

MCDOWELL COUNTY, NORTH CAROLINA

Independent Auditors' Report, Financial Statements,
Management's Discussion and Analysis,
Supplemental Information and Single Audit Reports
For the Year Ended June 30, 2021

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

MCDOWELL COUNTY, NORTH CAROLINA

County Officials
June 30, 2021

Board of Commissioners

Tony Brown	Chairperson
David Walker	Vice Chairperson
Chris Allison	Member
Patrick Ellis	Member
Brenda Vaughn	Member

Principal Officers

Ashley Wooten	County Manager
Fred Coats	Attorney
Ricky Buchanan	Sheriff
Lydia Effler	Register of Deeds
Melissa Adams	Clerk of Court
Alison Bell	County Finance Officer
Lisa Sprouse	Social Services Director
Tammy Wylie	Tax Assessor

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

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

Independent Auditors' Report

To the Board of County Commissioners
McDowell 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 unit, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise McDowell County, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of McDowell County Tourism Development Authority, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. 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 McDowell County Tourism Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 the 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 opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Register of Deeds' Pension Fund Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 4–13 and 82–88, 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 McDowell County, North Carolina's basic financial statements. The combining and individual fund financial statements, the budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Audit Implementation Act*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated January 21, 2022, on our consideration of McDowell County, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of McDowell County, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering McDowell County, North Carolina's internal control over financial reporting and compliance.

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

Morganton, North Carolina
January 21, 2022

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Management's Discussion and Analysis

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

Financial Highlights

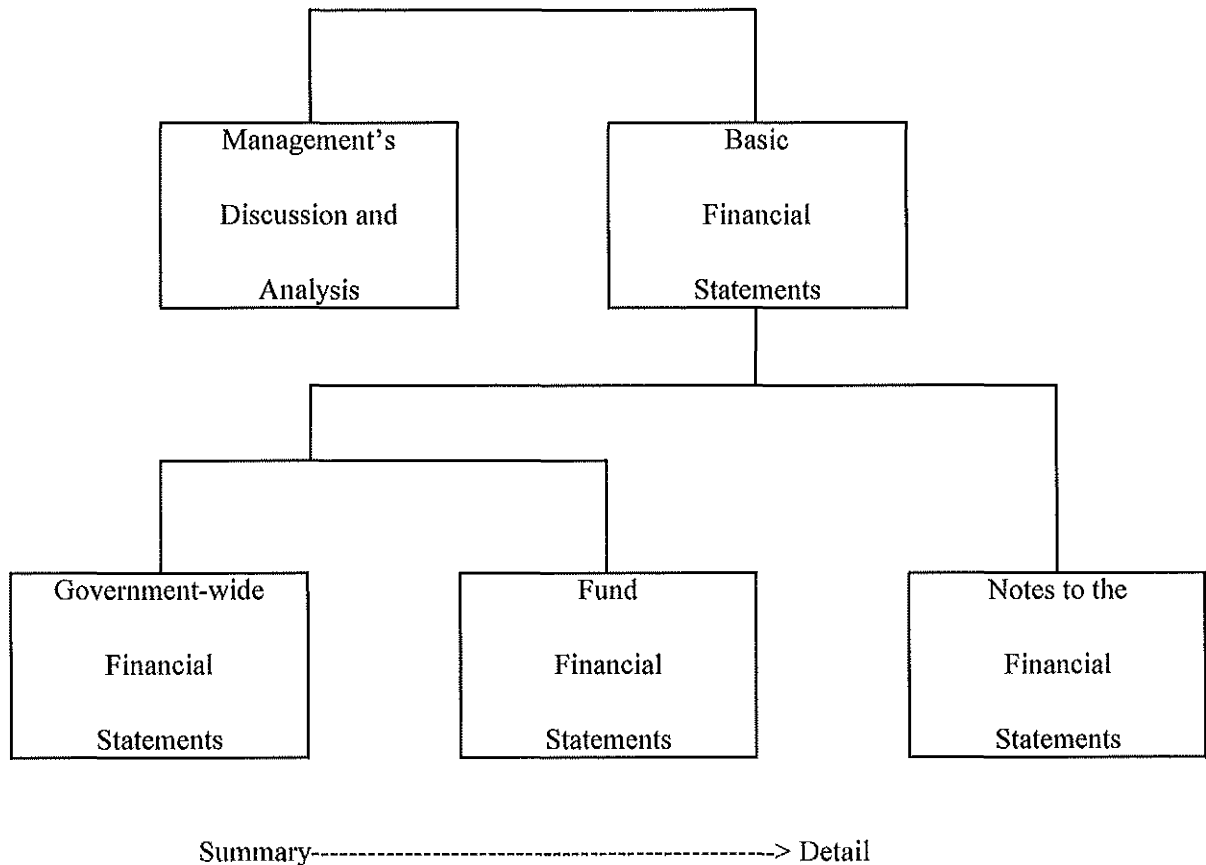
- The assets and deferred outflows of resources of McDowell County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$49,000,762 (net position).
- The government's total net position increased by \$6,575,683, primarily due to management's focus on monitoring spending and maximizing revenue collection, as well as the implementation of GASB Statement No. 84, *Fiduciary Activities*, which created three new special revenue funds that were once treated as agency funds.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of \$30,373,938, an increase from the prior year. Of this total amount, 33.19% or \$10,081,366 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,187,219 or 16.05% of total General Fund expenditures and transfers out for the fiscal year. Fund balance available for appropriation represents 20.64% of total General Fund expenditures reduced by debt-financing and increased by transfers to other funds.
- McDowell County's total debt under installment purchase obligations increased by \$5,570,197 during the current fiscal year due to new debt of \$8,253,807 and debt retirement of \$2,683,610.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 14 and 15) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short-term and long-term information about the County's financial status.

The next statements (pages 16 through 26) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the Governmental Funds Statements; 2) the Budgetary Comparison Statements; 3) the Proprietary Fund Statements; and 4) the Fiduciary Fund Statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Immediately following the notes, is the **Required Supplemental Financial Data**. This section contains funding information about the County's pension plans and other postemployment benefits.

Additional supplemental information is provided in the **Combining and Individual Fund Statements and Schedules**. This section provides details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

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 statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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. The business-type activities are those that the County directly charges customers to provide. For McDowell County, this includes the waste disposal services and water services offered by the County. Additionally, the County uses the Universal Fund to account for activity related to a former industrial facility, the Universal Building, which includes renovations and lease of space, and the Transportation Fund to account for activity to provide transit services to its citizens. The final category is the component unit. McDowell County Tourism Development Authority is an authority established by a resolution of the McDowell County Board of Commissioners on April 1, 1987. The Authority consists of a nine-member board established to promote tourism in McDowell County. Funding is provided from an occupancy tax on rentals of motel rooms collected by McDowell County and remitted to the Authority. The government-wide financial statements are on pages 14 and 15 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed assessment of 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. McDowell County, like all other governmental entities in North Carolina, uses fund accounting to ensure and to reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the County's budget ordinance. All of the funds of McDowell County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

McDowell 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 - McDowell County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. McDowell County uses enterprise funds to account for its waste disposal operations and for its water operations, in addition to activity related to the former Universal Building, Universal Fund, and transit services provided by the Transportation Fund. These funds are the same as the separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of McDowell County. The County uses one internal service fund, the self-insurance fund, to account for activity related to the health care benefits provided to employees. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. McDowell County has eight fiduciary funds, which are all custodial funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

Other Information - In addition to the basic financial statements and the accompanying notes, this report includes certain required supplementary information concerning McDowell County's progress in funding its obligation to provide pension benefits and healthcare benefits to its employees. Required supplementary information can be found beginning on page 82 of this report.

Government-Wide Financial Analysis

Following is a comparative summary of the Statement of Net Position:

	McDowell County's Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$39,077,334	\$28,596,467	\$ 1,143,410	\$ 1,033,125	\$40,220,744	\$29,629,592
Capital assets	<u>37,860,546</u>	<u>31,306,484</u>	<u>12,640,641</u>	<u>12,977,347</u>	<u>50,501,187</u>	<u>44,283,831</u>
Total assets	<u>76,937,880</u>	<u>59,902,951</u>	<u>13,784,051</u>	<u>14,010,472</u>	<u>90,721,932</u>	<u>73,913,424</u>
Deferred outflows of	<u>6,039,520</u>	<u>5,026,418</u>	<u>132,676</u>	<u>102,490</u>	<u>6,172,196</u>	<u>5,128,908</u>
Long-term liabilities outstanding	39,122,605	30,525,755	1,734,859	2,036,625	40,857,464	32,562,380
Other liabilities	<u>6,414,995</u>	<u>3,585,637</u>	<u>254,741</u>	<u>286,114</u>	<u>6,669,736</u>	<u>3,871,751</u>
Total liabilities	<u>45,537,600</u>	<u>34,111,392</u>	<u>1,989,600</u>	<u>2,322,739</u>	<u>47,527,200</u>	<u>36,434,131</u>
Deferred inflows of	<u>363,480</u>	<u>235,400</u>	<u>2,686</u>	<u>2,620</u>	<u>366,166</u>	<u>238,020</u>
Net position:						
Net investment in capital	26,178,986	22,804,379	11,253,419	11,211,839	37,432,405	34,016,218
Restricted	9,870,737	9,446,631	-	-	9,870,737	9,446,631
Unrestricted	<u>1,026,597</u>	<u>(1,668,433)</u>	<u>671,022</u>	<u>575,763</u>	<u>1,697,619</u>	<u>(1,092,670)</u>
Total net position	<u>\$37,076,320</u>	<u>\$30,582,577</u>	<u>\$11,924,441</u>	<u>\$11,787,601</u>	<u>\$49,000,762</u>	<u>\$42,370,178</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,000,762 as of June 30, 2021. The County's net position increased by \$6,630,584 for the fiscal year ended June 30, 2021. One of the largest portions, 76.39%, or \$37,432,405, reflects the County's net investment in capital assets (e.g., land, buildings, machinery, and equipment). McDowell County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of McDowell County's net position, \$9,870,737, or 20.14%, represents resources that are subject to external restrictions on how they may be used.

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

- Obligations under installment purchases decreased by \$5,948,481, consisting of new borrowings totaling \$8,253,807, net of debt service payments totaling \$2,305,326.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 99.50%.

Following is a comparative summary of changes in net position:

McDowell County, North Carolina						
Changes in Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,365,274	\$ 7,627,200	\$ 2,475,070	\$ 2,693,489	\$ 9,840,344	\$10,320,689
Operating grants and contributions	10,419,613	7,586,654	302,620	-	10,722,233	7,586,654
Capital grants and contributions	6,596,260	10,126,371	-	173,657	6,596,260	10,300,028
General revenues:						
Property taxes	31,416,079	30,278,927	-	-	31,416,079	30,278,927
Other taxes	11,754,685	10,337,083	-	-	11,754,685	10,337,083
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	<u>4,757,859</u>	<u>3,609,961</u>	<u>61,286</u>	<u>9,125</u>	<u>4,819,145</u>	<u>3,619,086</u>
Total revenues	<u>72,309,770</u>	<u>69,566,196</u>	<u>2,838,976</u>	<u>2,876,271</u>	<u>75,148,746</u>	<u>72,442,467</u>
Expenses:						
General government	10,793,398	5,848,454	-	-	10,793,398	5,848,454
Public safety	17,576,778	18,647,463	-	-	17,576,778	18,647,463
Environmental protection	1,023,924	940,627	-	-	1,023,924	940,627
Economic and physical development	2,908,185	2,775,367	-	-	2,908,185	2,775,367
Human services	12,264,301	11,455,561	-	-	12,264,301	11,455,561
Cultural and recreational	1,491,887	1,604,371	-	-	1,491,887	1,604,371
Education	16,718,604	23,849,274	-	-	16,718,604	23,849,274
Other	951,830	674,737	-	-	951,830	674,737
Interest on long-term debt	595,632	584,636	-	-	595,632	584,636
Waste disposal	-	-	2,743,775	2,549,733	2,743,775	2,549,733
Water	-	-	229,617	250,231	229,617	250,231
Universal	-	-	639,309	516,167	639,309	516,167
Transportation	-	-	<u>580,922</u>	<u>626,365</u>	<u>580,922</u>	<u>626,365</u>
Total expenses	<u>64,324,539</u>	<u>66,380,490</u>	<u>4,193,623</u>	<u>3,942,496</u>	<u>68,518,162</u>	<u>70,322,986</u>
Increase (decrease) in net position before transfers	7,985,231	3,185,706	(1,354,647)	(1,066,225)	6,630,584	2,119,481
Transfers	<u>(1,491,487)</u>	<u>(1,440,949)</u>	<u>1,491,487</u>	<u>1,440,949</u>	-	-
Increase (decrease) in net position	6,493,744	1,744,757	136,840	374,725	6,630,584	2,119,481
Net Position, beginning - as previously reported	<u>30,582,577</u>	<u>28,837,821</u>	<u>11,787,601</u>	<u>11,412,876</u>	<u>42,370,178</u>	<u>40,250,697</u>
Prior period restatement - change in accounting principle	<u>54,901</u>	-	-	-	<u>54,901</u>	-
Net Position, beginning, as restated	<u>30,637,478</u>	<u>28,837,821</u>	<u>11,787,601</u>	<u>11,412,876</u>	<u>42,425,079</u>	<u>40,250,697</u>
Net Position, ending	<u>\$37,076,320</u>	<u>\$30,582,577</u>	<u>\$11,924,441</u>	<u>\$11,787,601</u>	<u>\$49,000,762</u>	<u>\$42,370,178</u>

Governmental Activities. Governmental activities increased the County's net position by \$6,493,744. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 99.50%.
- Increase in property tax revenues, local option sales tax revenue, and other taxes and licenses represent approximately \$3.5 million.
- Decrease in expenses of approximately \$2 million, primarily due to controlled spending.

