358,069</u>	<u>37,741</u>
Total	<u>1,373,979</u>	<u>1,423,246</u>	<u>49,267</u>
Restricted Intergovernmental Revenues:			
Federal and state grants	5,576,353	4,942,646	(633,707)
Court facilities fees	363,500	294,831	(68,669)
Crime prevention	<u>-</u>	<u>9,984</u>	<u>9,984</u>
Total	<u>5,939,853</u>	<u>5,247,461</u>	<u>(692,392)</u>
Sales and Services:			
Emergency medical service fees	1,978,209	2,156,180	177,971
Health fees	128,570	134,809	6,239
Other fees	35,600	31,509	(4,091)
Rents	55,600	122,045	66,445
Tax collection fees	28,800	17,194	(11,606)
Health - client and third-party fees	<u>1,322,695</u>	<u>1,509,918</u>	<u>187,223</u>
Total	<u>3,549,474</u>	<u>3,971,655</u>	<u>422,181</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	Final Budget	Actual	Variance Over/Under
Licenses and Permits:			
Building permits	225,000	217,521	(7,479)
Inspection and other related fees	205,000	295,361	90,361
Other permits and fees	55,498	37,747	(17,751)
Register of Deeds	420,000	485,601	65,601
Total	<u>905,498</u>	<u>1,036,230</u>	<u>130,732</u>
Investment Earnings	<u>25,000</u>	<u>159,409</u>	<u>134,409</u>
Miscellaneous Revenues:			
Other revenues	904,123	1,014,495	110,372
Library - gifts, fines and fees	41,500	42,011	511
Total	<u>945,623</u>	<u>1,056,506</u>	<u>110,883</u>
Total revenues	<u>59,664,735</u>	<u>60,150,057</u>	<u>485,322</u>
Expenditures:			
General Government:			
Governing Board:			
Salaries and employee benefits	91,575	98,348	
Other operating expenditures	356,833	240,624	
Total	<u>448,408</u>	<u>338,972</u>	<u>109,436</u>
Administration:			
Salaries and benefits	485,631	424,416	
Other operating expenditures	120,114	56,782	
Total	<u>605,745</u>	<u>481,198</u>	<u>124,547</u>
Human Resources:			
Operating expenditures	<u>29,929</u>	<u>13,747</u>	<u>16,182</u>
Elections:			
Salaries and employee benefits	159,249	157,363	
Other operating expenditures	141,900	127,508	
Total	<u>301,149</u>	<u>284,871</u>	<u>16,278</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Finance:			
Salaries and employee benefits	596,760	579,528	
Other operating expenditures	73,749	68,765	
Total	<u>670,509</u>	<u>648,293</u>	<u>22,216</u>
Data Processing:			
Salaries and employee benefits	487,897	445,647	
Other operating expenditures	892,309	796,996	
Total	<u>1,380,206</u>	<u>1,242,643</u>	<u>137,563</u>
Taxes:			
Salaries and employee benefits	520,608	505,204	
Other operating expenditures	308,404	291,342	
Capital outlay	3,141	2,925	
Total	<u>832,153</u>	<u>799,471</u>	<u>32,682</u>
Revaluation:			
Salaries and employee benefits	198,217	192,146	
Other operating expenditures	31,320	20,358	
Total	<u>229,537</u>	<u>212,504</u>	<u>17,033</u>
Legal:			
Contracted services	390,786	347,019	
Other operating expenditures	3,300	2,757	
Total	<u>394,086</u>	<u>349,776</u>	<u>44,310</u>
Register of Deeds:			
Salaries and employee benefits	280,360	270,269	
Other operating expenditures	45,355	42,547	
Total	<u>325,715</u>	<u>312,816</u>	<u>12,899</u>
Public Buildings:			
Salaries and employee benefits	327,349	312,240	
Other operating expenditures	1,602,700	1,376,446	
Capital outlay	507,659	447,567	
Total	<u>2,437,708</u>	<u>2,136,253</u>	<u>301,455</u>

