

REVIEWED

By SLGFD at 8:50 am, Mar 28, 2022

MADISON COUNTY, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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

MADISON COUNTY, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Madison County, North Carolina (the "County")**, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Madison County Housing Authority, which represents 53%, 52%, and 66% of assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Madison County Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Madison County, North Carolina as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12, Madison County, North Carolina implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard significantly changed the accounting for Madison County, North Carolina's activities previously reported as agency funds. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Total Pension Liability – LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll – LEOSSA, the County's Proportionate Share of Net Pension Liability (Asset) – LGERS, the Schedule of the County's Contributions – LGERS, the County's Proportionate Share of Net Pension Liability (Asset) – Register of Deeds, and the Schedule of the County's Contributions – Register of Deeds, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

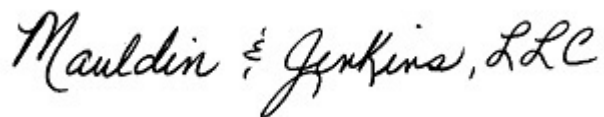
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules, budgetary schedules, the Schedule of Ad Valorem Taxes Receivable, and the Analysis of Current Tax Levy are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, the Schedule of Ad Valorem Taxes Receivable, and the Analysis of Current Tax Levy (the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the letters "M", "J", and "L" being particularly large and stylized.

Atlanta, Georgia
February 28, 2022

Management's Discussion and Analysis

As management of Madison County, we offer readers of Madison County's financial statements this narrative overview and analysis of the financial activities of Madison County for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

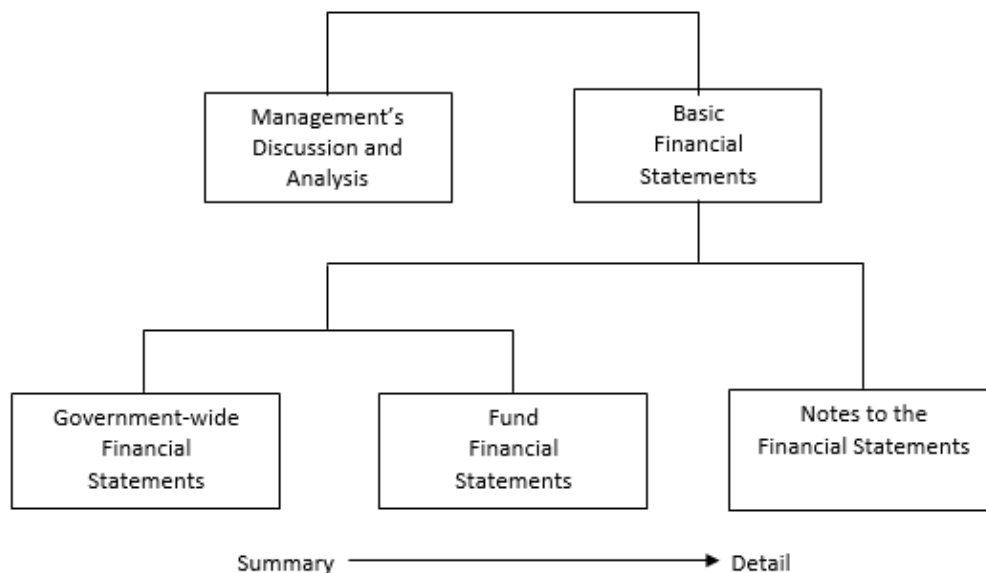
- The assets and deferred outflows of resources of Madison County, not including component units, exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,955,429 (**net position**). Because of its obligations to local schools, the County has undertaken debt for the construction of assets that belong to the school board. As a result, the County is showing negative or a deficit **unrestricted net position** in the current year of (\$488,596).
- The County's total net position increased by \$3,334,433 during the fiscal year versus an increase of \$984,529 in the prior year.
- As of the close of the current fiscal year, Madison County's governmental funds reported combined ending fund balances of \$11,813,196, an increase of \$3,440,419 in comparison with the prior year. Approximately 38.1% of this total amount, or \$4,496,777, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,434,272, or 24.6% of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds. Budgetary information required by North Carolina General Statutes can also be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's law enforcement officers' pension plan, the Local Government Employees Retirement System, and the Register of Deeds Supplemental Pension Fund.

Government-Wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Madison County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Madison County can be divided into three categories: governmental, proprietary and fiduciary funds.

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

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

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

Custodial Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Madison County has two custodial funds: the Motor Vehicle Tax Fund, and the Inmate Trust Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 through 66 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Madison County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 67 through 72 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of Madison County exceeded liabilities and deferred inflows by \$12,955,429 as of June 30, 2021. The County’s net position increased by \$3,334,433 for the fiscal year ended June 30, 2021. One of the largest portions, \$8,828,652 (68.1%), reflects the County’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). Madison County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Madison County’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional

portion of Madison County's net position, \$4,615,373 (35.6%), represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is a deficit of (\$488,596). Madison County has installment obligation for school buildings of \$4,078,629 and does not own title to the related school properties. The related school building assets are not included in the governmental activities capital assets.

Madison County's Statement of Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020 - restated	2021	2020 - restated
Current and other assets	\$ 14,058,419	\$ 10,910,803	\$ 1,940,346	\$ 1,485,559	\$ 15,998,765	\$ 12,396,362
Capital assets	11,590,364	12,041,547	1,558,289	1,463,443	13,148,653	13,504,990
Total assets	<u>25,648,783</u>	<u>22,952,350</u>	<u>3,498,635</u>	<u>2,949,002</u>	<u>29,147,418</u>	<u>25,901,352</u>
Total deferred outflows of resources	<u>2,254,758</u>	<u>1,603,426</u>	<u>168,939</u>	<u>292,998</u>	<u>2,423,697</u>	<u>1,896,424</u>
Long-term liabilities	13,756,511	13,425,815	3,247,848	2,956,602	17,004,359	16,382,417
Other liabilities	1,297,053	1,623,375	143,187	89,239	1,440,240	1,712,614
Total liabilities	<u>15,053,564</u>	<u>15,049,190</u>	<u>3,391,035</u>	<u>3,045,841</u>	<u>18,444,599</u>	<u>18,095,031</u>
Total deferred inflows of resources	<u>160,239</u>	<u>158,899</u>	<u>10,848</u>	<u>23,178</u>	<u>171,087</u>	<u>182,077</u>
Net position:						
Net investment in capital asstes	7,270,363	7,241,547	1,558,289	1,463,443	8,828,652	8,704,990
Restricted	4,615,373	5,888,692	-	-	4,615,373	5,888,692
Unrestricted	804,002	(3,782,552)	(1,292,598)	(1,290,462)	(488,596)	(5,073,014)
Total net position	<u>\$ 12,689,738</u>	<u>\$ 9,347,687</u>	<u>\$ 265,691</u>	<u>\$ 172,981</u>	<u>\$ 12,955,429</u>	<u>\$ 9,520,668</u>

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

- Through continued diligence in collection efforts, the County maintained its overall property tax collection rate at 96.22%.
- The County recognized pension expense of approximately \$730,000 related to the LGERS pension plan. This is a decrease of approximately \$730,000 between fiscal year 2020 and fiscal year 2021.
- The County incurred additional expenses due to the COVID pandemic. These expenses were mostly in salaries for overtime by our health department and Sheriff's Office employees.

Madison County's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues						
Charges for services	\$ 3,187,743	\$ 2,691,661	\$ 2,681,397	\$ 1,907,297	\$ 5,869,140	\$ 4,598,958
Operating grants and contributions	7,329,931	6,712,792	-	15,685	7,329,931	6,728,477
General revenues						
Property taxes	15,449,513	13,711,742	-	-	15,449,513	13,711,742
Sales and use taxes	6,082,179	4,605,715	-	-	6,082,179	4,605,715
Other taxes	1,047,393	617,149	-	-	1,047,393	617,149
Other items	2,403	453,222	-	-	2,403	453,222
Investment earnings	177,236	80,159	26	92	177,262	80,251
Total revenues	<u>33,276,398</u>	<u>28,872,440</u>	<u>2,681,423</u>	<u>1,923,074</u>	<u>35,957,821</u>	<u>30,795,514</u>
Expenses						
General government	3,134,823	3,202,724	-	-	3,134,823	3,202,724
Public safety	9,379,893	8,235,468	-	-	9,379,893	8,235,468
Economic and physical development	2,235,581	2,257,875	-	-	2,235,581	2,257,875
Human services	9,647,169	8,351,869	-	-	9,647,169	8,351,869
Culture and recreation	726,459	656,572	-	-	726,459	656,572
Education	4,585,278	4,168,508	-	-	4,585,278	4,168,508
Interest on long-term debt	325,472	379,460	-	-	325,472	379,460
Landfill	-	-	2,588,713	2,558,509	2,588,713	2,558,509
Total expenses	<u>30,034,675</u>	<u>27,252,476</u>	<u>2,588,713</u>	<u>2,558,509</u>	<u>32,623,388</u>	<u>29,810,985</u>
Change in net position	<u>3,241,723</u>	<u>1,619,964</u>	<u>92,710</u>	<u>(635,435)</u>	<u>3,334,433</u>	<u>984,529</u>
Net position, beginning, as restated	<u>9,448,015</u>	<u>7,727,723</u>	<u>172,981</u>	<u>808,416</u>	<u>9,620,996</u>	<u>8,536,139</u>
Net position, ending	<u>\$ 12,689,738</u>	<u>\$ 9,347,687</u>	<u>\$ 265,691</u>	<u>\$ 172,981</u>	<u>\$ 12,955,429</u>	<u>\$ 9,520,668</u>

Governmental activities. Governmental activities increased the County's net position by \$3,241,723. Key elements influencing the current year results are as follows:

- Charges for services increased approximately \$496,082 due to the housing of juvenile inmates.
- Property tax revenues increased approximately \$1,737,771 due to recent revaluation.
- Local option sales taxes increased by approximately \$1,476,464 from the prior year, due to increase of mail order sales during the year.
- Overall governmental expenses increased within public safety function due to approximate increase of \$684,272 in expenses with the sheriff and communications department. This increase is attributable to the increased level of housing juvenile inmates, as well as covering additional salary for our 911 services.

Business-type activities: Business-type activities increased Madison County's net position by \$92,710. The key elements of this decrease are as follows:

- The landfill fund increased in net position by \$92,710 due to the increase in disposal fee customers between fiscal years 2020 and 2021.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Madison County. At the end of the current fiscal year, Madison County's unassigned fund balance in the General Fund was \$6,434,272, while total fund balance reached \$11,190,090. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.6% of total General Fund expenditures, while total fund balance represents 42.7% of that same amount.

At June 30, 2021, the governmental funds of Madison County reported a combined fund balance of \$11,813,196, which is an increase of \$3,440,419 from the prior year. The primary reasons for this decrease are expenditures for tax revaluation and school capital construction projects.