Business-type Activities. Business-type activities increased the County's net position by \$136,840. Key elements of this increase are as follows:

- Transfer of \$1,491,487 from the General Fund.
- Increase in charges for services by \$84,154, primarily in the Waste Disposal Fund and the Transportation Fund.
- Insurance recovery of \$46,216 in the Universal Fund.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of McDowell County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing McDowell 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 McDowell County. At the end of the current fiscal year, McDowell County's fund balance available in the General Fund was \$10,528,568, while total fund balance reached \$16,622,747. The governing body of McDowell County has determined that the County should maintain an available fund balance for the General Fund of at least equal to, or greater than, 18% of the prior year expenditures in case of unforeseen needs or opportunities in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 20.64% of General Fund expenditures reduced by debt-financing and increased by transfers to other funds, while total fund balance represents 32.59% of that same amount.

At June 30, 2021, the governmental funds of McDowell County reported a combined fund balance of \$30,373,938, a .37% increase from last year. The primary reason for the decrease is the decrease in fund balance of the Schools Capital Projects Fund and the Courthouse Renovation and Addition Capital Project Fund.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$3,496,565, including increases in grant funds and sales and services. Additionally, the budget was amended for transfers to other funds of \$1,132,774 and installment purchase proceeds of \$729,508.

Proprietary Funds. McDowell County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. At the end of the fiscal year, the Waste Disposal Fund had a net position of \$377,765, with a current year decrease of \$20,555. The Water Fund had a balance of \$6,054,439 due to a current year increase of \$39,308. The Universal Fund had a balance of \$5,210,429 due to a current year increase of \$65,559. And, the Transportation Fund had a balance of \$281,808 due to a current year increase of \$52,528.

Capital Asset and Debt Administration

Capital Assets. McDowell County's capital assets for its governmental and business-type activities as of June 30, 2021 total \$50,501,187 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, infrastructure, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchase of real property for relocating County administration.
- Courthouse renovations and addition.
- Emergency Services Station 4 and Headquarters construction and renovation.
- Extension of the Catawba River Greenway.
- Construction of a public shooting range.
- Purchase of vehicles and equipment for public safety.

McDowell County's Capital Assets
June 30, 2021 and 2020

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,871,066	\$ 4,812,176	\$ 752,250	\$ 752,250	\$ 5,623,316	\$ 5,564,426
Land improvements	1,803,245	875,283	72,465	81,688	1,875,710	956,971
Buildings	9,514,108	8,536,934	1,736,493	1,783,808	11,250,601	10,320,742
Building improvements	13,827,860	5,352,356	3,091,162	3,322,656	16,919,022	8,675,012
Leasehold improvements	63,328	65,660	-	-	63,328	65,660
Equipment	1,378,335	995,490	266,829	293,941	1,645,164	1,289,431
Infrastructure	-	-	6,367,878	6,383,238	6,367,878	6,383,238
Vehicles	1,670,768	1,525,778	296,482	327,446	1,967,250	1,853,224
Construction in progress	<u>4,731,836</u>	<u>9,142,807</u>	<u>57,083</u>	<u>32,321</u>	<u>4,788,919</u>	<u>9,175,128</u>
Total	<u>\$37,860,546</u>	<u>\$31,306,484</u>	<u>\$12,640,641</u>	<u>\$12,977,347</u>	<u>\$50,501,187</u>	<u>\$44,283,831</u>

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

McDowell County's Outstanding Debt
June 30, 2021 and 2020

Figure 5

	Governmental Activities		Business-type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Direct placement installment purchases payable	<u>\$24,112,267</u>	<u>\$18,163,786</u>	<u>\$1,387,222</u>	<u>\$1,765,506</u>	<u>\$25,499,489</u>	<u>\$19,929,292</u>

McDowell County's total debt increased by \$5,570,197 during the past fiscal year due to \$8,253,807 in new borrowings, net of principal payments of \$2,683,610.

Installment purchases payable includes a contract related to the construction of the McDowell County Schools in the amount of \$3,966,667. The contract will be retired with the portion of Article 40 and Article 42 sales tax that is legally restricted for capital improvements to school facilities in McDowell County. Also, on behalf of the McDowell County Schools, the County financed \$5,000,000 in February 2019 for the construction of Old Fort Elementary School with installment purchases payable of \$4,333,333. Installment purchases payable includes a contract for the purchase of the historic McDowell House. This contract will be retired with occupancy tax revenue through the McDowell County Tourism Development Authority. The \$75,000 in McDowell House debt is backed by the full faith and credit of McDowell County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for McDowell County is \$343,731,143 at June 30, 2021. Additional information regarding McDowell County's long-term debt can be found in Note III of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

McDowell County continues to face unprecedented and uncertain times due to the COVID-19 Pandemic.

The unemployment rate for June was 4.7%, compared to 6.7% for the prior year. This unemployment rate is consistent with the period before the pandemic.

The Board of Commissioners have authorized incentives for several companies during the year. These incentives will help local employers expand their workforce and increase the property value of their facilities.

Residential sales continue to show strong growth even with the pandemic. Home building, especially in the higher tiers, continues to be strong.

Retail sales continue to be strong on the local level. Much of the positivity can be attributed to increased funds circulating in the community due to higher unemployment benefits and stimulus funds provided by federal assistance.

Commercial development has been mixed. Two notable closures in Marion were the Bi-Lo Supermarket and the Fifth Third Bank. Both the Town of Old Fort and the City of Marion continue to experience gains in their downtown areas.

The Census 2020 numbers were released. Disappointingly, McDowell County lost population between 2010 and 2020 according to the Census Bureau. While the population loss was less than 1%, local leaders believed there had been growth based on building permits and other economic indicators.

Several existing employers continue to express a need for skilled employees, which creates demands on the local workforce training systems at McDowell Technical Community College and the McDowell County Public School System.

Local tourism establishments have fared very well over the last year as evidenced in the occupancy tax receipts. The visitor spending has a measurable impact on the local lodging facilities, as well as our service sectors.

There will be continued uncertainty on the local economy and its impact to the County's budget. It will be prudent for the organization to be conservative in projecting revenues until such time as stability returns.

In summary, many of McDowell County's businesses, both small and large, have done their best to weather the storm of the pandemic. What was believed to be a short-term impact will soon enter a third year of change. The hope of every observer is that at some point the virus becomes endemic and no longer causes the severe sickness and death that has altered our society. Until that time comes, it is imperative that each business and its surrounding community adapt and endure.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The 2021-2022 McDowell County budget was adopted by the Board of Commissioners without an increase to the property tax rate of 58.75 cents per \$100. The budget reflects growth in the property tax base due to natural growth, which equates to approximately \$500,000.

The approved budget will meet the County's debt service obligation.

The fiscal year 2021-2022 budget funding levels for public education for McDowell County Public Schools and McDowell Technical Community College reflect an increase of \$418,708.

There is an increase in funding for public safety of \$640,154 for Emergency Management Services debt and new emergency services and sheriff and jail positions.

The County continues to invest in County infrastructure and facilities.

The County also continues to invest in community and economic development which reflects an increase in funding of \$508,485 for increased waste disposal cost, health department operations, shooting range operations, Old Fort PARTF match, and trail development.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Finance Officer, McDowell County, 100 Spaulding Road, Marion, N. C. 28752

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a condensed overview of the financial position and the results of operations of the County as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2021

	Primary Government			Component Unit
				McDowell County
				Tourism
				Development
	Governmental	Business-type	Total	Authority
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>		
Current assets:				
Cash and investments	\$ 25,797,404	\$ 844,914	\$ 26,642,318	\$ 673,534
Taxes receivables (net)	343,365	-	343,365	-
Other receivables (net)	1,831,129	249,078	2,080,207	-
Due from other governments	6,775,055	-	6,775,055	123,768
Inventories	91,034	-	91,034	-
Total current assets	34,837,987	1,093,992	35,931,979	797,302
Noncurrent assets:				
Restricted cash	4,154,562	49,418	4,203,980	-
Net pension asset	84,785	-	84,785	-
Total noncurrent assets	4,239,347	49,418	4,288,765	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	9,602,902	784,571	10,387,473	-
Other capital assets, net of depreciation	28,257,644	11,856,070	40,113,714	17,526
Total capital assets	37,860,546	12,640,641	50,501,187	17,526
Total assets	76,937,880	13,784,051	90,721,932	814,828
Deferred Outflows of Resources	6,039,520	132,676	6,172,196	39,133
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued expenses	6,396,127	205,323	6,601,450	5,164
Due to other governments	18,868	-	18,868	-
Customer deposits	-	49,418	49,418	-
Total current liabilities	6,414,995	254,741	6,669,736	5,164
Long-term liabilities:				
Due within one year	2,330,588	378,839	2,709,427	-
Due in more than one year	36,792,017	1,356,020	38,148,037	96,034
Total noncurrent liabilities	39,122,605	1,734,859	40,857,464	96,034
Total liabilities	45,537,600	1,989,600	47,527,200	101,198
Deferred Inflows of Resources	363,480	2,686	366,166	901
<u>Net Position</u>				
Net investment in capital assets	26,178,986	11,253,419	37,432,405	17,526
Restricted for:				
Stabilization by State Statute	8,521,626	-	8,521,626	123,768
Register of Deeds	72,313	-	72,313	-
Register of Deeds' Pension Plan	79,082	-	79,082	-
Human services	436,200	-	436,200	-
Cultural and recreational	273,598	-	273,598	-
Economic and physical development	49,541	-	49,541	-
Public safety	366,703	-	366,703	-
General government	71,674	-	71,674	-
Unrestricted	1,026,597	671,022	1,697,619	610,568
Total net position	\$ 37,076,320	\$ 11,924,441	\$ 49,000,762	\$ 751,862