DAVIE COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Court Facilities:			
Operating expenditures	135,753	124,547	
Capital outlay	13,739	13,739	
Total	<u>149,492</u>	<u>138,286</u>	<u>11,206</u>
DAVIENET:			
Operating expenditures	8,000	7,285	
Capital outlay	21,000	18,514	
Total	<u>29,000</u>	<u>25,799</u>	<u>3,201</u>
Project Management:			
Salaries and employee benefits	37,572	37,166	
Other operating expenditures	9,000	1,272	
Total	<u>46,572</u>	<u>38,438</u>	<u>8,134</u>
Contributions to other agencies	<u>190,934</u>	<u>190,934</u>	<u>-</u>
Total general government	<u>8,071,143</u>	<u>7,214,001</u>	<u>857,142</u>
Public Safety:			
Sheriff:			
Salaries and employee benefits	4,913,041	4,749,774	
Other operating expenditures	1,042,785	939,773	
Capital outlay	472,194	467,627	
Total	<u>6,428,020</u>	<u>6,157,174</u>	<u>270,846</u>
Jail:			
Salaries and employee benefits	1,728,586	1,346,906	
Other operating expenditures	836,066	763,410	
Total	<u>2,564,652</u>	<u>2,110,316</u>	<u>454,336</u>
Detention - Opioid Response:			
Salaries and employee benefits	50,807	36,046	
Total	<u>50,807</u>	<u>36,046</u>	<u>14,761</u>
Davie Domestic Violence Service:			
Salaries and employee benefits	280,240	201,445	
Other operating expenditures	127,277	60,062	
Total	<u>407,517</u>	<u>261,507</u>	<u>146,010</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Davie Domestic Violence United Way:			
Salaries and employee benefits	9,598	9,595	
Other operating expenditures	50	49	
Total	<u>9,648</u>	<u>9,644</u>	<u>4</u>
Displaced Homemakers:			
Salaries and employee benefits	29,757	29,637	
Total	<u>29,757</u>	<u>29,637</u>	<u>120</u>
Fire:			
Salaries and employee benefits	317,433	284,423	
Other operating expenditures	57,544	50,986	
Assistance to local fire departments	2,110,222	2,110,222	
Capital outlay	3,000	1,334	
Total	<u>2,488,199</u>	<u>2,446,965</u>	<u>41,234</u>
Inspections:			
Salaries and employee benefits	476,152	407,680	
Other operating expenditures	33,261	21,329	
Capital outlay	109,000	96,421	
Total	<u>618,413</u>	<u>525,430</u>	<u>92,983</u>
Medical Examiner:			
Salaries and employee benefits	-	1,762	
Professional services	38,350	32,512	
Total	<u>38,350</u>	<u>34,274</u>	<u>4,076</u>
Convalescent Care Unit:			
Salaries and employee benefits	144,411	113,904	
Other operating expenditures	68,143	47,201	
Capital outlay	6,257	6,168	
Total	<u>218,811</u>	<u>167,273</u>	<u>51,538</u>
Emergency Medical Service:			
Salaries and employee benefits	3,671,273	2,427,133	
Other operating expenditures	812,262	783,499	
Capital outlay	12,000	11,941	
Total	<u>4,495,535</u>	<u>3,222,573</u>	<u>1,272,962</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Animal Protection:			
Salaries and employee benefits	345,556	322,343	
Operating expenditures	38,070	34,636	
Total	<u>383,626</u>	<u>356,979</u>	<u>26,647</u>
Communication:			
Salaries and employee benefits	932,724	874,532	
Other operating expenditures	129,082	108,937	
Total	<u>1,061,806</u>	<u>983,469</u>	<u>78,337</u>
Total public safety	<u>18,795,141</u>	<u>16,341,287</u>	<u>2,453,854</u>
Environmental Protection:			
Contributions to Other Agencies:			
Forestry service	58,000	54,072	3,928
Total environmental protection	<u>58,000</u>	<u>54,072</u>	<u>3,928</u>
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits	252,157	235,286	
Other operating expenditures	122,986	105,802	
Total	<u>375,143</u>	<u>341,088</u>	<u>34,055</u>
Agricultural Extension:			
Salaries and employee benefits	2,330	-	
Operating expenditures	196,371	178,032	
Total	<u>198,701</u>	<u>178,032</u>	<u>20,669</u>
Contributions to other agencies	<u>1,598,890</u>	<u>1,425,309</u>	<u>173,581</u>
Total economic and physical development	<u>2,172,734</u>	<u>1,944,429</u>	<u>228,305</u>
Health:			
Administration-Basic Programs:			
Salaries and employee benefits	181,279	100,511	
Other operating expenditures	114,301	19,529	
Total	<u>295,580</u>	<u>120,040</u>	<u>175,540</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Clinical Services:			
Other operating expenditures	18,235	12,126	
Family Planning:			
Salaries and employee benefits	223,491	213,753	
Other operating expenditures	67,375	53,773	
Total	290,866	267,526	23,340
Adolescent Pregnancy Prevention:			
Other operating expenditures	22,295	19,361	
Maternal and Child Health:			
Salaries and employee benefits	787,389	678,274	
Other operating expenditures	147,853	109,674	
Total	935,242	787,948	147,294
Women, Infants, and Children:			
Salaries and employee benefits	194,309	147,295	
Other operating expenditures	49,437	44,283	
Total	243,746	191,578	52,168
Environmental Health:			
Salaries and employee benefits	338,189	316,807	
Other operating expenditures	41,735	32,911	
Total	379,924	349,718	30,206
Health - Other:			
Salaries and employee benefits	622,920	569,541	
Other operating expenditures	265,824	217,720	
Total	888,744	787,261	101,483
Total health	3,074,632	2,535,558	539,074
Mental Health:			
Contribution to Mental Health Authority	94,000	-	94,000
Total mental health	94,000	-	94,000