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

Proprietary Funds. Madison County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Landfill Fund at the end of the fiscal year amounted to a deficit of \$1,292,598. The total increase in net position for the Landfill Fund for the year ended June 30, 2021, was \$92,710. Factors concerning the finances of this fund have already been addressed in the discussion of Madison County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Madison County's capital assets for its governmental and business-type activities as of June 30, 2021 totals \$13,148,653 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions were less due to the county's uncertainty of long term economic effects from the Coronavirus.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 577,854	\$ 577,854	\$ 859,832	\$ 859,832	\$ 1,437,686	\$ 1,437,686
Buildings and improvements	9,791,532	10,152,369	273,188	289,485	10,064,720	10,441,854
Equipment	418,515	470,965	129,664	143,454	548,179	614,419
Computer equipment	95,067	71,667	-	-	95,067	71,667
Vehicles	707,396	768,692	295,605	170,672	1,003,001	939,364
Total capital assets	<u>\$ 11,590,364</u>	<u>\$ 12,041,547</u>	<u>\$ 1,558,289</u>	<u>\$ 1,463,443</u>	<u>\$ 13,148,653</u>	<u>\$ 13,504,990</u>

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

Long-term Debt. As of June 30, 2021, Madison County had total installment debt outstanding of \$8,398,629 secured by assets purchased or constructed with the proceeds. The debt consists of \$4,078,629 owed for the previous construction/renovation of schools and \$4.3 million for the previous construction of a new jail.

Madison County's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment purchases	\$ 8,398,629	\$ 9,308,295	\$ -	\$ -	\$ 8,398,629	\$ 9,308,295
Closure & post-closure costs	-	-	2,842,918	2,511,113	2,842,918	2,511,113
Compensated absences	982,866	1,078,351	78,365	68,414	1,061,231	1,146,765
Net pension liability (LGERS)	3,937,523	2,737,225	326,565	513,766	4,264,088	3,250,991
Net pension liability (LEOSSA)	437,493	301,944	-	-	437,493	301,944
Total long term liabilities	<u>\$ 13,756,511</u>	<u>\$ 13,425,815</u>	<u>\$ 3,247,848</u>	<u>\$ 3,093,293</u>	<u>\$ 17,004,359</u>	<u>\$ 16,519,108</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Madison County was approximately \$208,879,515. Additional information regarding Madison County's long-term debt can be found in Note 7 of the Basic Financial Statements.

The decrease in outstanding installment debt from approximately \$9.3M in the prior year to \$8.4M in the current year is attributable to scheduled principal payments being made on outstanding debt issuances. There was no new installment debt issued during the year.

Economic Factors and Next Year's Budgets and Rates

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the County's financial condition and activities. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the County is not able to estimate the total long term effects of the COVID-19 during fiscal year 2021, and beyond.

As of June 30, 2021, the County has received approximately \$1,026,181 in federal CARES Act funding over the prior two fiscal years to be used for public safety, health, and other costs of the pandemic. The County expended approximately \$843,527 of the allotment during the year ended June 30, 2021. All these funds must be used by December 31, 2021.

Budget Highlights for the Fiscal Year Ending June 30, 2021

During the budget process for fiscal year 2022, the County budgeted sparingly despite little impact from the current economic conditions. The fiscal year 2022 budget includes new positions and increases in pay to the existing positions.

However, there were changes in operational plans since the associated costs have increased substantially from one year to next. The continued cost of providing ambulance service in Madison County has gone up by approximately \$620,000 from one year to the next due to the buyout of the former Mission Hospital. The county incurred additional expenses due to litigation brought to the county.

General Fund: Total General Fund expenditures and transfers out are budgeted at \$28,533,909, a \$2,556,569 (8%) increase from 2021. This includes an appropriation of fund balance of \$751,703. The County continued the ad valorem tax rate of \$0.50 per \$100 of assessed value.

Business-Type Activities: Total revenues and expenses are projected for fiscal year 2022 is substantially the same as last fiscal year's actual amounts. The total budget for fiscal year 2022 is \$2,302,068.

Requests for Information

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government			Component Units	
	Governmental	Business-type	Total	Madison County	Madison County
	Activities	Activities	Primary Government	Housing Authority	Tourism Development Authority
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 10,279,880	\$ 552,749	\$ 10,832,629	\$ 628,582	\$ 1,050,301
Investments	-	-	-	75,687	-
Receivables, net of allowance for uncollectable	497,594	34,873	532,467	7,994	-
Taxes receivable, net of allowance for uncollectable	982,028	-	982,028	-	-
Due from other governments	1,803,557	15,396	1,818,953	26,719	-
Due from primary government	-	-	-	-	81,780
Due from other funds	(1,337,328)	1,337,328	-	-	-
Other assets	92,298	-	92,298	-	-
Prepaid items	38,685	-	38,685	5,465	-
Restricted assets:					
Cash and cash equivalents	1,636,831	-	1,636,831	12,637	-
Total current assets	13,993,545	1,940,346	15,933,891	757,084	1,132,081
Noncurrent Assets:					
Net pension asset (ROD)	64,874	-	64,874	-	-
Capital assets:					
Non-depreciable	577,854	859,832	1,437,686	91,184	-
Depreciable, net of accumulated depreciation	11,012,510	698,457	11,710,967	762,048	289,246
Total capital assets	11,590,364	1,558,289	13,148,653	853,232	289,246
Total noncurrent assets	11,655,238	1,558,289	13,213,527	853,232	289,246
Total assets	25,648,783	3,498,635	29,147,418	1,610,316	1,421,327
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	2,254,758	168,939	2,423,697	43,137	-
Total deferred outflows of resources	2,254,758	168,939	2,423,697	43,137	-
LIABILITIES					
Accounts payable	547,479	116,084	663,563	3,628	1,980
Accrued liabilities	508,713	27,103	535,816	-	-
Interest payable	152,395	-	152,395	-	-
Due to component unit	81,780	-	81,780	-	-
Tenant security deposits	-	-	-	9,350	-
Unearned revenue	6,686	-	6,686	2,814	-
Landfill postclosure liability, due within one year	-	35,456	35,456	-	-
Landfill postclosure liability, due in more than one year	-	2,807,462	2,807,462	-	-
Notes payable, due within one year	909,667	-	909,667	-	-
Notes payable, due in more than one year	7,488,962	-	7,488,962	-	-
Compensated absences, due within one year	786,293	62,692	848,985	2,000	-
Compensated absences, due in more than one year	196,573	15,673	212,246	14,116	-
Net pension liability, due in more than one year (LGRS)	3,937,523	326,565	4,264,088	90,132	-
Total pension liability, due in more than one year (LEOSSA)	437,493	-	437,493	-	-
Total liabilities	15,053,564	3,391,035	18,444,599	122,040	1,980
DEFERRED INFLOWS OF RESOURCES					
Pension related items	160,239	10,848	171,087	2,994	-
Total deferred inflows of resources	160,239	10,848	171,087	2,994	-
NET POSITION					
Net investment in capital assets	7,270,363	1,558,289	8,828,652	853,232	289,246
Restricted for:					
Stabilization by State Statute	2,257,246	-	2,257,246	-	81,780
Register of deeds	147,159	-	147,159	-	-
Human services	107,213	-	107,213	3,287	-
School capital	1,476,419	-	1,476,419	-	-
Public safety	494,943	-	494,943	-	-
Tax revaluation	74,401	-	74,401	-	-
Economic and physical development	57,992	-	57,992	-	-
Unrestricted (deficit)	804,002	(1,292,598)	(488,596)	671,900	1,048,321
Total net position	\$ 12,689,738	\$ 265,691	\$ 12,955,429	\$ 1,528,419	\$ 1,419,347

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,134,823	\$ 758,288	\$ 140,047	\$ -
Public safety	9,379,893	1,687,931	451,048	-
Economic and physical development	2,235,581	292,886	555,088	-
Human services	9,647,169	424,761	5,514,425	-
Culture and recreation	726,459	23,877	108,786	-
Education	4,585,278	-	350,000	-
Interest on long-term debt	325,472	-	210,537	-
Total governmental activities	<u>30,034,675</u>	<u>3,187,743</u>	<u>7,329,931</u>	<u>-</u>
Business-type activities:				
Landfill	2,588,713	2,681,397	-	-
Total business-type activities	<u>2,588,713</u>	<u>2,681,397</u>	<u>-</u>	<u>-</u>
 Total primary government	 <u>\$ 32,623,388</u>	 <u>\$ 5,869,140</u>	 <u>\$ 7,329,931</u>	 <u>\$ -</u>
 Component Unit:				
Madison County Housing Authority	\$ 1,429,780	\$ 158,654	\$ 1,408,383	\$ -
Madison County Tourism Development Authority	294,655	-	-	-
Total component unit	<u>\$ 1,724,435</u>	<u>\$ 158,654</u>	<u>\$ 1,408,383</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales and use taxes				
Other taxes				
Investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position, beginning of year, as restated				
Net position, end of year				

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

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Madison County Housing Authority	Madison County Tourism Development Authority
\$ (2,236,488)	\$ -	\$ (2,236,488)	\$ -	\$ -
(7,240,914)	-	(7,240,914)	-	-
(1,387,607)	-	(1,387,607)	-	-
(3,707,983)	-	(3,707,983)	-	-
(593,796)	-	(593,796)	-	-
(4,235,278)	-	(4,235,278)	-	-
(114,935)	-	(114,935)	-	-
(19,517,001)	-	(19,517,001)	-	-
-	92,684	92,684	-	-
-	92,684	92,684	-	-
\$ (19,517,001)	\$ 92,684	\$ (19,424,317)	\$ -	\$ -
			\$ 137,257	\$ -
			-	(294,655)
			\$ 137,257	\$ (294,655)
\$ 15,449,513	\$ -	\$ 15,449,513	\$ -	\$ -
6,082,179	-	6,082,179	-	-
1,047,393	-	1,047,393	-	804,442
2,403	26	2,429	325	-
177,236	-	177,236	7,782	-
22,758,724	26	22,758,750	8,107	804,442
3,241,723	92,710	3,334,433	145,364	509,787
9,448,015	172,981	9,620,996	1,383,055	909,560
\$ 12,689,738	\$ 265,691	\$ 12,955,429	\$ 1,528,419	\$ 1,419,347

MADISON COUNTY, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,562,750	\$ 717,130	\$ 10,279,880
Taxes receivable, net	847,168	134,860	982,028
Accounts receivable	343,358	84,309	427,667
Due from other governments	1,781,819	21,738	1,803,557
Due from other funds	111,124	-	111,124
Prepaid items	38,685	-	38,685
Other assets	92,298	-	92,298
Restricted cash and cash equivalents	1,636,831	-	1,636,831
Total assets	<u>\$ 14,414,033</u>	<u>\$ 958,037</u>	<u>\$ 15,372,070</u>
LIABILITIES			
Accounts payable	\$ 530,801	\$ 16,678	\$ 547,479
Accrued liabilities	508,646	67	508,713
Unearned revenue	-	6,686	6,686
Due to other funds	1,337,328	111,124	1,448,452
Due to component unit	-	81,780	81,780
Total liabilities	<u>2,376,775</u>	<u>216,335</u>	<u>2,593,110</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	847,168	118,596	965,764
Total deferred inflows of resources	<u>847,168</u>	<u>118,596</u>	<u>965,764</u>
FUND BALANCES			
Non-spendable:			
Prepaid items	38,685	-	38,685
Other assets	92,298	-	92,298
Restricted for:			
Stabilization by State Statute	2,236,301	20,945	2,257,246
Register of deeds	147,159	-	147,159
School capital	1,476,419	-	1,476,419
Public safety	13,253	363,094	376,347
Economic and physical development	-	57,992	57,992
Human services	-	107,213	107,213
Tax revaluation	-	74,401	74,401
Assigned for subsequent year's expenditures	751,703	-	751,703
Unassigned (deficit)	6,434,272	(539)	6,433,733
Total fund balances	<u>11,190,090</u>	<u>623,106</u>	<u>11,813,196</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,414,033</u>	<u>\$ 958,037</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			11,590,364
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.			965,764
The net pension liability (asset), total pension liability, and related deferred inflows and outflows of resources are resources related to the County's defined benefit pension plans which are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.			(2,215,623)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			(9,463,963)
Net position of governmental activities			<u>\$ 12,689,738</u>