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

MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 2

Statement of Activities For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit McDowell County Tourism Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 10,793,398	\$ 1,140,182	\$ 2,909,506	\$ 921,030	\$ (5,822,680)	\$ -	\$ (5,822,680)	
Public safety	17,576,778	5,509,350	577,320	-	(11,490,108)	-	(11,490,108)	
Economic and physical development	2,908,185	-	-	1,186,998	(1,721,187)	-	(1,721,187)	
Environmental protection	1,023,924	-	24,980	-	(998,944)	-	(998,944)	
Human services	12,264,301	678,719	6,801,312	-	(4,784,270)	-	(4,784,270)	
Cultural and recreational	1,491,887	37,023	106,495	41,958	(1,306,411)	-	(1,306,411)	
Education	16,718,604	-	-	4,446,274	(12,272,330)	-	(12,272,330)	
Other	951,830	-	-	-	(951,830)	-	(951,830)	
Interest on long-term debt	595,632	-	-	-	(595,632)	-	(595,632)	
Total governmental activities	<u>64,324,539</u>	<u>7,365,274</u>	<u>10,419,613</u>	<u>6,596,260</u>	<u>(39,943,392)</u>	<u>-</u>	<u>(39,943,392)</u>	
Business-type activities:								
Waste disposal	2,743,775	1,621,670	-	-	-	(1,122,105)	(1,122,105)	
Water	229,617	150,458	-	-	-	(79,159)	(79,159)	
Universal	639,309	518,387	-	-	-	(120,922)	(120,922)	
Transportation	580,922	184,555	302,620	-	-	(93,747)	(93,747)	
Total business-type activities	<u>4,193,623</u>	<u>2,475,070</u>	<u>302,620</u>	<u>-</u>	<u>-</u>	<u>(1,415,933)</u>	<u>(1,415,933)</u>	
Total primary government	<u>\$ 68,518,162</u>	<u>\$ 9,840,344</u>	<u>\$ 10,722,233</u>	<u>\$ 6,596,260</u>	<u>(39,943,392)</u>	<u>(1,415,933)</u>	<u>(41,359,325)</u>	
Component Unit								
McDowell County Tourism Development Authority	<u>\$ 698,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (698,036)</u>
General revenues:								
Taxes:								
Property taxes					31,416,079	-	31,416,079	-
Local option sales tax					11,754,685	-	11,754,685	-
Other taxes and licenses					2,287,167	-	2,287,167	1,018,001
Permits and fees					400,124	-	400,124	-
Unrestricted investment earnings					27,873	215	28,088	90
Miscellaneous					1,987,794	61,071	2,048,865	850
Transfers					(1,491,487)	1,491,487	-	-
Total general revenues, special items and transfers					<u>46,382,235</u>	<u>1,552,773</u>	<u>47,935,008</u>	<u>1,018,941</u>
Change in net position					<u>6,438,843</u>	<u>136,840</u>	<u>6,575,683</u>	<u>320,905</u>
Net position, beginning - as previously reported					30,582,577	11,787,601	42,370,178	430,957
Prior period restatement-change in accounting principle					54,901	-	54,901	-
Net position, beginning, as restated					<u>30,637,478</u>	<u>11,787,601</u>	<u>42,425,079</u>	<u>430,957</u>
Net position, ending					<u>\$ 37,076,320</u>	<u>\$ 11,924,441</u>	<u>\$ 49,000,762</u>	<u>\$ 751,862</u>

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

MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 3

Balance Sheet Governmental Funds June 30, 2021

	Major Funds			Non-Major Funds	Total
	General	School Capital Projects Fund	American Rescue Act Grant Fund	Other Governmental Funds	Governmental Funds
Assets					
Cash and investments	\$ 7,330,832	\$ 7,136,039	\$ 4,443,819	\$ 5,921,660	\$ 24,832,350
Restricted cash	4,154,562	-	-	-	4,154,562
Taxes receivable - net	255,448	-	-	40,501	295,949
Accounts receivable - other government	4,256,575	921,473	-	1,597,008	6,775,055
Accounts receivable - EMS (net)	1,352,365	-	-	-	1,352,365
Accounts receivable - other	451,669	-	-	-	451,669
Inventories	91,034	-	-	-	91,034
Due from other funds	1,235,160	-	-	-	1,235,160
Total assets	<u>\$ 19,127,644</u>	<u>\$ 8,057,512</u>	<u>\$ 4,443,819</u>	<u>\$ 7,559,169</u>	<u>\$ 39,188,144</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 749,484	\$ 43,488	\$ 4,443,784	\$ 527,509	\$ 5,764,265
Due to other governments	-	-	-	18,868	18,868
Due to other funds	-	-	-	1,235,160	1,235,160
Total liabilities	<u>749,484</u>	<u>43,488</u>	<u>4,443,784</u>	<u>1,781,537</u>	<u>7,018,293</u>
Deferred Inflows of Resources	<u>1,755,413</u>	<u>-</u>	<u>-</u>	<u>40,501</u>	<u>1,795,914</u>
Fund Balances					
Nonspendable:					
Inventories	91,034	-	-	-	91,034
Restricted:					
Stabilization by State Statute	6,003,145	921,473	-	1,597,008	8,521,626
Register of Deeds	72,313	-	-	-	72,313
General government	71,674	-	35	-	71,709
Public Safety	366,703	-	-	198,642	565,345
Human Services	380,644	-	-	55,556	436,200
Cultural and recreational	273,598	-	-	-	273,598
Economic and physical development	49,541	-	-	-	49,541
Committed:					
Tax revaluation	23,855	-	-	-	23,855
Assigned:					
Subsequent year's expenditures	416,860	-	-	-	416,860
Debt service	-	-	-	9	9
General government	-	7,092,551	-	5,273,124	12,365,675
Public safety	686,161	-	-	-	686,161
Unassigned	8,187,219	-	-	(1,387,208)	6,800,011
Total fund balances	<u>16,622,747</u>	<u>8,014,024</u>	<u>35</u>	<u>5,737,131</u>	<u>30,373,938</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,127,644</u>	<u>\$ 8,057,512</u>	<u>\$ 4,443,819</u>	<u>\$ 7,559,169</u>	<u>\$ 39,188,144</u>

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

MCDOWELL COUNTY, NORTH CAROLINA**Exhibit 4****Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2021**

Total governmental fund balances	\$ 30,373,938
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,860,546
Other long-term assets, primarily interest receivable from taxes are not available to pay for current period expenditures and are therefore deferred	47,416
Net pension asset	84,785
Deferred outflows of resources related to pensions are not reported in the funds	4,263,430
Deferred outflows of resources related to OPEB are not reported in the funds	1,776,090
Deferred inflows of resources for taxes and other receivables	1,588,572
Total pension liability	(1,313,451)
Net pension liability	(6,900,614)
Net OPEB liability	(5,753,370)
Deferred inflows of resources related to pensions are not reported in the funds	(62,857)
Deferred inflows of resources related to OPEB are not reported in the funds	(93,281)
An internal service fund is used by management to charge the cost of health insurance to individual funds and departments within the funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	571,582
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(25,366,466)</u>
Net position of governmental activities.	<u>\$ 37,076,320</u>
<i>(The accompanying notes are an integral part of the financial statements.)</i>	

MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021**

	<u>Major Funds</u>			<u>Non-Major Funds</u>	
	<u>General</u>	<u>School</u>	<u>American</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Capital</u>	<u>Rescue Act</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects Fund</u>	<u>Grant Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:					
Ad valorem taxes	\$ 27,086,588	\$ -	\$ -	\$ 4,411,940	\$ 31,498,528
Local option sales taxes	8,416,870	3,337,815	-	-	11,754,685
Other taxes and licenses	1,980,042	-	-	-	1,980,042
Unrestricted intergovernmental revenues	284,257	-	-	-	284,257
Restricted intergovernmental revenues	8,322,567	4,446,274	-	4,247,032	17,015,873
Permits and fees	393,118	-	-	7,006	400,124
Sales and services	5,837,211	-	-	369,327	6,206,538
Investment earnings	26,922	908	35	8	27,873
Miscellaneous	1,689,500	289,061	-	36,998	2,015,559
Total revenues	<u>54,037,075</u>	<u>8,074,058</u>	<u>35</u>	<u>9,072,311</u>	<u>71,183,479</u>
Expenditures:					
Current:					
General government	6,342,899	-	-	3,099,626	9,442,525
Public safety	12,563,041	-	-	4,543,715	17,106,756
Environmental protection	845,189	-	-	-	845,189
Economic and physical development	2,847,602	-	-	16,992	2,864,594
Human Services	10,805,750	-	-	201,728	11,007,478
Cultural and recreational	1,194,298	-	-	-	1,194,298
Miscellaneous	951,830	-	-	-	951,830
Intergovernmental:					
Education	10,621,276	-	-	-	10,621,276
Capital outlay	-	6,097,328	-	6,520,245	12,617,573
Debt service	1,600,145	-	-	1,221,474	2,821,619
Total expenditures	<u>47,772,030</u>	<u>6,097,328</u>	<u>-</u>	<u>15,603,780</u>	<u>69,473,138</u>
Excess revenues over (under) expenditures	<u>6,265,045</u>	<u>1,976,731</u>	<u>35</u>	<u>(6,531,469)</u>	<u>1,710,341</u>
Other Financing Sources (Uses):					
Transfers to other funds	(3,967,987)	(1,180,024)	-	-	(5,148,011)
Transfers from other funds	-	-	-	3,656,524	3,656,524
Reimbursement from loan	-	-	-	(346,285)	(346,285)
Installment purchase obligations issued	729,507	-	-	7,524,300	8,253,807
Total other financing sources (uses)	<u>(3,238,480)</u>	<u>(1,180,024)</u>	<u>-</u>	<u>10,834,539</u>	<u>6,416,035</u>
Net change in fund balances	3,026,565	796,707	35	4,303,070	8,126,376
Fund balances, beginning -					
as previously reported	13,596,182	7,217,317	-	1,379,159	22,192,658
Prior period restatement -					
change in accounting principle	-	-	-	54,901	54,901
Fund balances, beginning, as restated	<u>13,596,182</u>	<u>7,217,317</u>	<u>-</u>	<u>1,434,060</u>	<u>22,247,559</u>
Fund balances, ending	<u>\$ 16,622,747</u>	<u>\$ 8,014,024</u>	<u>\$ 35</u>	<u>\$ 5,737,131</u>	<u>\$ 30,373,938</u>

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

MCDOWELL COUNTY, NORTH CAROLINA**Exhibit 6****Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
June 30, 2021**

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

Net changes in fund balances - total governmental funds \$ 8,126,376

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. This is the amount by which
capital additions exceeded depreciation in the current period. 6,554,062

Contributions to the pension plan in the current fiscal year are not
included on the Statement of Activities 1,444,544

Contributions to the OPEB plan are deferred outflows of resources on the
Statement of Net Position 353,163

Benefit payments and administration cost for LEOSSA are deferred outflows of
resources on the Statement of Net Position 44,414

Revenues in the Statment of Activities that do not provide current financial
resources are not reported as revenues in the funds (125,237)

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 has any effect on net position. Also, governmental funds report the
effect of issuance costs, premiums, discounts and similar items when debt is first
issued, whereas these amounts are deferred and amortized in the Statement of
Activities. This amount is the net effect of these differences in the treatment of
long-term debt and related items. (6,159,776)

Net income of internal service fund, determined to be a government-type activity (339,538)

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. (3,459,165)

Total changes in net position of governmental activities \$ 6,438,843

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

MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 7

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended June 30, 2021

	General Fund			Variance With Final Budget Positive Negative
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 26,651,933	\$ 26,444,864	\$ 27,086,588	\$ 641,724
Local option sales taxes	8,269,336	7,939,082	8,416,870	477,788
Other taxes and licenses	1,411,500	1,906,600	1,980,042	73,442
Unrestricted intergovernmental	275,000	275,000	284,257	9,257
Restricted intergovernmental	7,134,097	9,213,781	8,322,567	(891,214)
Permits and fees	375,150	317,850	393,118	75,268
Sales and services	5,103,960	5,205,071	5,837,211	632,140
Investment earnings	12,000	25,000	26,901	1,901
Miscellaneous	78,800	1,481,093	1,689,499	208,406
Total revenues	<u>49,311,776</u>	<u>52,808,341</u>	<u>54,037,054</u>	<u>1,228,712</u>
Expenditures:				
Current:				
General government	6,036,532	6,420,959	6,140,566	280,393
Public safety	13,320,689	14,033,459	12,563,041	1,470,418
Environmental protection	779,080	897,998	845,189	52,809
Economic and physical development	1,176,779	2,932,172	2,847,602	84,570
Human Services	11,761,162	12,490,968	10,805,750	1,685,218
Cultural and recreational	1,678,360	1,562,597	1,194,298	368,299
Miscellaneous	98,900	976,606	951,830	24,776
Intergovernmental:				
Education	11,008,237	10,650,008	10,621,276	28,732
Debt service	796,609	1,603,148	1,600,145	3,003
Total expenditures	<u>46,656,348</u>	<u>51,567,915</u>	<u>47,569,697</u>	<u>3,998,218</u>
Revenues over (under) expenditures	<u>2,655,428</u>	<u>1,240,426</u>	<u>6,467,357</u>	<u>5,226,930</u>
Other Financing Sources (Uses):				
Transfers to other funds	(3,072,288)	(4,332,988)	(4,170,988)	162,001
Installment purchase obligations issued	-	729,508	729,508	-
Appropriated fund balance	416,860	2,363,054	-	(2,363,054)
Total other financing sources (uses)	<u>(2,655,428)</u>	<u>(1,240,426)</u>	<u>(3,441,480)</u>	<u>(2,201,053)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,025,877</u>	<u>\$ 3,025,877</u>
Fund balance, beginning			<u>13,573,015</u>	
Fund balance, ending			<u>16,598,892</u>	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			21	
Expenditures			(202,333)	
Transfer from the General Fund			203,000	
Fund balance, beginning			<u>23,166</u>	
Fund balance, ending			<u>\$ 16,622,747</u>	