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Social Services:			
Administration:			
Salaries and employee benefits	4,056,503	3,590,232	
Other operating expenditures	2,037,881	1,890,174	
Total	<u>6,094,384</u>	<u>5,480,406</u>	<u>613,978</u>
Foster Care Support:			
Salaries and employee benefits	28,255	17,591	
Other operating expenditures	75,417	5,716	
Total	<u>103,672</u>	<u>23,307</u>	<u>80,365</u>
Total social services	<u>6,198,056</u>	<u>5,503,713</u>	<u>694,343</u>
Veteran's Service Officer:			
Salaries and employee benefits	71,172	63,130	
Other operating expenditures	3,470	1,024	
Total	<u>74,642</u>	<u>64,154</u>	<u>10,488</u>
Senior Center:			
Salaries and employee benefits	431,465	407,939	
Other operating expenditures	513,601	422,271	
Total	<u>945,066</u>	<u>830,210</u>	<u>114,856</u>
Contributions to other agencies	<u>205,572</u>	<u>205,572</u>	<u>-</u>
Total human services	<u>10,591,968</u>	<u>9,139,207</u>	<u>1,452,761</u>
Cultural and Recreational:			
Recreation:			
Operating expenditures	290,000	258,983	
Total	<u>290,000</u>	<u>258,983</u>	<u>31,017</u>
Recreation and Parks:			
Salaries and employee benefits	231,261	215,088	
Operating expenditures	359,682	287,816	
Capital outlay	44,000	42,986	
Total	<u>634,943</u>	<u>545,890</u>	<u>89,053</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Library:			
Salaries and employee benefits	510,935	465,056	
Other operating expenditures	189,327	131,669	
Capital outlay	8,480	7,014	
Total	<u>708,742</u>	<u>603,739</u>	<u>105,003</u>
Contribution to other agencies	<u>222,972</u>	<u>222,972</u>	<u>-</u>
Total cultural and recreational	<u>1,856,657</u>	<u>1,631,584</u>	<u>225,073</u>
Education:			
Public schools - current expense	11,739,260	11,739,260	
Capital outlay - one-half cent tax	2,100,000	2,115,158	
Capital outlay - State and local	220,000	201,462	
Community College	901,335	901,335	
Contributions to other agencies:			
JCPC	141,616	131,766	
Ignite Davie	<u>35,000</u>	<u>35,000</u>	
Total education	<u>15,137,211</u>	<u>15,123,981</u>	<u>13,230</u>
Debt Service:			
Principal retirement	6,484,056	6,355,838	128,218
Interest and fees	<u>4,199,276</u>	<u>2,360,966</u>	<u>1,838,310</u>
Total debt service	<u>10,683,332</u>	<u>8,716,804</u>	<u>1,966,528</u>
Contingency	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>67,416,186</u>	<u>60,165,365</u>	<u>7,250,821</u>
Revenues over (under) expenditures	<u>(7,751,451)</u>	<u>(15,308)</u>	<u>7,736,143</u>
Other Financing Sources (Uses):			
Operating transfers to other funds:			
Capital Projects Fund	(1,386,121)	(1,216,413)	169,708
Solid Waste Fund	(510,000)	(323,158)	186,842
Water and Sewer Fund	(37,000)	(37,000)	-
Employee Health Fund	<u>(459,393)</u>	<u>-</u>	<u>459,393</u>
Total other financing sources (uses)	<u>(2,392,514)</u>	<u>(1,576,571)</u>	<u>815,943</u>

DAVIE COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Proceeds from sale of capital assets	-	235,111	235,111
Installment debt proceeds	2,625,000	596,000	(2,029,000)
Total other financing sources (uses)	<u>232,486</u>	<u>(745,460)</u>	<u>(977,946)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(7,518,965)	(760,768)	6,758,197
Appropriated fund balance	<u>7,518,965</u>	<u>-</u>	<u>(7,518,965)</u>
Net change in fund balance	<u>\$ -</u>	(760,768)	<u>\$ (760,768)</u>
Fund Balance:			
Beginning of year - July 1		<u>18,930,966</u>	
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Current year loan receivable		261,000	
Current year loan receivable repayments		<u>(15,000)</u>	
End of year - June 30		<u>\$ 18,416,198</u>	