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

MADISON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 13,816,635	\$ 1,684,217	\$ 15,500,852
Sales tax	6,082,179	-	6,082,179
Other taxes	216,660	830,733	1,047,393
Intergovernmental revenues	6,117,770	1,219,527	7,337,297
Permits and fees	2,575,353	-	2,575,353
Charges for services	612,390	-	612,390
Investment earnings	2,385	18	2,403
Miscellaneous	177,236	-	177,236
Total revenues	<u>29,600,608</u>	<u>3,734,495</u>	<u>33,335,103</u>
EXPENDITURES			
Current:			
General government	2,980,842	10,327	2,991,169
Public safety	7,055,943	1,956,807	9,012,750
Economic and physical development	1,245,947	846,986	2,092,933
Human services	8,439,858	875,939	9,315,797
Cultural and recreational	635,433	-	635,433
Education	4,567,942	17,336	4,585,278
Debt service:			
Principal repayments	909,666	-	909,666
Interest	351,658	-	351,658
Total expenditures	<u>26,187,289</u>	<u>3,707,395</u>	<u>29,894,684</u>
Excess of revenues over expenditures	3,413,319	27,100	3,440,419
OTHER FINANCING SOURCES (USES):			
Transfers in	-	241,799	241,799
Transfers out	(241,799)	-	(241,799)
Total other financing sources (uses)	<u>(241,799)</u>	<u>241,799</u>	<u>-</u>
Net change in fund balance	3,171,520	268,899	3,440,419
Fund balances, beginning of year, as restated	8,018,570	354,207	8,372,777
Fund balances, end of year	<u>\$ 11,190,090</u>	<u>\$ 623,106</u>	<u>\$ 11,813,196</u>

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

MADISON COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds	\$ 3,440,419
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(451,183)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(51,339)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the repayment of those long-term debt obligations.	909,666
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(605,840)
Change in net position - governmental activities	\$ 3,241,723

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

MADISON COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Positive (Negative)
REVENUES				
Property taxes	\$ 13,192,649	\$ 13,322,830	\$ 13,816,635	\$ 493,805
Sales tax	3,884,500	4,394,293	6,082,179	1,687,886
Other taxes	202,500	214,402	216,660	2,258
Intergovernmental revenues	5,973,581	7,777,201	6,117,770	(1,659,431)
Permits and fees	1,970,629	2,364,334	2,575,353	211,019
Charges for services	526,281	533,580	612,390	78,810
Investment earnings	25,500	25,500	2,385	(23,115)
Miscellaneous	17,700	143,147	177,236	34,089
Total revenues	25,793,340	28,775,287	29,600,608	825,321
EXPENDITURES				
General government	2,879,174	3,758,017	2,980,842	777,175
Public safety	6,757,665	6,959,170	7,055,943	(96,773)
Economic and physical development	1,326,267	1,377,754	1,245,947	131,807
Human services	9,072,250	10,685,708	8,439,858	2,245,850
Cultural and recreational	613,190	629,543	635,433	(5,890)
Education	4,184,697	4,751,938	4,567,942	183,996
Debt service:				
Principal retirements	909,666	909,666	909,666	-
Interest and other charges	159,431	159,431	351,658	(192,227)
Total expenditures	25,902,340	29,231,227	26,187,289	3,043,938
Excess (deficiency) of revenues over (under) expenditures	(109,000)	(455,940)	3,413,319	3,869,259
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	25,000	360,601	-	(360,601)
Transfers out	(75,000)	(63,661)	(241,799)	(178,138)
Issuance of financed purchase	159,000	159,000	-	(159,000)
Total other financing sources (uses)	109,000	455,940	(241,799)	(697,739)
Net change in fund balances	-	-	3,171,520	3,171,520
Fund balances, beginning of year	8,018,570	8,018,570	8,018,570	-
Fund balances, end of year	\$ 8,018,570	\$ 8,018,570	\$ 11,190,090	\$ 3,171,520

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2021

	Enterprise Fund
	Landfill
	Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 552,749
Accounts receivable	34,873
Due from other governments	15,396
Due from other funds	1,337,328
Total current assets	1,940,346
Noncurrent assets:	
Capital assets:	
Non-depreciable	859,832
Plant, property and equipment	2,891,756
Less accumulated depreciation	(2,193,299)
Total capital assets, net	1,558,289
Total assets	3,498,635
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	168,939
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	116,084
Payroll related liabilities	27,103
Accrued landfill closure and postclosure care costs	35,456
Compensated absences	62,692
Total current liabilities	241,335
Noncurrent liabilities:	
Accrued landfill closure and postclosure care costs	2,807,462
Compensated absences	15,673
Net pension liability	326,565
Total noncurrent liabilities	3,149,700
Total liabilities	3,391,035
DEFERRED INFLOWS OF RESOURCES	
Pension related items	10,848
NET POSITION	
Investment in capital assets	1,558,289
Unrestricted (deficit)	(1,292,598)
Total net position	\$ 265,691

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

MADISON COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Fund</u>
	<u>Landfill</u>
	<u>Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,625,546
Recycling	55,851
Total operating revenues	<u>2,681,397</u>
OPERATING EXPENSES	
Salaries and employee benefits	1,040,095
Other operating expenses	1,326,813
Maintenance and repairs	135,712
Depreciation	86,093
Total operating expenses	<u>2,588,713</u>
Operating income	92,684
NON-OPERATING REVENUES	
Investment earnings	26
Total non-operating revenues	<u>26</u>
Change in net position	92,710
Net position, beginning of year, as restated	172,981
Net position, end of year	<u><u>\$ 265,691</u></u>

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

MADISON COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Fund</u> <u>Landfill</u> <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,347,301
Cash paid for goods and services	(1,080,903)
Cash paid to employees for services	(964,794)
Net cash used in operating activities	<u>(698,396)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and acquisition of capital assets	(180,939)
Net cash used in capital and related financing activities	<u>(180,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	26
Net cash provided by investing activities	<u>26</u>
Net decrease in cash and cash equivalents	(879,309)
Cash and cash equivalents, beginning of year	<u>1,432,058</u>
Cash and cash equivalents, end of year	<u>\$ 552,749</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	\$ 92,684
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	86,093
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in accounts receivable	9,559
Increase in due from other governments	(6,327)
Increase in due from other funds	(1,337,328)
Increase in accounts payable	49,817
Increase in accrued payroll	4,131
Increase in postclosure liability	331,805
Increase in compensated absences payable	9,951
Increase in pension related items	61,219
Net cash provided by operating activities	<u>\$ (698,396)</u>

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

MADISON COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

ASSETS	Custodial Funds
	<hr/>
Cash and cash equivalents	\$ 42,549
Taxes receivable	<hr/> 14,397
Total assets	<hr/> 56,946
LIABILITIES	
Uncollected taxes	<hr/> 14,397
Total liabilities	<hr/> 14,397
NET POSITION	
Restricted for individuals, organizations and other governments	<hr/> 42,549
Total net position	<hr/> \$ 42,549

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

MADISON COUNTY, NORTH CAROLINA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Custodial Funds
ADDITIONS	
Taxes	\$ 134,246
Other custodial additions	161,091
	<hr/>
Total additions	295,337
	<hr/>
DEDUCTIONS	
Taxes and fees paid to other governments	134,246
Other custodial disbursements	148,818
	<hr/>
Total deductions	283,064
	<hr/>
Change in fiduciary net position	12,273
	<hr/>
Net position, beginning of year, as restated	30,276
	<hr/>
Net position, end of year	\$ 42,549
	<hr/>

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

MADISON COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Discretely Presented Component Unit – Madison County Housing Authority

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Unit – Madison County Tourism Development Authority

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

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

B. Government-wide and Fund Financial Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The County reports the following major governmental funds:

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

The County reports the following major enterprise funds:

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

Additionally, the County reports the following fund types:

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

The **custodial funds** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as ad valorem and property taxes and inmate deposit payments.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Budgets

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund; Fire District, Coronavirus Relief; CDBG Home Rehab Grant; Occupancy Tax; Revaluation, Soil and Water Conservation District, and Emergency Telephone System special revenue funds; and the Landfill Fund. In accordance with State law, the budget adopted for the enterprise fund is adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. Additionally, the County did not adopt a budget for the Representative Payee Fund. All annual appropriations lapse at the fiscal year-end.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the capital project fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than ten percent of the function whose allocation is reduced. The governing board must approve all amendments. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

All budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments

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

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

The County, the Housing Authority, and the Tourism Development Authority's investments are carried at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price.

F. Cash and Cash Equivalents

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include monies, the use of which is restricted by contractual or legal requirements. Money in the General Fund restricted for school capital is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22. The unexpended forfeiture funds (public safety) and register of deeds funds are restricted by purpose. A summary of restricted cash is presented below:

Governmental activities:	
General Fund	\$ 1,636,831
Component Units:	
Madison County Housing Authority	12,637
Total Restricted cash and cash equivalents:	<u>\$ 1,649,468</u>

H. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

I. Allowances

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

J. Interfund Receivables and Payables

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are accounted for using the consumption method in the governmental funds.

L. Other Assets

Foreclosed property owned by the County is recorded at the net amount of the past due property tax receivable of \$92,298. The County has evaluated the outstanding parcels and while the County carries \$276,893 of property, an allowance of \$184,595 is reported at June 30, 2021.