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

MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 8

**Statement of Net Position
Proprietary Funds
June 30, 2021**

	Enterprise Funds					Internal Service Fund
	Waste Disposal Fund	Water Fund	Universal Fund	Transportation Fund	Total	Self Insurance Fund
<u>Assets</u>						
Current assets:						
Cash	\$ 259,573	\$ 150,308	\$ 334,596	\$ 100,437	\$ 844,914	\$ 965,054
Accounts receivable, net	143,897	13,637	2,355	89,189	249,078	27,095
Total current assets	403,470	163,945	336,951	189,626	1,093,992	992,149
Noncurrent assets:						
Restricted cash	-	25,301	24,117	-	49,418	-
Capital assets:						
Land and construction in process	-	11,505	773,066	-	784,571	-
Other capital assets, net of depreciation	418,107	5,996,803	5,296,662	144,498	11,856,070	-
Total capital assets	418,107	6,008,308	6,069,728	144,498	12,640,641	-
Total non current assets	418,107	6,033,609	6,093,845	144,498	12,690,059	-
Total assets	821,577	6,197,554	6,430,796	334,124	13,784,051	992,149
Deferred Outflows of Resources	101,726	-	-	30,950	132,676	-
<u>Liabilities</u>						
Current liabilities:						
Accounts payable/ accrued liabilities	176,990	5,314	16,251	6,768	205,323	420,567
Customer deposits	-	25,301	24,117	-	49,418	-
Current portion of long-term debt	69,672	112,500	196,667	-	378,839	-
Total current liabilities	246,662	143,115	237,035	6,768	633,580	420,567
Noncurrent liabilities:						
Compensated absences payable	14,588	-	-	20,194	34,782	-
Net pension liability	134,731	-	-	55,762	190,493	-
Total OPEB liability	92,362	-	-	-	92,362	-
Accrued landfill closure and postclosure care cost	30,000	-	-	-	30,000	-
Noncurrent portion of long-term debt	25,051	-	983,332	-	1,008,383	-
Total noncurrent liabilities	296,732	-	983,332	75,956	1,356,020	-
Total liabilities	543,394	143,115	1,220,367	82,724	1,989,600	420,567
Deferred Inflows of Resources	2,144	-	-	542	2,686	-
<u>Net Position</u>						
Net investment in capital assets	323,384	5,895,808	4,889,729	144,498	11,253,419	-
Unrestricted	54,381	158,631	320,700	137,310	671,022	571,582
Total net position	\$ 377,765	\$ 6,054,439	\$ 5,210,429	\$ 281,808	\$11,924,441	\$ 571,582

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

MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 9

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021**

	Enterprise Funds					Internal Service Fund Self Insurance Fund
	Waste Disposal Fund	Water Fund	Universal Fund	Transportation Fund	Total	
Operating Revenues:						
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ 302,620	\$ 302,620	\$ -
Charges for services	1,603,231	150,458	518,340	184,555	2,456,584	4,211,358
Other operating revenues	18,439	-	-	-	18,439	-
Total operating revenues	<u>1,621,670</u>	<u>150,458</u>	<u>518,340</u>	<u>487,175</u>	<u>2,777,643</u>	<u>4,211,358</u>
Operating Expenses:						
Salaries and benefits	284,107	-	-	429,359	713,466	-
Operating expenses	2,394,413	79,304	274,407	114,558	2,862,682	4,550,896
Depreciation	60,955	144,591	309,640	37,005	552,191	-
Total operating expenses	<u>2,739,475</u>	<u>223,895</u>	<u>584,047</u>	<u>580,922</u>	<u>4,128,339</u>	<u>4,550,896</u>
Operating income (loss)	<u>(1,117,805)</u>	<u>(73,437)</u>	<u>(65,708)</u>	<u>(93,747)</u>	<u>(1,350,696)</u>	<u>(339,538)</u>
Nonoperating Revenues (Expenses):						
Insurance claim reimbursement	-	-	46,216	-	46,216	-
Investment earnings	160	40	47	15	262	-
Interest expense	(4,300)	(5,722)	(55,262)	-	(65,284)	-
Gain(Loss) on disposal	-	-	-	14,855	14,855	-
Total nonoperating revenues (expense)	<u>(4,140)</u>	<u>(5,682)</u>	<u>(8,999)</u>	<u>14,870</u>	<u>(3,951)</u>	<u>-</u>
Total income (loss) before contributions and transfers	<u>(1,121,945)</u>	<u>(79,119)</u>	<u>(74,706)</u>	<u>(78,878)</u>	<u>(1,354,648)</u>	<u>(339,538)</u>
Transfer from other funds	<u>1,101,390</u>	<u>118,426</u>	<u>140,265</u>	<u>131,406</u>	<u>1,491,487</u>	<u>-</u>
Change in net position	<u>(20,555)</u>	<u>39,308</u>	<u>65,559</u>	<u>52,528</u>	<u>136,840</u>	<u>(339,538)</u>
Net position, beginning	<u>398,321</u>	<u>6,015,131</u>	<u>5,144,870</u>	<u>229,280</u>	<u>11,787,601</u>	<u>911,120</u>
Net position, ending	<u>\$ 377,765</u>	<u>\$ 6,054,439</u>	<u>\$ 5,210,429</u>	<u>\$ 281,808</u>	<u>\$11,924,441</u>	<u>\$ 571,582</u>

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

MCDOWELL COUNTY, NORTH CAROLINA

**Exhibit 10
Page 1 of 2**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021**

	Enterprise Funds					Internal Service Fund
	Waste Disposal Fund	Water Fund	Universal Fund	Transportation Fund	Total	Self Insurance Fund
Cash Flows From Operating Activities:						
Cash received from customers	\$ 1,595,863	\$ 148,647	\$ 535,228	\$ 457,937	\$ 2,737,675	\$ 4,295,281
Cash paid for goods and services	(2,403,682)	(79,505)	(300,145)	(111,697)	(2,895,029)	(4,395,543)
Cash paid to or on behalf of employees	(254,724)	-	-	(412,342)	(667,066)	-
Customer deposits received	-	973	-	-	973	-
Net cash provided (used) by operating activities	<u>(1,062,543)</u>	<u>70,115</u>	<u>235,083</u>	<u>(66,102)</u>	<u>(823,447)</u>	<u>(100,262)</u>
Cash Flows From Noncapital Financing Activities:						
Transfers from other funds	<u>1,101,390</u>	<u>118,426</u>	<u>140,265</u>	<u>131,406</u>	<u>1,491,487</u>	<u>-</u>
Net cash provided (used) by noncapital activities	<u>1,101,390</u>	<u>118,426</u>	<u>140,265</u>	<u>131,406</u>	<u>1,491,487</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:						
Purchase of property and equipment	(23,292)	(39,700)	(126,412)	(66,259)	(255,663)	-
Procees from disposal of property and equipment	-	-	-	55,031	55,031	-
Repayment of long-term debt	(69,118)	(112,500)	(196,668)	-	(378,286)	-
Insurance recovery	-	-	46,216	-	46,216	-
Interest paid	(4,300)	(5,722)	(55,262)	-	(65,284)	-
Net cash provided (used) for capital and related financing activities	<u>(96,710)</u>	<u>(157,922)</u>	<u>(332,126)</u>	<u>(11,228)</u>	<u>(597,986)</u>	<u>-</u>
Cash Flows from Investing Activities:						
Investment earnings	<u>160</u>	<u>40</u>	<u>47</u>	<u>15</u>	<u>262</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>160</u>	<u>40</u>	<u>47</u>	<u>15</u>	<u>262</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	<u>(57,703)</u>	<u>30,659</u>	<u>43,269</u>	<u>54,091</u>	<u>70,316</u>	<u>(100,262)</u>
Cash and cash equivalents at beginning of year	<u>317,276</u>	<u>144,949</u>	<u>315,444</u>	<u>46,346</u>	<u>824,015</u>	<u>1,065,316</u>
Cash and cash equivalents at end of year	<u>\$ 259,573</u>	<u>\$ 175,609</u>	<u>\$ 358,713</u>	<u>\$ 100,437</u>	<u>\$ 894,331</u>	<u>\$ 965,054</u>

cont.

MCDOWELL COUNTY, NORTH CAROLINA

Exhibit 10, cont.
Page 2 of 2

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021**

	Enterprise Funds					Internal Service Fund
	Waste Disposal Fund	Water Fund	Universal Fund	Transportation Fund	Total	Self Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ (1,117,805)	\$ (73,437)	\$ (65,708)	\$ (93,747)	\$ (1,350,697)	\$ (339,538)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	60,955	144,591	309,640	37,005	552,191	-
Provision for uncollectible accounts	(3,229)	-	-	-	(3,229)	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(22,578)	(1,811)	16,888	(29,238)	(36,739)	83,924
(Increase) decrease in deferred outflows of resources - pensions	(14,044)	-	-	(16,189)	(30,233)	-
(Increase) decrease in deferred outflows of resources - OPEB	47	-	-	-	47	-
Increase (decrease) in deferred inflows of resources- pensions	470	-	-	542	1,012	-
Increase (decrease) in deferred inflows of resources - OPEB	(946)	-	-	-	(946)	-
Increase (decrease) in net pension liability	31,293	-	-	36,070	67,363	-
Increase (decrease) in accounts payable and other accruals	(9,269)	(201)	(25,737)	2,861	(32,346)	155,352
Increase (decrease) in customer deposits	-	973	-	-	973	-
Increase (decrease) in compensated absences payable	3,172	-	-	(3,406)	(234)	-
Increase (decrease) in OPEB liability	9,391	-	-	-	9,391	-
Total adjustments	55,262	143,552	300,791	27,645	527,250	239,276
Net cash provided (used) by operating activities	<u>\$ (1,062,543)</u>	<u>\$ 70,115</u>	<u>\$ 235,083</u>	<u>\$ (66,102)</u>	<u>\$ (823,447)</u>	<u>\$ (100,262)</u>

Supplemental Schedule of Noncash Capital and Related

Financing Activities:

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

MCDOWELL COUNTY, NORTH CAROLINA**Exhibit 11****Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021**

	<u>Custodial Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 151,275
Taxes receivable for other governments, net	26,433
Sales and use tax receivable for other governments	<u>345,591</u>
Total assets	<u>523,299</u>
<u>Liabilities and Net Position</u>	
Liabilities:	
Accounts payable and other liabilities	11,551
Due to other governments	<u>370,757</u>
Total liabilities	<u>382,308</u>
<u>Net Position</u>	
Restricted for:	
Individuals, organizations, and other governments	<u>\$ 140,992</u>

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

MCDOWELL COUNTY, NORTH CAROLINA**Exhibit 12****Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2021**

	<u>Custodial Funds</u>
<u>Additions</u>	
Ad valorem taxes for other governments	\$ 293,769
Collection on behalf of inmates	380,749
Sales and use taxes for other governments	1,265,621
Billing and collections for other governments	4,461,606
Collection of confiscated funds	63,660
Receipt of assets that will be held in a custodial capacity for others	<u>43,130</u>
Total additions	<u>6,508,535</u>
<u>Deductions</u>	
Tax distributions to other governments	293,769
Payments on behalf of inmates	389,024
Payments of sales and use tax to other governments	1,267,712
Payments of billing and collections to other governments	4,461,606
Payment of bond deposits to developers	-
Payment of confiscated funds	50,992
Payments in accordance with custodial agreements	<u>45,309</u>
Total deductions	<u>6,508,412</u>
Net increase (decrease) in fiduciary net position	123
Net position, beginning, as previously reported	4,150
Prior period restatement - change in accounting principle	<u>136,719</u>
Net position, beginning, as restated	<u>140,869</u>
Net position, ending	<u>\$ 140,992</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

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MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. McDowell County Industrial Facility and Pollution Control Financing Authority (the "Financing Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Financing Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The McDowell County Tourism Development Authority (the "Authority"), which has a June 30 year-end, is presented as if it is a separate governmental fund of the County (discrete presentation).