DAVIE COUNTY, NORTH CAROLINA

MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Scattered Site Housing 2010	\$ 400,000	\$ 401,000	\$ -	\$ 401,000	\$ 1,000
Single Family Rehabilitation 2010	526,624	528,666	-	528,666	2,042
JP Green Milling Company CDBG grant	90,000	90,000	-	90,000	-
Ashley Furniture - CDBG	712,595	712,595	-	712,595	-
Ashley Furniture - Rural Center	1,230,100	1,230,100	-	1,230,100	-
Ashley Furniture - Golden Leaf	2,500,000	2,500,000	-	2,500,000	-
Ashley Furniture - One NC Fund	1,662,000	825,000	-	825,000	(837,000)
State Superfund Cleanup Grant - oil mitigation	1,465,159	1,280,205	19,666	1,299,871	(165,288)
2012 Urgent Repair grant	75,000	73,793	-	73,793	(1,207)
NC Commerce - CDBG	27,476	25,159	-	25,159	(2,317)
Gildan Project - Golden Leaf grant	1,000,000	1,000,000	-	1,000,000	-
NC Education Lottery	2,000,000	1,999,999	(168,227)	1,831,772	(168,228)
NC DOT - Roadways Adjacent to Schools	547,199	547,199	-	547,199	-
NC State Appropriations	250,000	-	250,000	250,000	-
Emergency Telephone System Fund	100,000	-	-	-	-
NC Department of Information Technology grant	375,000	-	232,767	232,767	(142,233)
NC State Grant Funds	350,000	10,475	339,528	350,003	3
Parks and Recreation Trust Fund grant	365,000	-	239,075	239,075	(125,925)
Total restricted intergovernmental	13,676,153	11,224,191	912,809	12,137,000	(1,439,153)
Investment earnings:					
Recreation building	-	19,175	-	19,175	19,175
Urgent Repair program	-	131	-	131	131
Oil spill mitigation	-	6,639	-	6,639	6,639
Interest on Investment Bonds	-	12,784	14,206	26,990	26,990
Total investment earnings	-	38,729	14,206	52,935	52,935
Miscellaneous:					
Ashley Furniture lease proceeds	2,500,000	2,500,000	-	2,500,000	-
Gildan lease proceeds	1,000,000	1,001,546	-	1,001,546	1,546
Davie Economic Development (Dunlop)	25,000	25,000	-	25,000	-
Davie Economic Development (Ashley)	24,000	24,000	-	24,000	-
JP Green Milling Company grant	23,500	-	-	-	(23,500)
Sponsorship	50,025	50,025	5,000	55,025	5,000
Total miscellaneous	3,622,525	3,600,571	5,000	3,605,571	(16,954)
Total revenues	17,298,678	14,863,491	932,015	15,795,506	(1,403,172)
Expenditures:					
General Government:					
Commerce Fellows	27,476	25,159	-	25,159	2,317
Senior Center Portico	124,179	124,179	-	124,179	-
Admin Building Capital Project	820,225	256,358	424,247	680,605	139,620
Brock Capital Project	968,821	409,624	7,695	417,319	551,502

DAVIE COUNTY, NORTH CAROLINA

MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Davie County Community Park	8,244,162	2,902,114	3,969,060	6,871,174	1,372,988
HHS/Sheriff Leasehold Improvements	7,000,000	-	2,818,325	2,818,325	4,181,675
Hospital	755,848	198,891	445,633	644,524	111,324
Election Equipment	607,701	-	607,701	607,701	-
Medical Examiner's Room	265,000	131,525	-	131,525	133,475
Total general government	18,813,412	4,047,850	8,272,661	12,320,511	6,492,901
Public safety:					
Viper VHF Comm Project	3,011,426	2,665,653	-	2,665,653	345,773
Computer Aided Dispatch Project	830,000	-	588,401	588,401	241,599
Detention Center	15,000	-	-	-	15,000
Courthouse Capital Project	914,273	509,138	40,811	549,949	364,324
EMS Station 2	1,038,528	975,211	-	975,211	63,317
Animal control building	476,626	476,626	-	476,626	-
Total public safety	6,285,853	4,626,628	629,212	5,255,840	1,030,013
Environmental protection:					
Oil spill mitigation	1,560,401	1,521,538	34,615	1,556,153	4,248
Economic and physical development:					
Ashley Furniture	8,666,200	7,822,988	-	7,822,988	843,212
JP Green Milling Company grant	113,500	113,500	-	113,500	-
Gildan Golden Leaf project	3,374,130	3,374,130	-	3,374,130	-
Dunlop Tyres	525,000	-	-	-	525,000
Total economic and physical development	12,678,830	11,310,618	-	11,310,618	1,368,212
Human services:					
Single Family Rehabilitation 2010	526,624	524,897	-	524,897	1,727
2012 Urgent Repair program	75,000	74,008	-	74,008	992
Scattered Site Housing 2010	400,000	400,000	-	400,000	-
Total human services	1,001,624	998,905	-	998,905	2,719
Cultural and recreational:					
Recreation buildings	150,000	31,413	-	31,413	118,587
Davie Little League	300,000	300,000	-	300,000	-
Davie County Community Park PARTF	847,560	-	721,093	721,093	126,467
Total cultural and recreational	1,297,560	331,413	721,093	1,052,506	245,054
Education:					
Early College DCCC - Davie Campus	161,252	161,252	-	161,252	-
Early College 2011	1,200,000	1,085,950	-	1,085,950	114,050
Davie County High School	64,122,513	63,969,348	-	63,969,348	153,165
Central Davie renovation	613,800	613,800	-	613,800	-
Total education	66,097,565	65,830,350	-	65,830,350	267,215
Total expenditures	107,735,245	88,667,302	9,657,581	98,324,883	9,410,362