M. Capital Assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences

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

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

P. Long-Term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity

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

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

Fund balances are classified as follows:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

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

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

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

R. Pensions

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

S. Management Estimates

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

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$9,463,963 difference are as follows:

Notes payable	\$ (8,398,629)
Accrued interest payable	(152,395)
Accrued interest receivable	69,927
Compensated absences (i.e. vacation)	<u>(982,866)</u>
Net adjustments to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (9,463,963)</u></u>

Another element of that reconciliation explains that “the net pension liability (asset), total pension liability and related deferred inflows and outflows of resources related to the County’s defined benefit pension plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.” The details of this \$2,215,623 difference are as follows:

Total pension liability - Law Enforcement Officers' Special Separation	
Allowance (LEOSSA) - pension plan	\$ (437,493)
Deferred outflows of resources - LEOSSA	176,741
Deferred inflows of resources - LEOSSA	(22,564)
Net pension liability - LGERS	(3,937,523)
Deferred outflows of resources - LGERS	2,040,460
Deferred inflows of resources - LGERS	(130,802)
Net pension asset - Register of Deeds Retirement Plan	64,874
Deferred outflows of resources - Register of Deeds	37,557
Deferred inflows of resources - Register of Deeds	<u>(6,873)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (2,215,623)</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$451,183 difference are as follows:

Capital outlay	\$ 275,889
Depreciation expense	<u>(727,072)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (451,183)</u>

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$605,840 difference are as follows:

Compensated absences (i.e., vacation)	\$ 95,485
Change in accrued interest	26,186
Change in accrued interest receivable	(7,366)
Net pension liability and related deferred outflows and inflows - LGERS	(731,834)
Total pension liability and related deferred outflows and inflows - LEOSSA	21,930
Net pension asset and related deferred outflows and inflows- ROD	<u>(10,241)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (605,840)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

General Fund:	
Public Safety	\$ 96,773
Cultural and recreational	5,890
Debt service - interest	192,227
Fire District Fund:	
Marshall fire department	17,587
Mars Hill fire department	76,953
Ebbs Chapel fire department	23,457
Jupiter fire department	4,162
Leicester fire department	8,258
Big Pine fire department	3,884
Country fire department	5,962
Laurel fire department	2,939
Walnut fire department	14,416
Spring Creek fire department	567
Occupancy Tax Fund:	
Tourism development	308,527
Soil and Water Conservation District Fund:	
Administration	1,149
Emergency Telephone System Fund:	
Hardware maintenance	7,449
Coronavirus Relief Fund:	
Public Safety	165,071
Landfill:	
Maintenance and repairs	29,973

The over expended departments were funded through savings noted in other departments within the funds, revenues collected in excess of appropriations, or use of fund balance. The over expended debt service expenditure is a non-cash transaction whereby it is offset by intergovernmental revenues, resulting in zero interest expense recognized by the County on the school construction note. Therefore, the cash portion of principal and interest was budgeted at 100%. The Tourism development expenditures were not budgeted in error due to the tremendous growth in occupancy tax. These funds were appropriately remitted timely to the Tourism Development Authority, but the remittance was not authorized through a budget amendment.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Balance. The Fire Districts Fund is reporting deficit fund balance of \$539 as of June 30, 2021. This deficit will be recovered as property tax collections are received from the applicable fire departments overpaid in a prior fiscal year.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 10,832,629
Restricted cash and cash equivalents	1,636,831
Fiduciary - custodial funds	42,549
	<u>\$ 12,512,009</u>
Cash deposited with financial institutions	\$ 1,289,431
Cash deposited with NCCMT	11,222,578
	<u>\$ 12,512,009</u>

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

As of June 30, 2021, the County had \$11,222,578 invested in the NCCMT's Government Portfolio, which carried a cash credit rating of AAAM by Standard and Poor's and AAAMF by Moody's Investor Service. The NCCMT's Government portfolio is reported at fair value, and measured using level 1 inputs from the fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets. The County has no policy regarding credit risk.

Interest Rate Risk: The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2021, the County's deposits are insured or collateralized as required by GASB and state statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at June 30, 2021, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Other Governmental</u>	<u>Solid Waste Landfill</u>
Receivables:			
Taxes	\$ 1,532,444	\$ 227,325	\$ -
Accounts	343,358	84,309	34,873
Due from other governments	1,781,819	21,738	15,396
Less allowance for uncollectibles	<u>(685,276)</u>	<u>(92,465)</u>	<u>-</u>
Net total receivables	<u>\$ 2,972,345</u>	<u>\$ 240,907</u>	<u>\$ 50,269</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 577,854	\$ -	\$ -	\$ 577,854
Total	<u>577,854</u>	<u>-</u>	<u>-</u>	<u>577,854</u>
Capital assets, being depreciated:				
Buildings and improvements	16,111,913	5,910	-	16,117,823
Equipment	3,122,847	72,262	-	3,195,109
Vehicles and motor equipment	2,794,757	164,272	-	2,959,029
Computer equipment	80,000	33,445	-	113,445
Total being depreciated	<u>22,109,517</u>	<u>275,889</u>	<u>-</u>	<u>22,385,406</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,959,544)	(366,747)	-	(6,326,291)
Equipment	(2,651,882)	(124,712)	-	(2,776,594)
Vehicles and motor equipment	(2,026,065)	(225,568)	-	(2,251,633)
Computer equipment	(8,333)	(10,045)	-	(18,378)
Total	<u>(10,645,824)</u>	<u>(727,072)</u>	<u>-</u>	<u>(11,372,896)</u>
Total capital assets, being depreciated, net	<u>11,463,693</u>	<u>(451,183)</u>	<u>-</u>	<u>11,012,510</u>
Governmental activities capital assets, net	<u>\$ 12,041,547</u>	<u>\$ (451,183)</u>	<u>\$ -</u>	<u>\$ 11,590,364</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 859,832	\$ -	\$ -	\$ 859,832
Total	<u>859,832</u>	<u>-</u>	<u>-</u>	<u>859,832</u>
Capital assets, being depreciated				
Plant and distribution systems	821,428	-	-	821,428
Machinery and equipment	1,105,747	12,277	-	1,118,024
Vehicles	783,642	168,662	-	952,304
Total	<u>2,710,817</u>	<u>180,939</u>	<u>-</u>	<u>2,891,756</u>
Less accumulated depreciation for:				
Plant and distribution systems	(531,943)	(16,297)	-	(548,240)
Machinery and equipment	(962,293)	(26,067)	-	(988,360)
Vehicles	(612,970)	(43,729)	-	(656,699)
Total	<u>(2,107,206)</u>	<u>(86,093)</u>	<u>-</u>	<u>(2,193,299)</u>
Total capital assets being depreciated, net	<u>603,611</u>	<u>94,846</u>	<u>-</u>	<u>698,457</u>
Business-type activities capital assets, net	<u>\$ 1,463,443</u>	<u>\$ 94,846</u>	<u>\$ -</u>	<u>\$ 1,558,289</u>

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

Governmental activities:	
General government	\$ 86,551
Public safety	377,403
Economic and physical development	133,289
Human services	58,829
Culture and recreation	71,000
Total depreciation expense - governmental activities	<u>\$ 727,072</u>
Business-type activities:	
Solid Waste Landfill	\$ 86,093
Total depreciation expense - business-type activities	<u>\$ 86,093</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Direct borrowing -					
Installment notes payable	\$ 9,308,295	\$ -	\$ (909,666)	\$ 8,398,629	\$ 909,667
Net pension liability - LGERS	2,737,225	2,069,556	(869,258)	3,937,523	-
Total pension liability - LEOSSA	301,944	157,482	(21,933)	437,493	-
Compensated absences	1,078,351	926,158	(1,021,643)	982,866	786,923
Long-term liabilities	<u>\$ 13,425,815</u>	<u>\$ 3,153,196</u>	<u>\$ (2,822,500)</u>	<u>\$ 13,756,511</u>	<u>\$ 1,696,590</u>
Business-type activities:					
Closure & Post-closure liability	\$ 2,511,113	\$ 367,261	\$ (35,456)	\$ 2,842,918	\$ 35,456
Net pension liability - LGERS	238,813	159,480	(71,728)	326,565	-
Compensated absences	68,414	71,284	(61,333)	78,365	62,692
Long-term liabilities	<u>\$ 2,818,340</u>	<u>\$ 598,025</u>	<u>\$ (168,517)</u>	<u>\$ 3,247,848</u>	<u>\$ 98,148</u>

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability – LGERS, total pension liability - LEOSSA, and compensated absences are liquidated primarily by the General Fund. See Note 13 for additional consideration of the restated beginning balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Obligations

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

	<u>Balance as of June 30, 2021</u>
<i>Governmental activities</i>	
\$6,445,000 for construction or renovation of various school buildings, due annually in the principal amount of \$429,667, plus interest of 4.67% per annum through February 2031.	\$ 4,078,629
\$9,600,000 for construction of new jail, due annually in the principal amount of \$480,000 plus interest of 2.94% per annum through February 2030.	4,320,000
Total	<u><u>\$ 8,398,629</u></u>

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

Note the interest incurred on the school construction note is reimbursed annually by the financial institution in exchange for a tax credit. The overall interest expense to the County on the notes is annually zero.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2022	\$ 909,667	\$ 127,008	\$ 1,036,675
2023	909,667	112,896	1,022,563
2024	909,667	98,784	1,008,451
2025	909,667	84,672	994,339
2026	909,667	70,560	980,227
2027-2031	3,850,294	141,120	3,991,414
Total	<u><u>\$ 8,398,629</u></u>	<u><u>\$ 635,040</u></u>	<u><u>\$ 9,033,669</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Landfill Closure and Postclosure

State and Federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites after closure. The County reported a liability for closure and postclosure care of its two landfills in the Solid Waste Fund of \$2,842,918. The County's construction and demolition landfill continues to accept waste. As of June 30, 2021, the construction and demolition landfill has used approximately 81.0% of the permitted 131,600 cubic yards of capacity. The remaining costs, not yet accrued for the construction and demolition landfill of \$504,860 will be recognized over the future life of the landfills as capacity is used. Actual costs may be higher upon completion of the cost estimates, or due to inflation, change in technology, or changes in regulations.

NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 111,124
		<u>\$ 111,124</u>
Landfill	General Fund	\$ 1,337,328
		<u>\$ 1,337,328</u>
Component Unit - Madison County Tourism Development Authority	Primary Government	\$ 81,780
		<u>\$ 81,780</u>

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

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 241,799

Transfers are used to move funds from the General Fund to the Revaluation Fund to pay for professional service fees associated with the County's tax revaluation process and the Emergency Telephone System Fund to fund future purchase and maintenance of system equipment.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

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

	LGERS	LEOSSA	RODSPF	Total
Net pension asset	\$ -	\$ -	\$ 64,874	\$ 64,874
Net pension liability	4,354,220	-	-	4,354,220
Total pension liability	-	437,493	-	437,493
Deferred outflows of resources related to pensions	2,252,536	176,741	37,557	2,466,834
Deferred inflows of resources related to pensions	144,644	22,564	6,873	174,081

A. Local Governmental Employees' Retirement System

Plan Description. Madison County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Madison County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2020, was 10.84% of compensation for law enforcement officers and 10.20% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$757,963 for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2021, the County reported a liability of \$4,354,220 for its proportionate share of the net pension liability, of which \$90,132 was reported by Madison County Housing Authority, a discretely presented component unit. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the County's proportion was 0.12185%, which was an increase of 0.00029% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$1,428,025. At June 30, 2021, 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	\$ 549,862	\$ -
Net difference between projected and actual earnings on pension plan investments	612,740	-
Changes in proportion and differences between County contributions and proportionate share of contributions	7,932	144,644
Changes in plan assumptions	324,039	-
County contributions subsequent to the measurement date	757,963	-
Total	<u>\$ 2,252,536</u>	<u>\$ 144,644</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

County contributions made subsequent to the measurement date of \$757,963 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2022	\$ 372,692
2023	503,490
2024	292,407
2025	181,340
Total	<u>\$ 1,349,929</u>

Actuarial Assumptions. The total pension liability as of June 30, 2020 was determined by the December 31, 2019 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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 3.05%. All rates of return and inflation are annualized.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 8,834,237	\$ 4,354,220	\$ 631,010

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance

Plan Description. Madison County administers a public employee retirement system (the “Separation Allowance”), which is a single employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is administered by the State of North Carolina. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

All full time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2019, the date of the most recent actuarial valuation the Separation Allowance’s membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>21</u>
Total	<u><u>23</u></u>

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73 paragraph 4.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

The discount rate used to measure the total pension liability is the Standard & Poor's 20-year Municipal Bond High Grade Rate Index. Since the prior measurement date, the discount rate has changed from 3.26% to 1.93% due to a change in the Municipal Bond Rate.