<u>Component Unit</u>	<u>Reporting Method</u>	<u>Criteria for Inclusion</u>	<u>Separate Financial Statements</u>
McDowell County Industrial Facility and Pollution Control Financing Authority	Discrete	The Financing Authority is governed by a seven-member Board of Commissioners that is appointed by the County commissioners. The County can remove any commissioner of the Financing Authority with or without cause.	None issued
McDowell County Tourism Development Authority	Discrete	The McDowell County Tourism Development Authority is an authority established by a resolution of the McDowell County Board of Commissioners on April 1, 1987. The Authority consists of a nine-member board established to promote tourism in McDowell County. Funding is provided from an occupancy tax on rentals of motel rooms collected by McDowell County and remitted to the Authority.	McDowell County Tourism Development Authority 25 West Main St. Old Fort, N. C. 28762

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

General Fund - This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

School Capital Projects Fund - The County uses this fund to account for resources restricted for the capital needs of the McDowell County Schools, including restricted portions of local option sales tax and allocations from the North Carolina Public School Building Fund, plus lottery distributions.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

American Rescue Plan Act Grant Fund - The County uses this fund to account for grant funding under the American Rescue Plan Act (ARPA) to address a public need that has been created, or exaggerated by, the COVID-19 pandemic.

The County reports the following major enterprise funds:

Waste Disposal Fund - This fund accounts for the waste management operations of the County.

Water Fund - This fund accounts for the operation and maintenance of the water system in the Nebo community.

Universal Fund - This fund accounts for activity related to a former industrial facility, the Universal Building, including renovations and lease of space.

Transportation Fund - This fund accounts for activity related to the operation of a transit system within McDowell County.

The County reports the following fund types:

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities with the County but that are not revenues to the County; the Jail Inmate Pay Fund, which holds cash deposits made to inmates as payment for work performed while incarcerated, as well as cash collections for the benefit of inmates from their friends and families; the Sales and Use Tax Fund, which accounts for sales and use taxes that are collected by the County for other governments but that are not revenues to the County; the Rescue Squad Billing and Department of Motor Vehicle Funds, which accounts for the billing and collections by the County for other governments but that are not revenues to the County; the Sheriff's Investigative Fund, which accounts for the collection of confiscated funds by the County during an investigation, which are not revenues to the County; the Deposit and Custodial Trust Fund, which accounts for bond deposits received from property developers for roads/paving and for the receipt of assets that will be held in a custodial capacity for others.

Non-major Funds - The County maintains six legally budgeted funds. The Fire and Rescue Districts Fund, the Emergency Telephone System Fund, the Coronavirus Relief Fund, the DSS Representative Payee Fund, the Deed of Trust Fund, and the Fines and Forfeitures Fund are reported as non-major special revenue funds. The Debt Service Fund is a non-major fund. All capital project funds are reported as non-major capital project funds, except for the School Capital Projects Fund and the American Rescue Act Grant Fund.

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

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

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

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

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

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

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

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

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

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Sales taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenue and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revaluation Fund, the Debt Service Fund, the Emergency Telephone System Special Revenue Fund, the Fire and Rescue Districts Special Revenue Funds, DSS Representative Payee Fund, Deed of Trust Fund, Fines and Forfeitures Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level within each department for all annually budgeted funds and at the object level for the multi-year funds.

Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$3,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

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

1. Deposits and Investments

All deposits of McDowell County and the Authority are made in Board-designated, official depositories and are secured as required by G.S. 159-31. The County and the Authority may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County and the 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 and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; 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 investments of the County and the Authority are reported at fair value. The North Carolina Capital Management Trust (NCCMT), which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a7 fund which invests in treasuries and government agencies and is rated AAAm by S&P and Aamf by Moody Investor Services. The second fund, the Term Portfolio, is a short-term bond fund investing in treasuries, government agencies, and money market instruments allowed under G.S. 159-30. The Term Portfolio has no rating. Both the Government Portfolio and the Term Portfolio are reported at fair value.

2. Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Authority considers demand deposits to be cash and cash equivalents.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

3. Restricted Cash

The unexpended proceeds from installment purchase obligations issued for the purchase of recreation vehicles, public safety vehicles, including an ambulance, and EMS building and renovations are classified as restricted cash. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund is classified as restricted assets, because its use is restricted per North Carolina General Statute 153-A-150.

Governmental activities:

General Fund	Tax revaluation	\$ 23,855
General Fund	Unexpended debt proceeds	<u>4,130,707</u>
Total governmental activities		<u>4,154,562</u>

Business-type activities:

Universal Fund	Customer deposits	24,117
Water Fund	Customer deposits	<u>25,301</u>
Total business-type activities		<u>49,418</u>

Total restricted cash		<u>\$ 4,203,980</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13 (a)), the County levies ad valorem taxes on property, other than motor vehicles, on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items for the County's Governmental Funds are treated as using the Consumption Method.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The County has established a minimum capitalization policy of \$5,000 for all categories of capital assets. The cost of normal maintenance and repairs that do not add to the value of the assets, or materially extend assets' lives, are not capitalized.

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

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

	<u>Years</u>
Buildings	50
Infrastructure	50
Land and building improvements	25
Furniture and equipment	3-10
Vehicles	4-10

Capital assets of the Authority are depreciated over their estimated useful lives on a straight-line basis as follows:

	<u>Years</u>
Building improvements	15
Furniture and fixtures	10
Equipment	5

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has the following items that meet the criterion for this category - prepaid taxes, taxes and special assessments receivable, and other OPEB or pension related deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments, minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids, as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

Restricted for School Capital - The portion of fund balance that can only be used for School Capital, per G.S. 159-18-22.

Restricted for General Government - The portion of fund balance that is restricted by revenue source for the Clerk of Court, the Library, the Courthouse, and the Public, Educational and Governmental (PEG) access cable channel.

Restricted for Public Safety - The portion of fund balance from asset forfeitures, Community Paramedic and fire department that is restricted for public safety expenditures.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

Restricted for Human Services - The portion of fund balance that can only be used to benefit beneficiaries under the social security's representative payee program.

Restricted for Cultural and Recreational - The portion of fund balance that has been budgeted by the Board for the Limekiln Creek Restoration Project and for Library expenditures.

Restricted for Economic and Physical Development - The portion of fund balance that is restricted by revenue sources for cooperative extension purposes.

Committed Fund Balance - The portion of fund balance that can only be used for specific purposes imposed by a majority vote of McDowell County's governing body (the highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation - The portion of fund balance that can only be used for Tax Revaluation.

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

Assigned for Debt Service - The portion of fund balance that has been budgeted by the Board for debt service expenditures.

Assigned for General Government - The portion of fund balance that has been budgeted by the Board for the Courthouse Renovation and Addition Project, School Capital Projects, and the Stacy Hill Waterline Project.

Assigned for Public Safety - The portion of fund balance that has been budgeted by the Board for EMS.

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

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

McDowell County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to, or greater than, 18% of the prior year expenditures.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

12. Defined Benefit Cost Sharing Plans and Other OPEB Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Governmental Employees' Retirement System (LGERS), the Register of Deeds' Supplemental Pension Fund (RODSPF), and the Law Enforcement Officers' Special Separation Allowance (LEOSSA), (collectively, the "State-administered, defined benefit pension plans"), and one other Post-employment Benefit Plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the State-administered, defined benefit pension plans and additions to/deductions from the State-administered, defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the State-administered, defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due, and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the State-administered defined benefit pension plans. For purposes of measuring the Net OPEB Liability, Deferred Outflows and Inflows of Resources Related to OPEB and OPEB Expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

E. **Reconciliation of Government-wide and Fund Financial Statements**

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$6,702,382 consists of several elements as follows:

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2021

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$61,879,768
Less accumulated depreciation	<u>(24,019,222)</u>
Net capital assets	37,860,546
Net pension asset	84,785
Accrued interest receivable and other long-term receivables, less the amount claimed as unearned revenue in the government-wide statements, as these funds are not available in the fund statements.	47,416
Deferred Outflows of Resources related to pensions and OPEB are not reported in the fund statements.	6,039,520
Liabilities for deferred inflows of resources reported in the fund statements, but not in the government-wide.	1,588,572
Deferred inflows of resources related to pensions are not reported in the fund statements.	(156,138)
Assets, net of liabilities, of the Internal Service Fund, included in proprietary funds for fund financial statements and deemed to be governmental activity in the government-wide.	571,582
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay, and are therefore not recorded in the fund statements:	
Installment purchase obligations and notes payable	(24,112,267)
Compensated absences	(1,042,903)
Other post-employment benefits	(5,753,370)
Net pension liability	(6,900,614)
Total pension liability	(1,313,451)
Other long-term liabilities	<u>(211,296)</u>
Total adjustment	<u>\$ 6,702,382</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2021

2. 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 changes in fund balances — total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(1,687,533) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements, but capitalized as assets in the government-wide statements.	\$8,291,085
Disposal of capital outlay, net of sales and depreciation	(27,769)
Depreciation expense, the allocation of those assets over their useful lives, which is recorded on the statement of activities, but not in the fund statements.	(1,709,254)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position.	(8,253,807)
Principal payments on debt owed are recorded as a use of funds on the fund statements, but, again, affect only the statement of net position in the government-wide statements.	2,305,326
Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.	1,444,544
Benefit payments and administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position.	44,414
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position.	353,163
Interest expense accrued in the government-wide statements	(211,295)

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:

Difference in compensated absences, accrued in the government-wide statements, but not in the fund statements.	(86,689)
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Pension expense	(2,498,944)
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OPEB expense	(757,568)
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Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in fund statements:

Decrease in long-term receivables, including interest receivable on delinquent taxes receivables.	(20,194)
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Decrease in deferred inflows of resources.	(105,043)
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Other changes	(115,964)
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Net income (loss) of internal service fund operated as a proprietary fund, but reported as a governmental type activity in the government-wide statements.	<u>(339,538)</u>
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Total adjustment	<u><u>\$(1,687,533)</u></u>
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MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

II. Stewardship, Compliance and Accountability

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

As of February 1, 1998, the Authority entered into an interlocal agreement with the County, whereby the County performs accounting functions for the Authority. As part of this agreement, the Authority's deposits are co-mingled with deposits of the County in order to take advantage of the higher yield available to the County. All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all Pooling Method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the County's deposits had a carrying amount of \$16,724,061 and a bank balance of \$18,047,046. Of the bank balance, \$1,151,390 was covered by federal depository insurance, and \$15,242,357 in interest bearing deposits and \$1,653,299 in non-interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2021, the County had \$7,712 cash on hand.

At June 30, 2021, the Authority's deposits had a carrying amount of \$673,484. The Authority maintains a petty cash fund of \$50.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

2. Investments

At June 30, 2021, the County's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at 6/30/2021</u>	<u>Less Than 6 Months Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$14,265,800</u>	N/A	AAAm
Total		<u>\$14,265,800</u>		

The NCCMT Government Portfolio has an AAAm rating from S&P and AAAmf by Moody's Investor Service. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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

Level of fair value hierarchy: Level 1; Debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy requires that no less than 30% of the total investment portfolio shall mature within 30 days, no less than 75% of the portfolio shall mature within 90 days, and 100% of the portfolio shall mature within one year.

Credit Risk. The County has not adopted a formal credit risk policy. The County's investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard and Poor's as of June 30, 2021.

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The County has no formal policy on custodial credit risk.

Concentration of Credit Risk. The County's investment policy mitigates the concentration of credit risk by requiring that no more than 50% of the County's moneys shall be invested in a particular investment vehicle or placed with a single custodian or financial institution, with the exception of the North Carolina Capital Management Trust Cash Portfolio.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forest land may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable.