DAVIE COUNTY, NORTH CAROLINA

MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	(90,436,567)	(73,803,811)	(8,725,566)	(82,529,377)	7,907,190
Other Financing Sources (Uses):					
Operating transfers in (out):					
From General Fund	20,562,368	16,100,429	1,216,413	17,316,842	(3,245,526)
To General Fund	(9,180,497)	(8,725,362)	-	(8,725,362)	455,135
Proceeds from debt:					
Installment debt proceeds	10,311,789	3,268,789	9,250,000	12,518,789	2,207,000
Bond proceeds	59,500,000	59,500,000	-	59,500,000	-
Bond premium	7,242,907	7,270,247	-	7,270,247	27,340
USDA loan proceeds	2,000,000	2,000,000	-	2,000,000	-
Total other financing sources (uses)	90,436,567	79,414,103	10,466,413	89,880,516	(556,051)
Net change in fund balance	\$ -	\$ 5,610,292	1,740,847	\$ 7,351,139	\$ 7,351,139
Fund Balance:					
Beginning of year - July 1			5,558,331		
End of year - June 30			\$ 7,299,178		

DAVIE COUNTY, NORTH CAROLINA

CORONAVIRUS RELIEF FUND - MAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:				
Restricted intergovernmental	\$ 1,778,671	\$ -	\$ 1,334,003	\$ (444,668)
Expenditures:				
Salaries & benefits	981,420	-	1,056,539	(75,119)
Other operating expense	553,587	-	33,800	519,787
Capital outlay	243,664	-	243,664	-
Total expenditures	<u>1,778,671</u>	<u>-</u>	<u>1,334,003</u>	<u>444,668</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

DAVIE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2020

	<u>Special Revenue Funds</u>		
	<u>Emergency Telephone System Fund</u>	<u>Fire District Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 911,889	\$ -	\$ 911,889
Due from other governments	<u>17,842</u>	<u>-</u>	<u>17,842</u>
Total assets	<u>\$ 929,731</u>	<u>\$ -</u>	<u>\$ 929,731</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 2,352</u>	<u>\$ -</u>	<u>\$ 2,352</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	17,842	-	17,842
Restricted, all other	<u>909,537</u>	<u>-</u>	<u>909,537</u>
Total fund balances	<u>927,379</u>	<u>-</u>	<u>927,379</u>
Total liabilities and fund balances	<u><u>\$ 929,731</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 929,731</u></u>

DAVIE COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds		
	Emergency Telephone System Fund	Fire District Fund	Total Nonmajor Governmental Funds
Revenues:			
Ad valorem taxes	\$ -	\$ 451,140	\$ 451,140
Restricted intergovernmental revenues	214,102	-	214,102
Interest on investments	1,003	-	1,003
Tax interest	-	720	720
Total revenues	<u>215,105</u>	<u>451,860</u>	<u>666,965</u>
Expenditures:			
Current:			
Public safety	<u>142,328</u>	<u>451,860</u>	<u>594,188</u>
Net change in fund balances	72,777	-	72,777
Fund Balances:			
Beginning of year - July 1	<u>854,602</u>	<u>-</u>	<u>854,602</u>
End of year - June 30	<u>\$ 927,379</u>	<u>\$ -</u>	<u>\$ 927,379</u>

DAVIE COUNTY, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 206,760	\$ 214,102	\$ 7,342
Interest on investments	100	1,003	903
Total revenues	<u>206,860</u>	<u>215,105</u>	<u>8,245</u>
Expenditures:			
Phone & furniture	81,167	33,596	47,571
Software	82,322	34,074	48,248
Hardware	3,839	1,589	2,250
Training	1,969	815	1,154
Public safety	<u>174,563</u>	<u>72,254</u>	<u>102,309</u>
Total expenditures	<u>343,860</u>	<u>142,328</u>	<u>201,532</u>
Revenues over (under) expenditures	(137,000)	72,777	209,777
Other Financing Sources (Uses):			
Appropriated fund balance	<u>137,000</u>	-	<u>(137,000)</u>
Net change in fund balance	<u>\$ -</u>	72,777	<u>\$ 72,777</u>
Fund Balance:			
Beginning of year - July 1		<u>854,602</u>	
End of year - June 30		<u>\$ 927,379</u>	

DAVIE COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
PSAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2020**

Amounts reported on the Emergency Telephone System Fund budget
to actual are different from the PSAP Revenue - Expenditure Report because:

Wireless 911 funds

Ending fund balance, reported on budget-to-actual	\$ 927,379
Cumulative prior period revenues and expenditures not reported in the fund (difference in beginning Fund Balance - Budget-to-Actual vs. PSAP report)	<u>(445,327)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 482,052</u>

DAVIE COUNTY, NORTH CAROLINA

FIRE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 451,140	\$ 451,140	\$ -
Tax interest	720	720	-
Total revenues	<u>451,860</u>	<u>451,860</u>	<u>-</u>
Expenditures:			
Public safety:			
Advance Rural Fire Protection District	<u>451,860</u>	<u>451,860</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ -</u>	

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water sales	\$ 4,400,000	\$ 4,890,635	\$ 490,635
Sewer charges	385,000	565,796	180,796
East Davie sewer charges	960,000	1,067,511	107,511
Water and sewer taps	125,500	232,875	107,375
East Davie fees	2,500	312,689	310,189
Miscellaneous charges	120,000	100,535	(19,465)
Total	<u>5,993,000</u>	<u>7,170,041</u>	<u>1,177,041</u>
Non-Operating Revenues:			
State grant revenues	150,000	-	(150,000)
Interest earnings	1,000	14,596	13,596
Total	<u>151,000</u>	<u>14,596</u>	<u>(136,404)</u>
Total revenues	<u>6,144,000</u>	<u>7,184,637</u>	<u>1,040,637</u>
Expenditures:			
Administration:			
Salaries and employee benefits		314,595	
Other operating expenditures		106,932	
Total	<u>540,018</u>	<u>421,527</u>	<u>118,491</u>
Water Operations:			
Salaries and employee benefits		468,905	
Utilities		24,932	
Maintenance		196,416	
Other operating expenditures		99,536	
Total	<u>1,039,240</u>	<u>789,789</u>	<u>249,451</u>
Water Treatment Plant:			
Salaries and employee benefits		651,403	
Utilities		201,732	
Maintenance		261,782	
Chemicals		264,304	
Supplies		19,107	
Other operating expenditures		232,246	
Total	<u>1,701,318</u>	<u>1,630,574</u>	<u>70,744</u>
Waste Treatment Plant:			
Salaries and employee benefits		82,297	
Utilities		77,517	
Maintenance		196,802	
Other operating expenditures		64,435	
Total	<u>631,050</u>	<u>421,051</u>	<u>209,999</u>

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Over/Under
Waste Treatment Plant - East Davie:			
Salaries and employee benefits		65,342	
Utilities		33,210	
Maintenance		45,889	
Other operating expenditures		1,097,070	
Total	1,352,138	1,241,511	110,627
Capital Outlay:			
Water lines	140,000	131,882	8,118
Fire hydrants	37,000	35,546	1,454
Equipment and furniture	81,000	80,875	125
Improvements	99,000	73,488	25,512
Total	357,000	321,791	35,209
Contingency	(390,764)	-	(390,764)
Total expenditures	5,230,000	4,826,243	403,757
Revenues over (under) expenditures	914,000	2,358,394	1,444,394
Other Financing Sources (Uses):			
Transfers from other funds	37,000	37,000	-
Transfer to Water Capital project	(951,000)	(951,000)	-
Total other financing sources (uses)	(914,000)	(914,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	1,444,394	\$ 1,444,394
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital outlay expenditures capitalized		73,488	
Capital contribution capital project fund		1,837,483	
Change in deferred outflow of resources - OPEB		23,990	
Change in deferred outflow of resources - pensions deferrals		(33,466)	
Change in deferred inflows of resources - OPEB		(13,827)	
Change in net pension liability		(45,127)	
Change in deferred inflows of resources - pensions deferrals		257	
Change in compensated absences payable		(2,786)	
Change in other post-employment benefits		(68,257)	
Depreciation		(816,540)	
Transfer in (out) - Water and Sewer Capital Projects Fund		951,000	
Total reconciling items		1,906,215	
Change in net position		\$ 3,350,609	