The plan currently uses RP-2014 Health Annuitant mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid benefits of \$21,201 during the reporting period.

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

At June 30, 2021, the County reported a total pension liability of \$437,493. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$30,539. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 111,203	\$ 7,800
Differences between expected and actual experience	13,069	14,764
County contributions subsequent to the measurement date	52,469	-
Total	<u>\$ 176,741</u>	<u>\$ 22,564</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

Year ending June 30,		
2022	\$	22,130
2023		22,199
2024		19,616
2025		21,373
2026		16,390
Total	\$	<u>101,708</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the County for the fiscal year ended June 30, 2021 were as follows:

	Total Pension Liability	
Balance at June 30, 2020	\$	301,944
Service cost		20,112
Interest		9,498
Assumption changes		118,088
Difference between expected and actual experience		9,052
Benefit payments		(21,201)
Balance at June 30, 2021	\$	<u>437,493</u>

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

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 476,512	\$ 437,493	\$ 402,240

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,043 for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

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

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

At June 30, 2021, the County reported an asset of \$64,874 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the County's proportion was 0.28307%, which was a decrease of .21923% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$15,284. At June 30, 2021, 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	\$ -	\$ 1,322
Net difference between projected and actual earnings on pension plan investments	-	5,551
Changes in proportion and differences between County contributions and proportionate share of contributions	32,514	-
County contributions subsequent to the measurement date	5,043	-
Total	<u>\$ 37,557</u>	<u>\$ 6,873</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

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

County contributions made subsequent to the measurement date of \$5,043 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$	15,293
2023		14,251
2024		(2,505)
2025		(1,398)
Total	\$	<u>25,641</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 increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2021, is 1.40%, including inflation.

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

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

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

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

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (55,102)	\$ (64,874)	\$ (73,142)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

D. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Additionally, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$46,021.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

E. Other Employment Benefits

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

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

NOTE 10. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (CONTINUED)

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

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

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

Litigation:

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

Grant Contingencies:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. JOINT VENTURES

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

The twenty-two counties participating within Vaya Health are represented through a County Commissioner Advisory Board or positions on board membership. Within available resources, the County has an ongoing financial responsibility for the Vaya Health because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest in Vaya Health, so no equity interest has been reflected in the financial statements at June 30, 2021. The County contributed \$30,000 to fund operations during fiscal year June 30, 2021. Complete financial statements for Vaya Health may be obtained from the offices at 200 Ridgefield Court, Asheville, NC 28806.

NOTE 12. CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, the County is required to reevaluate its accounting treatment of fiduciary activities. The new standard requires the County to determine which funds are fiduciary under the new definitions of GASB Statement No. 84. Therefore, in conjunction with the implementation of GASB Statement No. 84, the following restatements were required to the beginning fund balance of the Representative Payee Fund, the Inmate Trust Fund and the beginning net position of the Governmental Activities to properly report the special revenue fund and custodial fund. The effects of the restatements are as follows:

	Governmental Activities
Net Position - beginning, as previously reported	\$ 9,347,687
Restatement for implementation of GASB No. 84	100,328
Net Position - beginning, as restated	<u>\$ 9,448,015</u>
	Representative Payee Fund
Fund balance - beginning, as previously reported	\$ -
Restatement for implementation of GASB No. 84	100,328
Fund balance - beginning, as restated	<u>\$ 100,328</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 12. CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

	<u>Inmate Deposit Account Fund</u>
Fiduciary net position - beginning, as previously reported	\$ -
Restatement for implementation of GASB No. 84	30,276
Fiduciary net position - beginning, as restated	<u>\$ 30,276</u>

NOTE 13. PRIOR PERIOD RESTATEMENT

The County has determined that a restatement to beginning net position was required in the County's Landfill Fund and Business-type activities to properly report the effects of a change in pension expense due to a change in the reporting of the fund's share of the County's LGERS net pension liability and related deferred inflows and outflows of resources. The effect of the restatements resulted in a change to beginning net position of the governmental activities as follows:

	<u>Landfill Fund</u>	<u>Business-type Activities</u>
Net position, as previously reported	\$ 36,290	\$ 36,290
Restatement for reduction in share of LGERS net pension liability, deferred inflows of resources and deferred outflows of resources	136,691	136,691
Net position - beginning, as restated	<u>\$ 172,981</u>	<u>\$ 172,981</u>

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

LAST EIGHT FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018
County's proportion of the net pension liability (asset) (%)	0.12185%	0.12156%	0.13044%	0.13747%
County's proportion of the net pension liability (asset) (\$)	\$ 4,354,220	\$ 3,319,709	\$ 3,094,483	\$ 2,100,161
County's covered payroll	\$ 7,571,033	\$ 7,817,059	\$ 8,337,936	\$ 8,282,859
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	57.51%	42.47%	37.11%	25.36%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	91.63%	94.18%

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.12910%	0.12437%	0.12654%	0.12390%
County's proportion of the net pension liability (asset) (\$)	\$ 2,739,934	\$ 558,165	\$ (146,265)	\$ 1,493,471
County's covered payroll	\$ 7,766,905	\$ 7,847,083	\$ 7,505,059	\$ 7,129,806
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.28%	7.11%	(1.95%)	20.95%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

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

MADISON COUNTY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST EIGHT FISCAL YEARS

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018
Contractually required contribution	\$ 757,963	\$ 683,564	\$ 631,039	\$ 611,505
Contributions in relation to the contractually required contribution	757,963	683,564	631,039	611,505
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 7,399,158	\$ 7,571,033	\$ 7,817,059	\$ 8,337,936
Contributions as a percentage of covered payroll	10.24%	9.03%	8.07%	7.33%
	2017	2016	2015	2014
Contractually required contribution	\$ 615,070	\$ 528,400	\$ 536,040	\$ 520,202
Contributions in relation to the contractually required contribution	615,070	528,400	536,040	520,202
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 8,282,859	\$ 7,766,905	\$ 7,847,083	\$ 7,505,059
Contributions as a percentage of covered payroll	7.43%	6.80%	6.83%	6.93%

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

MADISON COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

MADISON COUNTY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST FIVE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2021	2020	2019	2018
Beginning balance of the total pension liability	\$ 301,944	\$ 286,700	\$ 299,936	\$ 234,227
Service Cost	20,112	18,153	21,229	25,330
Interest on the total pension liability	9,498	10,103	9,336	9,041
Difference between expected and actual experience in the measurement of the total pension liability	9,052	(3,402)	(22,480)	18,748
Change of assumptions or other inputs	118,088	8,693	(12,278)	12,590
Benefit payments	(21,201)	(18,303)	(7,250)	-
Other changes	-	-	(1,793)	-
Ending balance of the total pension liability	<u>\$ 437,493</u>	<u>\$ 301,944</u>	<u>\$ 286,700</u>	<u>\$ 299,936</u>
	2017			
Beginning balance of the total pension liability	\$ 213,202			
Service Cost	19,484			
Interest on the total pension liability	7,611			
Difference between expected and actual experience in the measurement of the total pension liability	-			
Change of assumptions or other inputs	(6,070)			
Benefit payments	-			
Other changes	-			
Ending balance of the total pension liability	<u>\$ 234,227</u>			

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

MADISON COUNTY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST FIVE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 437,493	\$ 301,944	\$ 286,700	\$ 299,936
County's covered-employee payroll	\$ 1,001,043	\$ 906,513	\$ 962,949	\$ 973,157
Total pension liability as a percentage of covered-employee payroll	43.70%	33.31%	29.77%	30.82%
	<u>2017</u>			
Total pension liability	\$ 234,227			
County's covered payroll	\$ 904,876			
Total pension liability as a percentage of covered payroll	25.88%			

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

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

MADISON COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

LAST EIGHT FISCAL YEARS*

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's proportion of the net pension asset (%)	0.28307%	0.50230%	0.55142%	0.53856%
County's proportion of the net pension liability (asset) (\$)	\$ (64,874)	\$ (99,164)	\$ (91,332)	\$ (91,927)
Plan fiduciary net position as a percentage of the total pension liability	173.62%	164.11%	153.31%	153.77%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension asset (%)	0.51720%	0.48856%	0.47362%	0.38040%
County's proportion of the net pension liability (asset) (\$)	\$ (96,697)	\$ (113,225)	\$ (107,357)	\$ (81,251)
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

MADISON COUNTY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST EIGHT FISCAL YEARS

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2021	2020	2019	2018
Contractually required contribution	\$ 5,043	\$ 4,194	\$ 4,719	\$ 4,679
Contributions in relation to the contractually required contribution	5,043	4,194	4,719	4,679
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2017	2016	2015	2014
Contractually required contribution	\$ 4,679	\$ 4,225	\$ 3,867	\$ 4,147
Contributions in relation to the contractually required contribution	4,679	4,225	3,867	4,147
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MADISON COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Occupancy Tax Fund – accounts for the collection of occupancy taxes

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

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

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

Coronavirus Relief Fund – accounts for the CARES Act grant that was remitted to the County in response to COVID-19.

Representative Payee Fund – accounts for monies held by the Social Services department for the benefit of certain individuals in the County.

CDBG Home Rehab Grant Fund – accounts for the activity of a CDBG grant.

MADISON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2021

Special Revenue Funds

	Fire Districts Fund	Occupancy Tax Fund	Revaluation Fund	Soil and Water Conservation District Fund	Emergency Telephone System Fund	Coronavirus Relief Fund	Representative Payee Fund	CDBG Home Rehab Grant Fund	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 58	\$ 424	\$ 74,401	\$ 56,776	\$ 471,572	\$ 6,686	\$ 107,213	\$ -	\$ 717,130
Accounts receivable	-	84,309	-	-	-	-	-	-	84,309
Due from other governments	-	-	-	793	20,945	-	-	-	21,738
Taxes receivable, net	131,733	-	-	-	-	3,127	-	-	134,860
Total assets	<u>\$ 131,791</u>	<u>\$ 84,733</u>	<u>\$ 74,401</u>	<u>\$ 57,569</u>	<u>\$ 492,517</u>	<u>\$ 9,813</u>	<u>\$ 107,213</u>	<u>\$ -</u>	<u>\$ 958,037</u>
LIABILITIES									
Accounts payable	\$ 13,137	\$ -	\$ -	\$ -	\$ 3,541	\$ -	\$ -	\$ -	\$ 16,678
Accrued expenses	-	-	-	-	67	-	-	-	67
Unearned revenue	-	-	-	-	-	6,686	-	-	6,686
Due to other funds	597	2,530	-	-	104,870	3,127	-	-	111,124
Due to component unit	-	81,780	-	-	-	-	-	-	81,780
Total liabilities	<u>13,734</u>	<u>84,310</u>	<u>-</u>	<u>-</u>	<u>108,478</u>	<u>9,813</u>	<u>-</u>	<u>-</u>	<u>216,335</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	<u>118,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,596</u>
FUND BALANCES									
Restricted:									
Stabilization by State Statute	-	-	-	-	20,945	-	-	-	20,945
Public safety	-	-	-	-	363,094	-	-	-	363,094
Economic and physical development	-	423	-	57,569	-	-	-	-	57,992
Human services	-	-	-	-	-	-	107,213	-	107,213
Tax revaluation	-	-	74,401	-	-	-	-	-	74,401
Unassigned (deficit)	(539)	-	-	-	-	-	-	-	(539)
Total fund balances (deficit)	<u>(539)</u>	<u>423</u>	<u>74,401</u>	<u>57,569</u>	<u>384,039</u>	<u>-</u>	<u>107,213</u>	<u>-</u>	<u>623,106</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 131,791</u>	<u>\$ 84,733</u>	<u>\$ 74,401</u>	<u>\$ 57,569</u>	<u>\$ 492,517</u>	<u>\$ 9,813</u>	<u>\$ 107,213</u>	<u>\$ -</u>	<u>\$ 958,037</u>