The following are property taxes that could become due if present use - value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Taxes</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 291,428	\$ 71,585	\$ 363,013
2019	407,257	63,178	470,435
2020	531,907	34,581	566,488
2021	<u>522,849</u>	<u>-</u>	<u>522,849</u>
Total	<u>\$1,753,441</u>	<u>\$169,344</u>	<u>\$1,922,785</u>

4. Receivables

Receivables at the government-wide level at June 30, 2021 were as follows:

	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Emergency Medical Service Accounts</u>	<u>Other Accounts</u>	<u>Total</u>
Governmental Activities:					
General	\$567,163	\$4,256,575	\$6,171,292	\$478,764	\$11,473,794
Other governmental	<u>76,176</u>	<u>2,518,480</u>	<u>-</u>	<u>-</u>	<u>2,594,656</u>
Total receivables	643,339	6,775,055	6,171,292	478,764	14,068,450
Allowance for doubtful accounts	<u>(299,974)</u>	<u>-</u>	<u>(4,818,927)</u>	<u>-</u>	<u>(5,118,901)</u>
Total-governmental activities	<u>\$343,365</u>	<u>\$6,775,055</u>	<u>\$1,352,365</u>	<u>\$478,764</u>	<u>\$ 8,949,549</u>
Business-type Activities:					
Waste disposal	\$ -	\$ -	\$ -	\$169,966	\$ 169,966
Water	-	-	-	13,637	13,637
Universal	-	-	-	2,355	2,355
Transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,189</u>	<u>89,189</u>
Total receivables	-	-	-	275,147	275,147
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,069)</u>	<u>(26,069)</u>
Total-business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$249,078</u>	<u>\$ 249,078</u>

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

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

Local option sales tax	\$3,418,502
State and federal assistance	3,356,553
Other	-
Total	<u>\$6,775,055</u>

5. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,812,176	\$ 58,890	\$ -	\$ 4,871,066
Construction in progress	<u>9,142,807</u>	<u>6,351,896</u>	<u>10,762,867</u>	<u>4,731,836</u>
Total capital assets not being depreciated	<u>13,954,983</u>	<u>6,410,786</u>	<u>10,762,867</u>	<u>9,602,902</u>
Capital assets being depreciated:				
Building improvements	7,786,276	8,836,625	-	16,622,901
Buildings	19,859,339	1,336,373	-	21,195,712
Leasehold improvements	72,286	5,200	-	77,486
Equipment	4,902,710	651,425	25,363	5,528,773
Land improvements	2,009,654	1,054,008	-	3,063,662
Vehicles	<u>6,144,401</u>	<u>759,535</u>	<u>1,115,603</u>	<u>5,788,332</u>
Total capital assets being depreciated	<u>40,774,666</u>	<u>12,643,166</u>	<u>1,140,966</u>	<u>52,276,866</u>
Less accumulated depreciation for:				
Building improvements	2,433,920	361,121	-	2,795,041
Buildings	11,322,405	359,199	-	11,681,604
Leasehold improvements	6,626	7,532	-	14,158
Equipment	3,907,220	268,581	25,363	4,150,438
Land improvements	1,134,371	126,046	-	1,260,417
Vehicles	<u>4,618,623</u>	<u>586,775</u>	<u>1,087,834</u>	<u>4,117,564</u>
Total accumulated depreciation	<u>23,423,165</u>	<u>1,709,254</u>	<u>1,113,197</u>	<u>24,019,222</u>
Total capital assets being depreciated, net	<u>17,351,501</u>			<u>28,257,644</u>
Governmental activity capital assets, net	<u>\$31,306,484</u>			<u>\$37,860,546</u>

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

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

General government	\$ 337,875
Public safety	903,677
Economic and physical development	35,855
Environmental protection	80,524
Human services	183,562
Cultural and recreational	<u>167,761</u>
Total depreciation expense	<u>\$1,709,254</u>

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Universal:				
Capital assets not being depreciated:				
Land	\$ 752,250	\$ -	\$ -	\$ 752,250
Construction in progress	<u>20,816</u>	<u>24,762</u>	-	<u>45,578</u>
Total capital assets not being depreciated	<u>773,066</u>	<u>24,762</u>	-	<u>797,828</u>
Capital assets being depreciated:				
Buildings	2,070,246	-	-	2,070,246
Building improvements	4,806,447	5,150	-	4,811,597
Equipment	249,869	-	-	249,869
Infrastructure	302,948	96,500	-	399,448
Land improvements	<u>89,500</u>	-	-	<u>89,500</u>
Total capital assets being depreciated	<u>7,519,010</u>	<u>101,650</u>	-	<u>7,620,660</u>
Less accumulated depreciation for:				
Buildings	341,591	41,405	-	382,996
Building improvements	1,483,791	236,644	-	1,720,435
Equipment	165,972	15,672	-	181,644
Infrastructure	21,404	6,969	-	28,373
Land improvements	<u>26,362</u>	<u>8,950</u>	-	<u>35,312</u>
Total accumulated depreciation	<u>2,039,120</u>	<u>309,640</u>	-	<u>2,348,760</u>
Total capital assets being depreciated, net - Universal	<u>5,479,890</u>			<u>5,271,900</u>
Total capital assets, net - Universal	<u>6,252,956</u>			<u>6,069,728</u>
Waste Disposal:				
Capital assets being depreciated:				
Buildings	263,006	-	-	263,006
Equipment	483,906	16,816	-	500,722
Land improvements	199,869	6,475	-	206,344
Vehicles	<u>678,183</u>	-	-	<u>678,183</u>
Total capital assets being depreciated	<u>1,624,964</u>	<u>23,291</u>	-	<u>1,648,255</u>
Less accumulated depreciation for:				
Buildings	207,853	5,909	-	213,763
Equipment	273,862	28,256	-	302,118
Land improvements	181,319	6,748	-	188,067
Vehicles	<u>506,158</u>	<u>20,042</u>	-	<u>526,199</u>
Total accumulated depreciation	<u>1,169,193</u>	<u>60,955</u>	-	<u>1,230,148</u>
Total capital assets being depreciated, net - Waste Disposal	<u>455,771</u>			<u>418,107</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water:				
Capital assets not being depreciated:				
Construction in progress	\$ 11,505	\$ -	\$ -	\$ 11,505
Total capital assets not being depreciated	<u>11,505</u>	<u>-</u>	<u>-</u>	<u>11,505</u>
Capital assets being depreciated:				
Equipment	1,144	-	-	1,144
Infrastructure	<u>7,206,230</u>	<u>39,700</u>	<u>-</u>	<u>7,245,930</u>
Total capital assets being depreciated	<u>7,207,374</u>	<u>39,700</u>	<u>-</u>	<u>7,247,074</u>
Less accumulated depreciation for:				
Equipment	1,144	-	-	1,144
Infrastructure	<u>1,104,536</u>	<u>144,591</u>	<u>-</u>	<u>1,249,127</u>
Total accumulated depreciation	<u>1,105,680</u>	<u>144,591</u>	<u>-</u>	<u>1,250,271</u>
Total capital assets being depreciated, net - water	<u>6,101,694</u>			<u>5,996,803</u>
Total capital assets, net - water	<u>6,113,199</u>			<u>6,008,308</u>
Transportation:				
Capital assets being depreciated:				
Vehicles	<u>190,311</u>	<u>66,259</u>	<u>63,437</u>	<u>193,133</u>
Total capital assets being depreciated	<u>190,311</u>	<u>66,259</u>	<u>63,437</u>	<u>193,133</u>
Less accumulated depreciation for:				
Vehicles	<u>34,890</u>	<u>37,005</u>	<u>23,260</u>	<u>48,635</u>
Total accumulated depreciation	<u>34,890</u>	<u>37,005</u>	<u>23,260</u>	<u>48,635</u>
Total capital assets being depreciated, net - Transportation	<u>155,421</u>	<u>29,254</u>	<u>40,177</u>	<u>144,498</u>
Business-type activities capital assets, net	<u>\$12,977,347</u>			<u>\$12,640,641</u>

Discretely presented component unit

Capital asset activity for the Authority for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Building improvements	\$ 11,028	\$ -	\$ -	\$ 11,028
Equipment	27,772	-	-	27,772
Furniture and fixtures	<u>342</u>	<u>-</u>	<u>-</u>	<u>342</u>
Total capital assets being depreciated	<u>39,142</u>	<u>-</u>	<u>-</u>	<u>39,142</u>
Less accumulated depreciation for:				
Building improvements	3,798	735	-	4,533
Equipment	13,585	3,156	-	16,741
Fixtures	<u>342</u>	<u>-</u>	<u>-</u>	<u>342</u>
Total accumulated depreciation	<u>17,725</u>	<u>3,891</u>	<u>-</u>	<u>21,616</u>
Governmental activity, capital assets - net	<u>\$ 21,417</u>			<u>\$ 17,526</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

6. Construction Commitments

The government has two active construction projects as of June 30, 2021. At June 30, 2021, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
North Main Street Project	\$ 198,361	\$1,774,721
Shooting Range Project	<u>1,003,123</u>	<u>1,696,877</u>
	<u>\$1,201,484</u>	<u>\$3,471,598</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$ 736,336	\$ 13,148	\$211,295	\$ -	\$ 960,779
Other governmental	<u>5,014,781</u>	<u>420,567</u>	<u>-</u>	<u>-</u>	<u>5,435,348</u>
Total governmental activities	<u>\$5,751,117</u>	<u>\$433,715</u>	<u>\$211,295</u>	<u>\$ -</u>	<u>\$6,396,127</u>
Business-type activities:					
Waste disposal	\$ 176,254	\$ -	\$ 736	\$ -	\$ 176,990
Water	5,110	-	204	25,301	30,615
Universal	4,547	-	11,704	24,117	40,368
Transportation	<u>6,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,768</u>
Total business-type activities	<u>\$ 192,679</u>	<u>\$ -</u>	<u>\$ 12,644</u>	<u>\$49,418</u>	<u>\$ 254,741</u>

2. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined, benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, and one appointed by the State House of Representatives and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 online at www.osc.nc.gov.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.23% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,501,735 for the year ended June 30, 2021.

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.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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 \$7,091,107 for its proportionate share of the net pension liability. 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, 2021, the County's proportion was .198% (measured as of June 30, 2020), which was an decrease of .001% from its proportion as of June 30, 2020 (measured as of June 30, 2019). For the year ended June 30, 2021, the County recognized pension expense of \$2,434,305. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 895,482	\$ -
Change of assumptions	527,717	-
Net difference between projected and actual earnings on pension plan investments	997,883	-
Changes in proportion, and differences between, the County contributions and proportionate share of contributions	-	33,996
County contributions subsequent to the measurement date	<u>1,501,735</u>	<u>-</u>
Total	<u>\$3,922,817</u>	<u>\$33,996</u>

\$1,501,735, reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 670,704
2023	897,821
2024	523,241
2025	295,320
2026	-
Thereafter	-

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Actuarial Assumptions. 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	3.0 percent
Salary increases	3.50 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 as of December 31, 2014.

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

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

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

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

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 1-percentage-point lower (6.00 percent), or 1-percentage-point higher (8.00 percent) than the current value:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
County's proportionate share of the net pension liability (asset)	<u>\$14,387,083</u>	<u>\$7,091,107</u>	<u>\$1,027,637</u>

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 for the State of North Carolina.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

b. Law Enforcement Officers' Special Separation Allowance

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

At the December 31, 2019 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>45</u>
Total	<u>51</u>

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2020.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

Mortality rates are based on the Pub - 2010 amount - Weighted Tables with adjustments for mortality improvements using Scale MP-2019.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$87,396 as benefits came due for the reporting period.

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

At June 30, 2021, the County reported a total pension liability of \$1,313,451. 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 December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$163,785.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,913	\$ 1,617
Changes of assumptions	349,015	16,293
County benefit payments and administrative expenditures paid subsequent to the measurement date	<u>44,414</u>	<u>-</u>
Total	<u>\$438,342</u>	<u>\$17,910</u>

The County paid \$43,698 in benefit payments and \$716 in administrative expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions, which will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$84,234
2023	74,685
2024	69,178
2025	67,389
2026	64,944
Thereafter	15,588

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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	<u>\$1,432,053</u>	<u>\$1,313,451</u>	<u>\$1,205,151</u>

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

Beginning balance	\$ 916,426
Service cost	50,718
Interest on the total pension liability	28,451
Difference between expected and actual experience in the measurement of the total pension liability	27,053
Changes of assumptions or other inputs	378,199
Benefit payments	<u>(87,396)</u>
Ending balance of the total pension liability	<u>\$1,313,451</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.26 percent at December 31, 2019 to 1.93 percent at December 31, 2020.