DAVIE COUNTY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Rural Center grant - Hospital Sewer project	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
EDA Water projects	2,000,000	-	1,552,483	1,552,483	(447,517)
Local contribution	182,000	32,000	182,000	214,000	32,000
Miscellaneous revenues	103,000	-	103,000	103,000	-
Investment earnings	-	71,870	-	71,870	71,870
Total revenues	<u>3,285,000</u>	<u>1,103,870</u>	<u>1,837,483</u>	<u>2,941,353</u>	<u>(343,647)</u>
Expenditures:					
Water projects:					
Construction	20,176,150	5,211,549	12,124,206	17,335,755	2,840,395
Land	851,320	546,394	2,000	548,394	302,926
Administrative costs	<u>4,260,400</u>	<u>1,932,359</u>	<u>946,091</u>	<u>2,878,450</u>	<u>1,381,950</u>
Total	<u>25,287,870</u>	<u>7,690,302</u>	<u>13,072,297</u>	<u>20,762,599</u>	<u>4,525,271</u>
Hospital Sewer Project:					
Construction	2,198,550	2,017,181	-	2,017,181	181,369
Administrative costs	<u>55,000</u>	<u>45,035</u>	<u>-</u>	<u>45,035</u>	<u>9,965</u>
Total	<u>2,253,550</u>	<u>2,062,216</u>	<u>-</u>	<u>2,062,216</u>	<u>191,334</u>
Total expenditures	<u>27,541,420</u>	<u>9,752,518</u>	<u>13,072,297</u>	<u>22,824,815</u>	<u>4,716,605</u>
Revenues over (under) expenditures	<u>(24,256,420)</u>	<u>(8,648,648)</u>	<u>(11,234,814)</u>	<u>(19,883,462)</u>	<u>4,372,958</u>
Other Financing Sources (Uses):					
Long-term debt issued	16,402,098	-	12,993,944	12,993,944	(3,408,154)
Operating transfers - in (out):					
From General Fund	-	200,000	-	200,000	200,000
From Water and Sewer Fund	<u>7,854,322</u>	<u>5,787,459</u>	<u>951,000</u>	<u>6,738,459</u>	<u>(1,115,863)</u>
Total other financing sources (uses)	<u>24,256,420</u>	<u>5,987,459</u>	<u>13,944,944</u>	<u>19,932,403</u>	<u>(4,324,017)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (2,661,189)</u>	<u>\$ 2,710,130</u>	<u>\$ 48,941</u>	<u>\$ 48,941</u>

DAVIE COUNTY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Recycling	\$ 93,000	\$ 171,214	\$ (78,214)
Expenditures:			
Landfill operations:			
Purchased services	427,044	440,797	(13,753)
Other operating expenditures	101,197	38,570	62,627
Total expenditures	528,241	479,367	48,874
Revenues over (under) expenditures	(435,241)	(308,153)	(127,088)
Other Financing Sources (Uses):			
Operating transfers in:			
From General Fund	390,000	323,158	(66,842)
Appropriated fund balance	45,241	-	(45,241)
Total other financing sources (uses)	435,241	323,158	(112,083)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	15,005	\$ 15,005
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Decrease in accrued landfill post-closure liabilities		22,678	
Depreciation		(15,005)	
Total reconciling items		7,673	
Change in net position		\$ 22,678	

DAVIE COUNTY, NORTH CAROLINA**SELF-INSURANCE INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2020****Assets:**

Current assets:

Accounts receivable, net	\$ 3,589
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Liabilities:

Current liabilities:

Due to other funds	504,497
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Accounts payable and accrued liabilities	408,783
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Total liabilities	913,280
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Net Position:

Unrestricted	\$ (909,691)
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DAVIE COUNTY, NORTH CAROLINA

SELF-INSURANCE INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - FINANCIAL PLAN AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Insurance premiums	\$ 4,122,302	\$ 3,905,015	\$ (217,287)
Expenditures:			
Administration	1,131,695	1,114,147	17,548
Insurance claims paid	3,450,000	3,392,732	57,268
Total expenditures	4,581,695	4,506,879	74,816
Revenues over (under) expenditures	(459,393)	(601,864)	(142,471)
Other Financing Sources (Uses):			
Operating transfers in (out):			
From General Fund	459,393	-	(459,393)
Change in net position	\$ -	(601,864)	\$ (601,864)
Net Position:			
Beginning of year - July 1		(307,827)	
End of year - June 30		\$ (909,691)	

DAVIE COUNTY, NORTH CAROLINA
SELF-INSURANCE INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
Cash Flows from Operating Activities:

Cash received from interservices provided	\$ 3,905,371
Cash paid for goods and services	<u>(4,422,183)</u>
Net cash provided (used) by operating activities	<u>(516,812)</u>

Cash Flows from Non-Capital Financing Activities:

Payments to/from other funds	<u>504,497</u>
Net increase (decrease) in cash and cash equivalents	(12,315)

Cash and Cash Equivalents:

Beginning of year - July 1	<u>12,315</u>
End of year - June 30	<u>\$ -</u>

Reconciliation of Operating Income (Loss) to**Net Cash Provided (Used) by Operating Activities:**

Operating income (loss)	\$ (601,864)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	356
(Increase) decrease in due from other funds	6,627
Increase (decrease) in accounts payable and accrued liabilities	<u>78,069</u>
Net cash provided (used) by operating activities	<u>\$ (516,812)</u>