MADISON COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Special Revenue Funds

	Fire Districts Fund	Occupancy Tax Fund	Revaluation Fund	Soil and Water Conservation District Fund	Emergency Telephone System Fund	Coronavirus Relief Fund	Representative Payee Fund	CDBG Home Rehab Grant Fund	Total Nonmajor Governmental Funds
REVENUES									
Ad valorem taxes	\$ 1,684,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,684,217
Other taxes and licenses	-	830,733	-	-	-	-	-	-	830,733
Restricted intergovernmental	-	-	-	4,162	150,134	843,527	204,368	17,336	1,219,527
Investment earnings	-	12	6	-	-	-	-	-	18
Total revenues	1,684,217	830,745	6	4,162	150,134	843,527	204,368	17,336	3,734,495
EXPENDITURES									
Current:									
General government	-	-	10,327	-	-	-	-	-	10,327
Public safety	1,684,159	-	-	-	107,577	165,071	-	-	1,956,807
Human Services	-	-	-	-	-	678,456	197,483	-	875,939
Economic and physical development	-	830,337	-	16,649	-	-	-	-	846,986
Education	-	-	-	-	-	-	-	17,336	17,336
Total expenditures	1,684,159	830,337	10,327	16,649	107,577	843,527	197,483	17,336	3,707,395
Excess (deficiency) of revenues over (under) expenditures	58	408	(10,321)	(12,487)	42,557	-	6,885	-	27,100
OTHER FINANCING SOURCES									
Transfers in	-	-	84,722	-	157,077	-	-	-	241,799
Total other financing sources	-	-	84,722	-	157,077	-	-	-	241,799
Net change in fund balances	58	408	74,401	(12,487)	199,634	-	6,885	-	268,899
FUND BALANCES (DEFICIT), beginning of year, as restated	(597)	15	-	70,056	184,405	-	100,328	-	354,207
FUND BALANCES (DEFICIT), end of year	\$ (539)	\$ 423	\$ 74,401	\$ 57,569	\$ 384,039	\$ -	\$ 107,213	\$ -	\$ 623,106

MADISON COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes:				
Taxes	\$ 13,031,149	\$ 13,114,094	\$ 13,577,426	\$ 463,332
Penalties and interest	161,500	208,736	239,209	30,473
Total property taxes	13,192,649	13,322,830	13,816,635	493,805
Sales tax:				
Local option sales tax	3,802,500	4,059,231	5,771,063	1,711,832
Medical hold harmless	82,000	335,062	311,116	(23,946)
Total sales tax	3,884,500	4,394,293	6,082,179	1,687,886
Other taxes:				
Video programming tax	14,000	14,000	14,644	644
Tax reimbursement	22,000	22,000	29,286	7,286
Payments in lieu of taxes	166,500	178,402	172,730	(5,672)
Total other taxes	202,500	214,402	216,660	2,258
Intergovernmental revenues:				
Emergency management	38,525	38,525	39,378	853
Senior citizen programs	24,950	24,950	28,040	3,090
Transportation	279,093	405,092	409,220	4,128
Soil and water	26,500	26,880	26,880	-
Other federal and state grants	256,387	894,057	901,904	7,847
Health department	1,398,277	1,822,534	1,683,679	(138,855)
Social services	3,651,349	4,215,043	2,700,311	(1,514,732)
In-home aids	87,500	139,120	98,874	(40,246)
Nutrition	130,000	130,000	148,738	18,738
Library	81,000	81,000	80,746	(254)
Total intergovernmental revenues	5,973,581	7,777,201	6,117,770	(1,659,431)
Permits and fees:				
Register of deeds	326,750	544,638	587,509	42,871
Building permits and inspections	185,800	185,800	220,035	34,235
Court facilities fees	51,200	82,068	79,862	(2,206)
Board of elections	260	260	16	(244)
Sheriff	1,362,349	1,378,678	1,602,235	223,557
Animal control	44,270	172,890	85,696	(87,194)
Total permits and fees	1,970,629	2,364,334	2,575,353	211,019
Charges for services:				
Transportation fees	124,031	91,676	72,851	(18,825)
Health department fees	269,400	291,777	408,417	116,640
Library	11,900	14,400	7,464	(6,936)
Nutrition income	14,250	19,200	16,344	(2,856)
Parks and recreation fees	13,400	21,157	16,413	(4,744)
Other sales and services	93,300	95,370	90,901	(4,469)
Total charges for services	526,281	533,580	612,390	78,810
Investment earnings	25,500	25,500	2,385	(23,115)
Miscellaneous revenues:				
Local grants	7,200	8,700	58,000	49,300
Other	10,500	134,447	119,236	(15,211)
Total miscellaneous revenues	17,700	143,147	177,236	34,089
Total revenues	25,793,340	28,775,287	29,600,608	825,321

continued

MADISON COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures:				
General government:				
Governing body	\$ 448,334	\$ 1,088,302	\$ 513,573	\$ 574,729
Finance	617,826	582,425	515,412	67,013
Tax collector	290,366	302,585	299,073	3,512
Tax supervisor	251,831	247,117	237,064	10,053
Land records	100	6,373	4,685	1,688
Legal	65,000	65,000	61,950	3,050
Court facilities	35,080	33,680	12,697	20,983
Board of elections	309,018	372,188	354,039	18,149
Register of deeds	292,811	426,270	430,856	(4,586)
Physical facilities	568,808	634,077	551,493	82,584
Total general government	2,879,174	3,758,017	2,980,842	777,175
Public Safety:				
Sheriff and communications	3,661,856	3,556,795	3,801,688	(244,893)
Emergency management	97,352	143,885	132,471	11,414
911 dispatchers	629,680	764,112	721,888	42,224
NC Forest Services	93,931	111,962	112,403	(441)
Inspections and zoning	224,799	314,412	269,572	44,840
Medical examiner	12,500	12,500	11,200	1,300
Ambulance/rescue squad	1,722,500	1,722,500	1,715,000	7,500
Animal control	315,047	333,004	291,721	41,283
Total public safety	6,757,665	6,959,170	7,055,943	(96,773)
Economic and physical development:				
Transportation	405,041	422,212	343,696	78,516
Economic development	110,685	110,727	83,627	27,100
Planning and development	193,112	146,708	137,212	9,496
Information technology center	229,458	275,783	268,686	7,097
Cooperative extension services	260,065	275,175	266,250	8,925
Soil and water conservation	127,906	147,149	146,476	673
Total economic and physical development	1,326,267	1,377,754	1,245,947	131,807
Human Services:				
Medical transportation	142,250	127,628	101,651	25,977
Department of public health	3,047,429	3,651,424	3,276,609	374,815
Management administration	349,084	590,390	463,131	127,259
Department of social services	4,787,807	5,028,935	3,805,519	1,223,416
Child support enforcement	126,754	127,882	103,639	24,243
In-home aides	204,413	143,626	119,734	23,892
Nutrition-congregate meals	414,513	587,832	569,575	18,257
CARES Act	-	427,991	-	427,991
Total human services	9,072,250	10,685,708	8,439,858	2,245,850
Culture and recreational:				
Libraries	498,517	504,613	514,338	(9,725)
Parks and recreation	114,673	124,930	121,095	3,835
Total culture and recreational	613,190	629,543	635,433	(5,890)

continued

MADISON COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (Continued):				
Education:				
Madison County schools	\$ 4,070,197	\$ 4,637,438	\$ 4,453,438	\$ 184,000
Community college	114,500	114,500	114,504	(4)
Total education	4,184,697	4,751,938	4,567,942	183,996
Debt Service:				
Principal	909,666	909,666	909,666	-
Interest	159,431	159,431	351,658	(192,227)
Total debt service	1,069,097	1,069,097	1,261,324	(192,227)
Total expenditures	25,902,340	29,231,227	26,187,289	3,043,938
Excess (deficiency) of revenues over expenditures	(109,000)	(455,940)	3,413,319	3,869,259
Other financing sources (uses)				
Appropriated fund balance	25,000	360,601	-	(360,601)
Transfers out	(75,000)	(63,661)	(241,799)	(178,138)
Issuance of financed purchase	159,000	159,000	-	(159,000)
Total other financing sources (uses)	109,000	455,940	(241,799)	(697,739)
Net change in fund balances	-	-	3,171,520	3,171,520
Fund balance, beginning of year	8,018,570	8,018,570	8,018,570	-
Fund balance, end of year	\$ 8,018,570	\$ 8,018,570	\$ 11,190,090	\$ 3,171,520

MADISON COUNTY, NORTH CAROLINA
FIRE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Ad valorem taxes	\$ 1,349,953	\$ 1,525,974	\$ 1,684,217	\$ 158,243
EXPENDITURES				
Public safety:				
Marshall Fire Department	146,453	163,908	181,495	(17,587)
Mars Hill Fire Department	554,000	662,195	739,148	(76,953)
Ebbs Chapel Fire Department	225,000	240,136	263,593	(23,457)
Jupiter Fire Department	29,000	38,210	42,372	(4,162)
Leicester Fire Department	95,000	96,304	104,562	(8,258)
Big Pine Fire Department	30,000	32,079	35,963	(3,884)
Country Fire Department	27,000	29,087	35,049	(5,962)
Laurel Fire Department	55,500	55,500	58,439	(2,939)
Walnut Fire Department	123,000	133,000	147,416	(14,416)
Spring Creek Fire Department	65,000	75,555	76,122	(567)
Total expenditures	1,349,953	1,525,974	1,684,159	(158,185)
Net change in fund balances	-	-	58	58
FUND BALANCE (DEFICIT), beginning of year	(597)	(597)	(597)	-
FUND BALANCE (DEFICIT), end of year	\$ (597)	\$ (597)	\$ (539)	\$ 58

MADISON COUNTY, NORTH CAROLINA
OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Room tax	\$ 205,897	\$ 521,817	\$ 830,733	\$ 308,916
Investment earnings	-	-	12	12
Total revenues	205,897	521,817	830,745	308,928
EXPENDITURES				
Economic and physical development:				
Tourism development	205,897	521,810	830,337	(308,527)
Total expenditures	205,897	521,810	830,337	(308,527)
Net change in fund balances	-	7	408	401
FUND BALANCE, beginning of year	15	15	15	-
FUND BALANCE, end of year	\$ 15	\$ 22	\$ 423	\$ 401

MADISON COUNTY, NORTH CAROLINA
REVALUATION FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Investment earnings	\$ -	\$ -	\$ 6	\$ 6
EXPENDITURES				
General government:				
Reserve for revaluation	-	33,083	10,327	22,756
Total expenditures	-	33,083	10,327	22,756
Deficiency of revenues under expenditures	-	(33,083)	(10,321)	22,762
OTHER FINANCING SOURCES				
Appropriated fund balance	-	33,083	-	(33,083)
Transfer in	75,000	65,278	84,722	19,444
Total other financing sources	75,000	98,361	84,722	(13,639)
Net change in fund balances	75,000	65,278	74,401	9,123
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	<u>\$ 75,000</u>	<u>\$ 65,278</u>	<u>\$ 74,401</u>	<u>\$ 9,123</u>