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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 County has approved the contribution of 2%, per pay period. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$204,903 which consisted of \$155,038 from the County and \$49,865 from the law enforcement officers.

d. Deferred Compensation Plan

The County also offers its employees the opportunity to participate in one of two deferred compensation plans, created in accordance with Internal Revenue Code Section 457 or 401(k). The plans, available to all County employees, permit the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

For all employees eligible to participate in either the 457 or 401(k) plan, the County has approved a contribution of a fixed amount of 2%, per pay period. For the year ended June 30, 2021, contributions of \$152,157 were made to the Section 457 plan, which consisted of \$94,867 from the County and \$57,290 from employees. For the year ended June 30, 2021, contributions of \$222,025 were made to the 401(k) plan, which consisted of \$123,684 from the County and \$98,341 from employees.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. McDowell County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of the State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent, locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, and one appointed by the State House of Representatives and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Register 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 online 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.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year, and for the foreseeable future, is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,230 for the year ended June 30, 2021.

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 \$84,785 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension asset 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 .370%, which was an increase of .02% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$417. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,728
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,255
Changes in proportion, and differences between, the County contributions and proportionate share of contributions	1,638	2,588
County contributions subsequent to the measurement date	<u>4,230</u>	<u>-</u>
Total	<u>\$5,868</u>	<u>\$11,571</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

\$4,230, reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$(1,736)
2023	(3,095)
2024	(3,274)
2025	(1,828)
2026	-
Thereafter	-

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2021 is 1.4%.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

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.

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

	1% Decrease <u>(2.75%)</u>	Discount Rate <u>(3.75%)</u>	1% Increase <u>(4.75%)</u>
County's proportionate share of the net pension liability (asset)	<u>\$(72,014)</u>	<u>\$(84,785)</u>	<u>\$(95,591)</u>

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 for the State of North Carolina.

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

The net pension liability for LGERS and ROD was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of December 31, 2020, with an actuarial valuation date of December 31, 2019. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$7,091,107	\$(84,785)	\$ -	\$7,006,322
Proportion of the Net Pension Liability (Asset)	.198%	(0.370)%	n/a	
Total Pension Liability	\$ -	\$ -	\$1,313,451	\$1,313,451
Pension Expense	\$2,434,305	\$ 417	\$ 163,785	\$2,598,507

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 895,482	\$ -	\$44,913	\$ 940,395
Changes of assumptions	527,717	-	349,015	876,732
Net difference between projected and actual earnings on pension plan investments	997,883	-	-	997,883
Changes in proportion, and differences between, County contributions and proportionate share of contributions	-	1,638	-	1,638
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,501,735	4,230	44,414	1,550,379
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	-	1,728	1,617	3,345
Changes of assumptions	-	-	16,293	16,293
Net difference between projected and actual earnings on pension plan investments	-	7,255	-	7,255
Changes in proportion, and differences between, County contributions and proportionate share of contributions	33,996	2,588	-	36,584

g. Other Post-employment Benefits

Health Care Benefits

Plan Description and Benefits Provided. According to a County resolution, the County offers health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (the "System"), with a hire date prior to March 1, 2009 and have at least five years of creditable service with the County immediately prior to retirement. The County pays full coverage for these benefits for employees with 30 years of service, 75% of coverage for employees with 25-29 years of service, 50% for employees with 20-24 years of service, and 25% for employees with 15-19 years of service. Coverage will terminate when the retiree qualifies for Medicare.

Membership of the plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	23
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>93</u>
Total	<u>116</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Total OPEB Liability

The County's total OPEB liability of \$5,845,732 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases:	
General employees	3.5% - 7.75%
Law enforcement officers	3.5% - 7.35%
Discount rate	3.50 percent
Healthcare cost trend rate	7.0% for 2019, decreasing to an ultimate rate of 4.5% by 2026

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index, published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Balance at July 1, 2019	<u>\$5,251,338</u>
Changes for the year:	
Service cost	116,317
Interest	179,935
Change of benefit terms	-
Differences between expected and actual experience	125,214
Changes of assumptions or other inputs	630,192
Benefit payments	<u>(457,264)</u>
Net changes	<u>594,394</u>
Balance at June 30, 2020	<u>\$5,845,732</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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

The demographic actuarial assumptions for retirement, disability, incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	<u>\$6,400,554</u>	<u>\$5,845,732</u>	<u>\$5,349,411</u>

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

	1% Decrease	Discount Rate	1% Increase
Total pension liability	<u>\$5,208,762</u>	<u>\$5,845,732</u>	<u>\$6,590,169</u>

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

For the year ended June 30, 2021, the County recognized OPEB expense of \$769,730. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,053,352	\$ 1,877
Changes of assumptions	614,456	92,902
Benefit payments and administrative costs made subsequent to the measurement date	<u>136,795</u>	<u>-</u>
Total	<u>\$1,804,603</u>	<u>\$94,779</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

\$136,795, reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, will be recognized as a decrease in the total 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	\$473,478
2023	503,335
2024	463,822
2025	132,394
2026	-
Thereafter	-

h. 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 (the "Death Benefit Plan"), a multiple-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die while in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan, and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

For the fiscal year ended June 30, 2021, the County made contributions to the State for death benefits of \$13,042. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and 0.14% of covered payroll, respectively.

Additionally, the County offers a supplemental life insurance plan providing a \$20,000 death benefit, at a cost of \$5.20, per month, per employee. Any aggregate benefit of the two plans in excess of the State's maximum \$50,000 benefit is a taxable fringe benefit to the employee.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

3. Deferred Outflows/Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions/OPEB - difference between expected and actual experience	\$1,993,747	\$ 5,222
Pensions - net difference between projected and actual investment earnings	997,883	-
Pensions - changes in proportion, and differences between, employer contributions and proportionate share of contributions	1,638	7,255
Pensions/OPEB - changes in assumptions	1,491,188	109,195
Contributions to pension plan subsequent to the measurement date (LGRS, ROD)	1,505,965	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	136,795	-
Benefit payments/administrative costs paid subsequent to the measurement date (LEOSSA)	44,414	-
Pensions - net difference between projected and actual on pension plan investment earnings	-	36,584
Adjustment between outflows and inflows	566	566
Prepaid taxes not yet earned	-	207,342
Total	<u>\$6,172,196</u>	<u>\$ 366,166</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 207,342
Taxes receivable, net (General)	-	255,448
Taxes receivable, net (Special Revenue)	-	40,501
Other receivables (General)	-	307,125
EMS receivables (General)	-	985,498
Total	<u>\$ -</u>	<u>\$1,795,914</u>

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one of the self - funded, risk financing pools administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains workers' compensation coverage up to the statutory limits. The pool is reinsured through commercial companies for losses in excess of \$750,000 (annual aggregate) for workers' compensation.

The County carries flood insurance on two County properties located in designated flood plain areas, the Old Fort Library and the McDowell House. Coverage is purchased from a commercial carrier in the amount of \$500,000 for the Old Fort library building and \$481,600 for the McDowell House building.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

In accordance with G.S. 159-29, the County's employees that have access to \$100, or more, at any given time, of the County's funds are performance bonded through a commercial surety bond in the following amounts: Finance Officer, \$50,000; DSS Director, \$50,000; Tax Collectors (5), \$15,000 each; DMV Clerks (3), \$15,000 each; Tax Assessor, \$15,000; Sheriff, \$25,000, and Register of Deeds, \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000. The Finance Officer of the County also serves as the Finance Officer of the Authority. In accordance with G.S. 159-29, the Finance Officer of the Authority should be covered under a separate performance bond, in addition to bonding under the County's performance bond and blanket bond. The Authority has an individual bond for the Finance Office of \$50,000.

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

The McDowell County Health Care Benefit Plan is a self-funded program. It provides coverage to employees, retirees, covered dependents and eligible former employees. The total cost of health care coverage, including premiums for stop-loss coverage, administrative fees and claims paid, less amounts withheld from employees and reimbursed under stop-loss coverage, totaled \$3,878,645 for the year ended June 30, 2021. The County purchases specific stop-loss coverage to limit its annual loss, per person, to \$90,000. The cost for health care excess coverage premiums in the fiscal year 2020-2021 was \$750,882. The County accounts for the self-funded Health Care Benefit Plan in the Internal Service Fund.

5. Closure and Postclosure Care Costs

On April 8, 1994, the County stopped accepting solid waste at the municipal landfill. Since that date, solid waste has been transferred to a neighboring county. Revenue, in the form of tipping fees and operating transfers, is used to offset the cost of transporting and disposal. Because solid waste was no longer accepted after April 8, 1994, the County is not subject to the Environmental Protection Agency rule, "Solid Waste Disposal Facility Criteria". However, prior State and Federal laws and regulations require the County to place a final cover on its landfill facility and to perform certain maintenance and monitoring functions at the site. The County maintains a \$30,000 landfill closure and post-closure liability representing the estimated cost of post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

6. Contingent Liabilities

During the normal course of doing business, the County may be named as a defendant in various lawsuits. In the opinion of the County's management and the County attorney, these legal matters will not have a materially adverse effect on the County's financial position.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Long-term Obligations

Installment Purchases - McDowell County Board of Education and McDowell Technical Community College

As authorized by State Law [G.S. 160A-20 and 153A-158.1], the County has financed various property acquisitions and construction projects in a direct placement for use by the McDowell County Board of Education and McDowell Technical Community College (MTCC) by installment purchase. The installment purchase obligations were issued pursuant to a deed of trust that requires legal title to remain with the County as long as the debt is outstanding, because the property is pledged as collateral for the debt. The County has entered into agreements with the McDowell County Board of Education and MTCC that transfer the rights and responsibilities for maintenance and insurance of the properties to the Board of Education and MTCC. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligations are recorded by the Board of Education and MTCC. Details of the installment purchase obligations related to these projects are as follows:

McDowell County Board of Education

- Direct placement installment purchase contract, executed in April 2013 for \$8,500,000, payable in 30 semi-annual installments of \$283,333, plus interest at 2.505%, for addition to the McDowell High School. The property is pledged as collateral for the debt while the debt is outstanding. \$3,966,667

McDowell County Board of Education

- Direct placement installment purchase contract, executed in February 2019 for \$5,000,000, payable in 30 semi-annual installments of \$166,667, plus interest at 3.65%, for addition to the Old Fort Elementary School. The property is pledged as collateral for the debt while the debt is outstanding. 4,333,333
- \$8,300,000

For McDowell County, the future minimum payments as of June 30, 2021, including interest, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 900,000	\$ 253,070
2023	900,000	226,540
2024	900,000	200,009
2025	900,000	173,478
2026	900,000	146,948
2027-2031	2,800,000	390,011
2032-2036	<u>1,000,000</u>	<u>64,686</u>
Total	<u>\$8,300,000</u>	<u>\$1,454,742</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Installment Purchases - Other

The County has entered into installment purchase contracts with banks to finance the purchase of various items of property and equipment as follows:

Governmental Activities

- Direct placement installment purchase contract, executed in April 2008 for \$965,663, payable in 30 semi-annual installments of \$32,189, plus interest at 3.51%, to construct a Nutrition Center in the Old Fort area. The property is pledged as collateral for the debt while the debt is outstanding. 128,755
- Direct placement installment purchase contract, executed in January 2008 for \$562,500, payable in 30 semi-annual installments of \$18,750, plus interest at 3.83%, to finance the purchase of the McDowell House. The property is pledged as collateral for the debt while the debt is outstanding. See Note G. 75,000
- Direct placement installment purchase contract, executed in December 2008 for \$1,056,000, payable in 30 semi-annual principal payments of \$35,200, plus interest at 4.19%, for improvements to Baldwin Avenue property. 176,000
- Direct placement installment purchase contract, executed in November 2019 for \$187,221, payable in 8 semi-annual installments of \$24,640, including interest at 2.32%, secured by vehicles purchased. 119,029
- Direct placement installment purchase contract, executed in May 2020 for \$436,744, payable in 8 semi-annual installments of \$56,733, including interest at 1.672%, secured by vehicles purchased. 330,519
- Direct placement installment purchase contract, executed in May 2018 for \$380,935, payable in 8 semi-annual installments of \$50,776, including interest at 2.90%, secured by vehicles and equipment purchased. 99,385
- Direct placement installment purchase contract, executed in August 2017 for \$171,022, payable in 8 semi-annual installments of \$22,449, including interest at 2.20%, secured by vehicle purchased. 22,207
- Direct placement installment purchase contract, executed in March 2018 for \$135,014, payable in 8 semi-annual installments of \$18,110, including interest at 3.19%, secured by election equipment purchased. 35,391
- Direct placement installment purchase contract, executed in July 2020 for \$7,524,300, payable in 40 semi-annual installments of \$188,108, plus interest at 2.63%, secured by EMS facility. 7,524,300
- Direct placement installment purchase contract, executed in March 2021 for \$206,222, payable in 8 semi-annual installments of \$51,556, including interest at 1.28%, secured by equipment. 206,222