DAVIE COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 15,294	\$ 19,831	\$ -	\$ 35,125
Liabilities:				
Miscellaneous liabilities	\$ 15,294	\$ 19,831	\$ -	\$ 35,125
Property Tax:				
Assets:				
Taxes receivable	\$ 133,697	\$ 4,494,500	\$ 4,432,303	\$ 195,894
Liabilities:				
Intergovernmental payable	\$ 133,697	\$ 4,494,500	\$ 4,432,303	\$ 195,894
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 2,716	\$ 2,759	\$ 2,716	\$ 2,759
Liabilities:				
Intergovernmental payable:				
State of North Carolina	\$ 2,716	\$ 2,759	\$ 2,716	\$ 2,759
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 18,010	\$ 22,590	\$ 2,716	\$ 37,884
Taxes receivable	133,697	4,494,500	4,432,303	195,894
Total assets	\$ 151,707	\$ 4,517,090	\$ 4,435,019	\$ 233,778
Liabilities:				
Miscellaneous liabilities	\$ 15,294	\$ 19,831	\$ -	\$ 35,125
Intergovernmental payable	136,413	4,497,259	4,435,019	198,653
Total liabilities	\$ 151,707	\$ 4,517,090	\$ 4,435,019	\$ 233,778

DAVIE COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 37,940,785	\$ 37,401,790	\$ 538,995
2018-2019	427,180	-	229,623	197,557
2017-2018	167,669	-	60,678	106,991
2016-2017	108,904	-	33,123	75,781
2015-2016	72,887	-	19,067	53,820
2014-2015	45,329	-	9,530	35,799
2013-2014	46,769	-	8,897	37,872
2012-2013	49,493	-	6,747	42,746
2011-2012	43,908	-	3,915	39,993
2010-2011	41,449	-	2,543	38,906
2009-2010	39,501	-	39,501	-
Total	<u>\$ 1,043,089</u>	<u>\$ 37,940,785</u>	<u>\$ 37,815,414</u>	1,168,460
Less: Allowance for uncollectible accounts				<u>(562,550)</u>
Ad valorem taxes receivable, net				<u>\$ 605,910</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 37,612,376</u>
Reconciling items:				
Taxes written off				39,501
Penalties and interest collected				(164,131)
Future years collection				(36,847)
Miscellaneous				364,515
Total reconciling items				<u>203,038</u>
Total collections and credits				<u>\$ 37,815,414</u>

DAVIE COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	County-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 4,626,881,828	\$ 0.778	\$ 35,998,326	\$ 32,269,558	\$ 3,728,768
Utilities	106,902,089	0.778	831,698	831,698	-
Penalties	-		39,712	39,712	-
Total	<u>4,733,783,917</u>		<u>36,869,736</u>	<u>33,140,968</u>	<u>3,728,768</u>
Discoveries:					
Current year taxes	10,536,948	0.778	81,369	81,369	-
Prior year taxes	130,319,542		998,698	998,173	525
Penalties	-		322,272	322,272	-
Total	<u>140,856,490</u>		<u>1,402,339</u>	<u>1,401,814</u>	<u>525</u>
Releases	<u>(10,389,534)</u>		<u>(331,290)</u>	<u>(323,118)</u>	<u>(8,172)</u>
Total property valuation	<u>\$ 4,864,250,873</u>				
Net Levy			37,940,785	34,219,664	3,721,121
Uncollected taxes at June 30, 2020			<u>538,995</u>	<u>538,760</u>	<u>235</u>
Current Year's Taxes Collected			<u>\$ 37,401,790</u>	<u>\$ 33,680,904</u>	<u>\$ 3,720,886</u>
Current Levy Collection Percentage			<u>98.58%</u>	<u>98.43%</u>	<u>99.99%</u>
Secondary Market Disclosures:					
Assessed valuation:					100%
Assessment ratio real property					\$ 3,631,155,702
Personal property					1,126,193,082
Public service companies					106,902,089
Total assessed valuation					<u>\$ 4,864,250,873</u>
Tax rate per \$100					<u>\$ 0.778</u>
Levy (includes discoveries, releases, and abatements)					\$ 37,940,785
In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30:					
Special Fire Protection District					<u>158,087</u>
Total					<u>\$ 38,098,872</u>

DAVIE COUNTY, NORTH CAROLINA**TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2020**

Taxpayer	Type of Business	2020 Assessed Valuation	Percentage of Total Assessed Valuation
Gildan Yarns	Manufacturing	\$ 118,244,081	2.78%
Ashley Furniture	Manufacturing	111,559,498	2.62%
Avgol	Manufacturing	95,356,804	2.24%
Ingersoll Rand	Manufacturing	68,479,161	1.61%
Duke Energy Corporation	Utility	68,329,561	1.61%
Energy United	Utility	28,223,857	0.66%
Batangas Consulting	Commercial	20,699,252	0.49%
Funder America Inc	Manufacturing	20,240,844	0.48%
Kontoor Brands Inc	Manufacturing	16,984,646	0.40%
Time Warner Cable	Utility	11,189,302	0.26%
Total		<u>\$ 559,307,006</u>	<u>13.15%</u>

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