MADISON COUNTY, NORTH CAROLINA
SOIL AND WATER CONSERVATION DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Restricted intergovernmental	\$ 38,472	\$ 38,972	\$ 4,162	\$ (34,810)
EXPENDITURES				
Economic and physical development:				
Water monitoring grant	12,060	12,060	-	12,060
Administration	15,000	15,500	16,649	(1,149)
Total expenditures	27,060	27,560	16,649	10,911
Net change in fund balances	11,412	11,412	(12,487)	(23,899)
FUND BALANCE, beginning of year	70,056	70,056	70,056	-
FUND BALANCE, end of year	\$ 81,468	\$ 81,468	\$ 57,569	\$ (23,899)

MADISON COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Restricted intergovernmental	\$ 207,746	\$ 207,746	\$ 150,134	\$ (57,612)
EXPENDITURES				
Public safety:				
Implemental functions	57,011	57,012	117	56,895
Professional services	10,000	10,000	6,849	3,151
Phone and furniture	34,375	34,375	14,689	19,686
Hardware maintenance	50,757	50,757	58,206	(7,449)
Training	4,980	4,980	2,510	2,470
Capital outlay	50,622	50,622	25,206	25,416
Total expenditures	207,746	207,746	107,577	100,169
Excess of revenues over expenditures	-	-	42,557	42,557
OTHER FINANCING SOURCES				
Transfer in	-	-	157,077	157,077
Total other financing sources	-	-	157,077	157,077
Net change in fund balances	-	-	199,634	199,634
FUND BALANCE, beginning of year	184,405	184,405	184,405	-
FUND BALANCE, end of year	\$ 184,405	\$ 184,405	\$ 384,039	\$ 199,634

MADISON COUNTY, NORTH CAROLINA
CORONAVIRUS RELIEF FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Restricted intergovernmental	<u>\$ 850,212</u>	<u>\$ 850,212</u>	<u>\$ 843,527</u>	<u>\$ (6,685)</u>
EXPENDITURES				
Public Safety:	-	-	165,071	(165,071)
Human Services	<u>850,212</u>	<u>850,212</u>	<u>678,456</u>	<u>171,756</u>
Total expenditures	<u>850,212</u>	<u>850,212</u>	<u>843,527</u>	<u>6,685</u>
Net change in fund balances	-	-	-	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT), end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MADISON COUNTY, NORTH CAROLINA
CDBG - HOME REHAB GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Restricted intergovernmental	\$ 17,336	\$ 17,336	\$ 17,336	\$ -
EXPENDITURES				
Economic and physical development	17,336	17,336	17,336	-
Total expenditures	17,336	17,336	17,336	-
Net change in fund balances	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

MADISON COUNTY, NORTH CAROLINA
LANDFILL
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	\$ 2,028,422	\$ 2,439,684	\$ 2,625,546	\$ 185,862
Recycling	22,500	31,909	55,851	23,942
Investment earnings	-	-	26	26
Total revenues	2,050,922	2,471,593	2,681,423	209,830
EXPENDITURES				
Salaries and benefits	972,423	972,423	968,925	3,498
Maintenance and repairs	77,700	105,739	135,712	(29,973)
Other operating expenses	1,000,799	1,553,889	1,175,947	377,942
Total expenditures	2,050,922	2,632,051	2,280,584	351,467
Excess (deficiency) of revenues over (under) expenditures	-	(160,458)	400,839	561,297
OTHER FINANCING SOURCES				
Appropriated fund balance	-	160,458	-	(160,458)
Total other financing sources	-	160,458	-	(160,458)
Net change in net position	\$ -	\$ -	400,839	\$ 400,839
Adjustments to full accrual:				
Capital outlays			180,939	
Increase in estimated postclosure costs			(331,805)	
Increase in compensated absences			(9,951)	
Increase in net pension liability			(61,219)	
Depreciation expense			(86,093)	
Change in net position - GAAP Basis			\$ 92,710	

MADISON COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

ASSETS	Motor Vehicle Tax Fund	Inmate Trust Fund	Total
Cash and cash equivalents	\$ -	\$ 42,549	\$ 42,549
Taxes receivable	14,397	-	14,397
	<hr/>	<hr/>	<hr/>
Total assets	14,397	42,549	56,946
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Uncollected taxes	14,397	-	14,397
	<hr/>	<hr/>	<hr/>
Total liabilities	14,397	-	14,397
	<hr/>	<hr/>	<hr/>
NET POSITION			
Restricted for individuals, organizations and other governments	-	42,549	42,549
	<hr/>	<hr/>	<hr/>
Total net position	\$ -	\$ 42,549	\$ 42,549
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MADISON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Motor Vehicle Tax Fund	Inmate Trust Fund	Total
ADDITIONS			
Taxes	\$ 134,246	\$ -	\$ 134,246
Other custodial additions	-	161,091	161,091
Total additions	134,246	161,091	295,337
DEDUCTIONS			
Taxes and fees paid to other governments	134,246	-	134,246
Other custodial disbursements	-	148,818	148,818
Total deductions	134,246	148,818	283,064
Net increase in custodial net position	-	12,273	12,273
Net position, beginning of year, as restated	-	30,276	30,276
Net position, end of year	\$ -	\$ 42,549	\$ 42,549

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 13,616,603	\$ 13,146,649	\$ 469,954
2019-2020	561,612	-	267,903	293,709
2018-2019	300,038	-	96,970	203,068
2017-2018	172,021	-	39,471	132,550
2016-2017	119,323	-	24,310	95,013
2015-2016	84,317	-	16,116	68,201
2014-2015	66,535	-	6,566	59,969
2013-2014	77,760	-	7,426	70,334
2012-2013	77,448	-	5,468	71,980
2011-2012	72,972	-	5,306	67,666
2010-2011	62,854	-	62,854	-
	<u>\$ 1,594,880</u>	<u>\$ 13,616,603</u>	<u>\$ 13,679,039</u>	<u>1,532,444</u>
	Less: allowance for uncollectible accounts - General Fund			<u>(685,276)</u>
	Ad valorem taxes receivable - net			<u>\$ 847,168</u>
	<u>Reconciliation to revenues:</u>			
	Ad valorem taxes - General Fund			\$ 13,816,635
	Reconciling items:			
	Interest and penalties			(239,209)
	Taxes written off			60,874
	Other adjustments			40,739
	Total collections and credits			<u>\$ 13,679,039</u>

MADISON COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY COUNTY-WIDE LEVY JUNE 30, 2021

				Total Levy	
	County - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	\$ 2,723,320,600	0.500	\$ 13,616,603	\$ 12,487,634	\$ 1,128,969
Discoveries	21,554,800	0.500	107,774	107,774	-
Adjustments	32,057,400	0.500	160,287	160,287	-
Total property valuation	<u>\$ 2,776,932,800</u>				
Net levy			13,884,664	12,755,695	1,128,969
Uncollected taxes at June 30, 2021			(469,954)	(469,954)	-
Current year's taxes collected			<u>\$ 13,414,710</u>	<u>\$ 12,285,741</u>	<u>\$ 1,128,969</u>
Current levy collection percentage			<u>96.62%</u>	<u>96.32%</u>	<u>100.00%</u>

MADISON COUNTY, NORTH CAROLINA

**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE,
THE STATE SINGLE AUDIT ACT, AND
*GOVERNMENT AUDITING STANDARDS***

YEAR ENDED JUNE 30, 2021

MADISON COUNTY, NORTH CAROLINA

FOR THE YEAR ENDED

JUNE 30, 2021

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Madison County, North Carolina (the "County") as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the Madison County Housing Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. Our report also includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, as of July 1, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2021-001, and 2021-002, which we consider to be material weaknesses.

Compliance and Other Matters

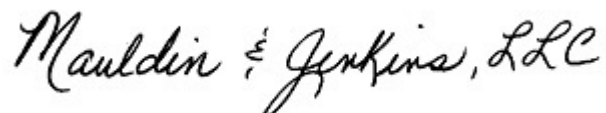
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-003.

Madison County, North Carolina's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
February 28, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited Madison County, North Carolina's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 28, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia

February 28, 2022



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

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

Report on Compliance for Each Major State Program

We have audited Madison County, North Carolina's (the "County") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2021. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

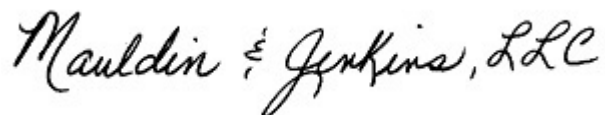
Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
February 28, 2022

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures		Payments To All
			Federal	State	Subrecipients
FEDERAL AWARDS					
U.S. Department of Agriculture:					
Passed through North Carolina Department of Health and Human Services:					
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		\$ 68,266	\$ -	\$ -
Supplemental Nutrition Assistance Program:					
SNAP Administration	10.561		222,425	-	-
Supplemental Nutrition Assistance Program Cluster			222,425	-	-
Total U.S. Department of Agriculture			290,691	-	-
U.S. Department of Housing and Urban Development:					
Passed through North Carolina Department of Commerce:					
Community Development Block Grant	14.228		97,490	-	-
Community Development Block Grant			97,490	-	-
Total U.S. Department of Housing and Urban Development			97,490	-	-
U.S. Department of Transportation:					
Public Transportation of Nonurbanized Areas:					
Administration	20.509	18-CT-019	106,270	5,376	-
COVID-19 - Grants for Rural Areas and Tribal Transit Program	20.509	18-CT-019	251,892	-	-
			358,162	5,376	-
Enhanced Mobility of Seniors and Individuals with Disabilities - Transit Cluster	20.513		7,559	-	-
Total U.S. Department of Transportation			365,721	5,376	-
U.S. Department of Treasury:					
Passed through North Carolina Pandemic Recovery Office					
Coronavirus Relief Fund	21.019		843,527	-	256,521
Total U.S. Department of Treasury			843,527	-	256,521
U.S. Election Assistance Commission:					
Passed through North Carolina State Board of Elections					
COVID-19 - Help America Vote Act	90.401		110,950	-	-
Total Election Assistance Commission			110,950	-	-
U.S. Department of Health and Human Services					
Passed through North Carolina Department of Health and Human Services					
SSBG Other Services	93.667		328,809	230	-
Total Social Services Block Grant			328,809	230	-
Aging Cluster:					
Nutrition Services Incentive Program	93.053		28,596	-	-
Grants for Supportive Services and Senior Centers - Title III, Part B	93.044		3,598	212	-
Grants for Supportive Services and Senior Centers - Title III, Part B	93.044		10,836	50,005	-
Special Program for the Aging - Title III, Part C	93.045		21,818	-	-
Special Program for the Aging - Title III, Part C	93.045		60,667	33,744	-
COVID-19 - Special Program for the Aging - Title III, Part C	93.045		37,751	-	-
Total Aging Cluster			163,266	83,961	-
Passed through North Carolina Department of Health and Human Services					
Child Care Development Cluster:					
Child Care Development Fund - Administration	93.596		24,610	-	-
Total Child Care Development Cluster			24,610	-	-
Temporary Assistance for Needy Families:					
Temporary Assistance for Needy Families (TANF)	93.558		117,705	-	-
TANF - Work First	93.558		179,480	-	-
Total Temporary Assistance for Needy Families Cluster			297,185	-	-
Foster Care and Adoption Cluster:					
Foster Care Program:					
Foster Care Title IV-E	93.658		105,452	73,421	-
IV-E Admin County Paid to CCI	93.658		264,305	59,940	-
Total Foster Care			369,757	133,361	-
Adoption Program:					
IV-E Adoption	93.659		353,324	68,360	-
Total Adoption			353,324	68,360	-
Total Foster Care and Adoption State Cluster (1)			723,081	201,721	-
Medicaid:					
Medical Assistance - Administration	93.778		857,368	653	-
Total Medicaid Cluster			857,368	653	-
Breast and Cervical Cancer Control Grants	93.898		7,475	10,462	-
Healthy Communities Activities	93.991		30,607	-	-
Maternal and Child Health Services Block Grant	93.994		291,008	10,203	289,117
North Carolina's TB Elimination and Laboratory Project	93.116		50	-	-
Family Planning	93.217		30,969	-	-
Refugee Assistance Admin	93.566		72	-	-
Low-Income Home Energy Assistance Program:					
Crisis Intervention Payments	93.568		16,575	-	-
Low Income Energy Administration	93.568		15,543	-	-
Low Income Energy Assistance	93.568		98,067	-	-
COVID-19 - Low Income Energy Assistance	93.568		87,784	-	-
Total Low-Income Home Energy Assistance Grant			217,969	-	-

continued

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures		Payments To All
			Federal	State	Subrecipients
FEDERAL AWARDS (Continued)					
Permanency Planning - Service & Admin	93.645		\$ 9,415	\$ -	\$ -
Public Health Emergency Preparedness	93.069		30,590	-	-
Immunization Grants	93.268		56,198	-	-
Epidemiology and Laboratory Capacity for Infection Disease (ELC)	93.323		47,532	-	-
COVID-19 -	93.354		60,489	-	-
Independent Living - LINKS	93.674		7,002	873	-
Sexually Transmitted Diseases (STD) Prevention and Control Grant	93.977		42	-	-
Family Preservation	93.556		6,355	-	-
Child Support Enforcement Program -IV-D Administration	93.563		80,936	78	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.436		4,905	-	-
Children's Health Insurance Program (CHIP):					
North Carolina Health Choice - Administration	93.767		11,096	-	-
Total Child Support Enforcement Grant			11,096	-	-
Total U.S. Department of Health and Human Services			3,287,029	308,181	289,117
U.S. Department of Homeland Security:					
Passed through North Carolina Department of Crime Control and Public Safety					
Emergency Management Preparedness Grant	97.042		39,378	-	-
Total U.S. Department of Homeland Security			39,378	-	-
TOTAL FEDERAL AWARDS			5,034,786	313,557	545,638
STATE AWARDS					
Passed through Land of Sky Regional Council:					
Senior Center General Purpose Funding			-	28,040	-
North Carolina Department of Health and Human Services:					
<u>Division of Social Services:</u>					
State Foster Care			-	151,971	-
CPSS Expansion			-	23,792	-
APS/CPS Care COVID-19			-	15,797	-
Energy Assistance - Private Grants			-	2,036	-
CWS / Adopt			-	50,683	-
Total Division of Social Services			-	244,279	-
<u>Division of Public Health:</u>					
General Aid to Counties			-	82,078	-
General Communicable Disease Control			-	10,783	-
Triple P			-	144,817	144,817
Public Health Nursing			-	150,000	-
Tuberculosis			-	2,164	-
HIV/STD			-	291	-
Total Division of Public Health			-	390,133	144,817
Total North Carolina Department of Health and Human Services			-	634,412	144,817
North Carolina Department of Commerce:					
Small Business Loans Contributions			-	10,000	-
Total North Carolina Department of Public Institution			-	10,000	-
North Carolina Board of Elections:					
Help America Vote Act			-	54,360	-
Total North Carolina Board of Elections			-	54,360	-
North Carolina Department of Public Institution:					
Public School Capital Building Fund - Lottery Proceeds			-	350,000	-
Total North Carolina Department of Public Institution			-	350,000	-
North Carolina Department of Cultural Resources:					
<u>Division of State Library:</u>					
State Aid to Public Libraries			-	80,746	-
Total North Carolina Department of Cultural Resources			-	80,746	-
North Carolina Department of Public Safety					
Juvenile Crime Prevention Programs			-	96,465	96,465
Total North Carolina Department of Public Safety			-	96,465	96,465
TOTAL STATE AWARDS			-	1,254,023	241,282
TOTAL FEDERAL AND STATE AWARDS			\$ 5,034,786	\$ 1,567,580	\$ 786,920

MADISON COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

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

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

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

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

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

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

SECTION I

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	<u> X </u> yes <u> </u> no
Significant deficiencies identified?	<u> </u> yes <u> X </u> none reported
Noncompliance material to financial statements noted?	<u> X </u> yes <u> </u> no

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	<u> </u> yes <u> X </u> no
Significant deficiencies identified:	<u> </u> yes <u> X </u> none reported
Type of auditor's report issued on compliance of major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes <u> X </u> no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Cluster
93.658	Foster Care Title IV-E
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Awards

Internal control over major state programs:

Material weaknesses identified: _____ yes X no

Significant deficiencies identified:

_____ yes X none reported

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

Unmodified

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

_____ yes X no

Identification of major state programs:

Program Name _____

Medicaid Cluster

Foster Care Title IV-E

State Foster Care

Juvenile Crime Prevention

Public School Capital Building Fund – Lottery Proceeds

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2021-001 Segregation of Duties

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

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

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

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

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2021-001 Segregation of Duties (Continued)

- During our review of purchase card transactions it was noted that the department heads review their own purchase card transactions for approval prior to payment. We suggest that each department heads purchase card transactions be reviewed and approved by someone other than the department head.
- During our disbursement testing, we noted that department heads approve their own requests for travel reimbursements. We suggest that each department head's request for travel reimbursement be reviewed and approved by someone other than that department head.

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

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

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

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2021-002 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the County.

Condition: Internal controls were not sufficient to detect a misstatement in the reporting of the County's financial statements for the fiscal year ended June 30, 2020.

Context/Cause: During our audit testing for the fiscal year ended June 30, 2021, a material misstatement was identified by management that caused the need to restate opening net position for the fiscal year ended June 30, 2020 for the Landfill Fund and Business-type activities. The County improperly over-allocated the enterprise fund's share of LGERS net pension liability and related deferred inflows and deferred outflows of resources. This resulted in pension expense being too high for the fiscal year ended June 30, 2020. An adjustment of \$136,691 was required to correct the effect of the expense and restate the opening net position of the Landfill Fund and Business-type activities.

Effects/Possible Effects: An audit adjustment totaling \$136,691 was needed to correct the opening net position of the Landfill Fund and Business-type activities.

Recommendation: We recommend the County carefully review the financial statements and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that all information and financial data is being properly reported.

Auditee's Response: An error occurred in the prior year in doubling the amount allocated to the enterprise fund for its portion of County's share of the LGERS net pension liability. Management will review the allocation between governmental funds and proprietary funds within the context of government-wide reporting. In addition, management will agree the total of the County's net pension liability to the liability shown on the LGC spreadsheets for a given fiscal year.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2021-003 Legally Adopted Budget and Expenditures in Excess of Appropriations

Criteria: The County implemented Governmental Accounting Standards Board (GASB) 84, *Fiduciary Activities*, in the current year. Per guidance from the Local Government Commission of the North Carolina Department of State Treasurer, the Representative Payee Fund should be budgeted and accounted for as a special revenue fund after the implementation of GASB 84. In addition, the Local Government Budget and Fiscal Control Act (159-8) requires that funding be available or amendments made such that expenditures are not in excess of appropriations at the budgetary level.

Condition: The County did not adopt a budget for the Representative Payee Fund as per the Local Government Commission Memorandum #2021-04. In addition, the following funds' expenditures exceeded budget appropriations: General Fund, Fire District Fund, Occupancy Tax Fund, Soil and Water Conservation District Fund, Emergency Telephone System Fund, Coronavirus Relief Fund, and Landfill.

Context/Cause: During our testing, we noted that the County did not adopt an original budget or amend their budget mid-year for the Representative Payee Fund. We also noted that the following funds all reported expenditures in excess of appropriations: General Fund - \$294,890, Fire District Fund - \$158,185, Occupancy Tax Fund - \$308,527, Soil and Water Conservation District Fund - \$1,149, Emergency Telephone System Fund - \$7,449, Coronavirus Relief Fund - \$165,071, and Landfill - \$29,973.

Effects: The County was not in compliance with the guidance set by the Local Government Commission as of June 30, 2021. In addition, fiscal control and accountability over departmental expenditures may be jeopardized regarding funds in which expenditures exceeded appropriations.

Recommendation: We recommend the County ensure all special revenue funds are budgeted for during the normal budget process. We also recommend the County amend the budget(s) as needed in order to prevent budget deficiencies.

Auditee's Response: With the implementation of GASB 84, the County missed creating an approved budget for the Representative Payee Fund. Going forward, the County will budget and approve an annual budget for the fund to encompass all funds handled within the fund. In addition, the County will verify all special revenue funds are appropriately budgeted within the normal budget process.

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

MADISON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION IV
STATE AWARD FINDINGS AND QUESTIONED COSTS

None noted

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

2020-001 Segregation of Duties

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

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

Current Status: This was not resolved in the current year (see repeat finding 2021-001).

2020-002 Equity Reconciliation and Revenue Recognition

Condition: Internal controls were not sufficient to detect a misstatement in the reporting of the opening fund balance of the General Fund as well as the reporting of various intergovernmental grant revenues.

Criteria: During our testing, an audit adjustment was required to adjust the opening fund balance of the County General Fund. This reduced opening fund balance to create unearned revenue accounts for previously received grants for which the funds have not been fully expended as of June 30, 2020.

Current Status: This was resolved in the current year.

MADISON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

**2020-003 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs**

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

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

Current Status: This program was not funded by the State for the fiscal year ended June 30, 2021, and activities were funded through COVID-19 Federal funding. The compliance requirements were not applicable.

**2020-004 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs and Period of Availability**

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

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

Current Status: This program was not funded by the State for the fiscal year ended June 30, 2021, and activities were funded through COVID-19 Federal funding. The compliance requirements were not applicable.



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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2021

2021-001 Segregation of Duties

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

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

Anticipated Completion Date: June 30, 2022.

2021-002 Restatement of Prior Year Balances

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

Corrective Action Plan: Management will review the allocation between governmental funds and proprietary funds within the context of government-wide reporting. In addition, management will agree the total of the County's net pension liability to the liability shown on the LGC spreadsheets for a given fiscal year.

Anticipated Completion Date: June 30, 2022.

2021-003 Legally Adopted Budget and Expenditures in Excess of Appropriations

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

Corrective Action Plan: Going forward, the County will budget and approve an annual budget for the fund to encompass all funds handled within the fund. In addition, the County will verify all special revenue funds are appropriately budgeted within the normal budget process.

Anticipated Completion Date: June 30, 2022.