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

• Direct placement installment purchase contract, executed in April 2021 for \$523,285, payable in 8 semi-annual installments of \$130,821, including interest at 1.20%, secured by vehicles purchased.	\$ 523,285
• Direct placement installment purchase contract, executed in February 2018 for \$81,552, payable in 8 semi-annual installments of \$10,834, including interest at 2.70%, secured by DSS vehicles purchased.	21,229
• Direct placement installment purchase contract, executed in June 2015 for \$2,704,802, payable in 30 semi-annual installments of \$90,160, plus interest at 2.62%, secured by the jail facility/property.	1,622,881
• Direct placement installment purchase contract, executed in April 2018 for \$5,654,000, payable in 30 semi-annual installments of \$188,467, plus interest at 3.60%, secured by real property.	4,523,200
• Direct placement installment purchase contract, executed in October 2018 for \$79,930, payable in 8 semi-annual installments of \$10,663, including interest at 2.90%, secured by vehicles purchased.	31,010
• Direct placement installment purchase contract, executed in April 2019 for \$663,731, payable in 8 semi-annual installments of \$88,105, including interest at 2.71%, secured by vehicles purchased.	340,797
	<u>\$15,779,210</u>

Business-Type Activities

• Direct placement installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semi-annual installments of \$49,167, plus interest at 3.39%, secured by real property.	\$ 590,000
• Direct placement installment purchase contract, executed in March 2012 for \$1,475,000, payable in 30 semi-annual installments of \$49,167, plus interest at 5.23%, secured by real property.	590,000
• Direct placement installment purchase contract, executed in June 2018 for \$450,000, payable in 8 semi-annual installments of \$56,250, plus interest at 3.01%, secured by real property.	112,500
• Direct placement installment purchase contract, executed in May 2018 for \$75,000, payable in 8 semi-annual installments of \$9,997, including interest at 2.90%, secured by waste disposal equipment.	19,567
• Direct placement installment purchase contract, executed in September 2018 for \$200,418, payable in 8 semi-annual installments of \$25,052, including interest at 2.90%, secured by equipment purchased.	75,157
	<u>\$ 1,387,224</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

The future minimum payments of the installment purchase contracts, excluding the contracts entered into for the improvement of McDowell County Schools and McDowell County Technical Community College, are as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,430,588	\$ 440,322
2023	1,460,963	401,385
2024	1,330,339	360,232
2025	1,160,995	326,254
2026	975,270	295,261
2027-2031	4,696,030	1,038,170
2032-2036	2,843,950	432,451
2037-2041	<u>1,881,075</u>	<u>123,680</u>
Total	<u>\$15,779,210</u>	<u>\$3,417,756</u>

<u>Year Ending June 30:</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 378,839	\$ 53,550
2023	221,719	40,634
2024	196,667	31,786
2025	196,667	23,310
2026	196,667	14,834
2027-2031	<u>196,666</u>	<u>6,357</u>
Total	<u>\$ 1,387,224</u>	<u>\$ 170,471</u>

Debt Related to Capital Activities

Of the total Governmental Activities debt listed, \$15,779,210 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$4,130,707.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Long-Term Obligations - Summary

At June 30, 2021, McDowell County had a legal debt margin of \$343,731,143. A summary of all long-term debt obligations presented in the government-wide statement of activities is as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Direct placement installment purchases, including amortized call premium	\$18,163,786	\$ 8,253,807	\$2,305,326	\$24,112,267	\$2,330,588
Total pension liability (LEOSSA)	916,426	397,025	-	1,313,451	-
Compensated absences	956,214	844,586	757,897	1,042,903	-
Net pension liability (LGRS)	5,320,962	1,579,652	-	6,900,614	-
Net OPEB liability	<u>5,168,367</u>	<u>585,003</u>	<u>-</u>	<u>5,753,370</u>	<u>-</u>
Total governmental activities	<u>\$30,525,755</u>	<u>\$11,660,073</u>	<u>\$3,063,223</u>	<u>\$39,122,605</u>	<u>\$2,330,588</u>
Business-type activities:					
Waste Disposal Fund					
Direct placement installment purchases	\$ 163,840	\$ -	\$ 69,117	\$ 94,723	\$ 69,672
Compensated absences	11,416	11,158	7,986	14,588	-
Net pension liability (LGRS)	103,438	31,293	-	134,731	-
Net OPEB liability	82,971	9,391	-	92,362	-
Accrued landfill closure and post-closure care costs	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Total Waste Disposal Fund	<u>391,665</u>	<u>51,842</u>	<u>77,103</u>	<u>366,404</u>	<u>69,672</u>
Water Fund					
Direct placement installment purchases	<u>225,000</u>	<u>-</u>	<u>112,500</u>	<u>112,500</u>	<u>112,500</u>
Total Water Fund	<u>225,000</u>	<u>-</u>	<u>112,500</u>	<u>112,500</u>	<u>112,500</u>
Universal Fund					
Direct placement installment purchases	<u>1,376,666</u>	<u>-</u>	<u>196,667</u>	<u>1,179,999</u>	<u>196,667</u>
Total Universal Fund	<u>1,376,666</u>	<u>-</u>	<u>196,667</u>	<u>1,179,999</u>	<u>196,667</u>
Transportation Fund					
Compensated absences	23,600	4,697	8,103	20,194	-
Net Pension Liability (LGRS)	<u>19,692</u>	<u>36,070</u>	<u>-</u>	<u>55,762</u>	<u>-</u>
Total Transportation Fund	<u>43,292</u>	<u>40,767</u>	<u>8,103</u>	<u>75,956</u>	<u>-</u>
Total business-type activities	<u>\$ 2,036,623</u>	<u>\$ 92,609</u>	<u>\$ 394,373</u>	<u>\$ 1,734,859</u>	<u>\$ 378,839</u>

Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

The following is a summary of changes in the Authority's long-term obligations for the fiscal year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Compensated absences	\$ 7,612	\$ -	\$1,876	\$ 5,736	\$ -
Other post-employment benefits	36,499	4,161	-	40,660	-
Net pension liability	<u>38,109</u>	<u>11,529</u>	<u>-</u>	<u>49,638</u>	<u>-</u>
Total governmental activities	<u>\$82,220</u>	<u>\$15,690</u>	<u>\$1,876</u>	<u>\$96,034</u>	<u>\$ -</u>

Healthcare Benefits

The calculation of unpaid healthcare claims liability reported in the Self-Insurance Fund is based on management's experience and actual claims incurred prior to June 30, 2021 and reported for subsequent reimbursement.

Interfund Balances and Activity:

At June 30, 2021, interfund balances and activity are as follows:

<u>Receivable To</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	Catawba Falls Trail Improvements Project	\$ 100,000
General Fund	Shooting Range	100,538
General Fund	Coronavirus Special Revenue Fund	<u>1,034,622</u>
		<u>\$1,235,160</u>

The payables to the General Fund represent project expenditures incurred near year end. All interfund balances will be paid during the year ending June 30, 2022.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Details of transfers to/from other funds are as follows:

Transfer from the General Fund to the North Main Street Project Fund to support the costs of construction not recovered by funds other than the General Fund.	\$1,973,082
Transfer from the General Fund to the Universal Fund to support the costs of service not recovered by user charges.	140,265
Transfer from the General Fund to the Waste Disposal Fund to support the cost of services not recovered by user charges.	1,101,390
Transfer from the School Capital Projects Fund to the Debt Service Fund to provide resources for the retirement of debt obligations of funds other than the General Fund.	1,180,024
Transfer from the General Fund to the Courthouse Renovation and Addition Project to provide resources for the project.	253,000
Transfer from the General Fund to the Nebo Water Fund to support debt not recovered by user charges.	118,426
Transfer from the General Fund to the Emergency Telephone System Fund to cover disallowed costs by the 911 Board.	419
Transfer from the General Fund to the Transportation Fund to support the cost of services not recovered by user charges.	131,406
Transfer from the General Fund to the Shooting Range Project	<u>250,000</u>
Total	<u>\$5,148,012</u>

Net Investments in Capital Assets:

At June 30, 2021, net investment in capital assets is calculated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$37,860,546	\$12,640,641
Direct placement installment purchases, excluding McDowell County Schools and McDowell County Technical Community College debt	(15,812,267)	(1,387,224)
Unexpended debt proceeds	<u>4,130,707</u>	<u>-</u>
Net investment in capital assets	<u>\$26,178,986</u>	<u>\$11,253,419</u>

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

Fund Balance:

McDowell County has a revenue spending policy that is followed for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: installment purchase obligation proceeds, federal funds, State funds, local, non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the County.

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

Total fund balance - General Fund	\$16,622,747
Less:	
Inventories	91,034
Stabilization by State Statute	6,003,145
PEG channel	67,602
Register of Deeds	72,313
Asset forfeiture	108,751
Social Services	267,976
Senior Center	112,668
Cooperative extension	49,541
Tax revaluation	23,855
Jail	686,161
EMS	64,077
Fire	193,875
Library	204,755
Clerk of Court	4,072
Recreation	68,843
Appropriated Fund Balance in 2022 budget	416,860
Remaining fund balance	<u>\$ 8,187,219</u>

McDowell County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to, or greater than, 18% of the prior year expenditures.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

IV. Joint Ventures

McDowell Technical Community College

The County, in conjunction with the State of North Carolina and the McDowell County Board of Education, participates in a joint venture to operate the McDowell Technical Community College. Each of the three participants appoints four members of the thirteen-member Board of Trustees of the Community College. The president of the Community College's student government serves as an ex-officio, nonvoting member of the Community College's Board of Trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The last general obligation bond issue for this purpose was retired during the June 30, 2000 fiscal year. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,111,292 and \$137,149 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2021. Additionally, the County entered into an installment purchase agreement during the year ended June 30, 2006, in order to fund the County's participation in the Community College's capital improvement project. The County's debt service payments on this debt amounted to \$25,379 for the year ended June 30, 2021. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2021. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 54 College Drive, Marion, North Carolina 28752.

During the year ended June 30, 2008, the County entered into an installment purchase agreement in order to provide capital improvements to the McDowell Tech Baldwin Avenue Facility property. The improvements were completed during the year ended June 30, 2010. The County leases space to be used in various economic development programs. The County owns the property throughout the service of the debt. Upon retirement of the debt, ownership of the property reverts back to McDowell Technical Community College. The County's debt service payments on this debt amounted to \$79,987 for the year ended June 30, 2021.

McDowell House

During the year ended June 30, 2008, the County entered into an agreement with the McDowell County Tourism Development Authority and the City of Marion, whereby the County financed the purchase of the McDowell House, a residence in the County with historic significance. Under the terms of the agreement, the City of Marion and McDowell County each contributed \$25,000 for the purchase of the facility, with McDowell County financing the remaining purchase price. Debt retirement will be accomplished by the McDowell County Tourism Development Authority, using a 2% increase in occupancy tax, effective January 1, 2008, which has been restricted for this purpose.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

V. Jointly Governed Organizations

McDowell County maintains an affiliation with Vaya Health for the provision of mental health, developmental disabilities and substance abuse services. McDowell County appoints one County commissioner and one at-large member to serve on the board. The remaining members are appointed in the same manner by the other fourteen counties (Alexander, Alleghaney, Ashe, Avery, Caldwell, Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain, Watauga, and Wilkes) who participate. In addition, the County has made a financial commitment to Vaya Health. For the year ended June 30, 2021, the County contributed \$67,856 to the general operations of Vaya Health.

The Board of Trustees of the McDowell County Health Department is comprised of fifteen members. McDowell County appoints one County commissioner and four others to serve on the board. The remaining members are appointed in the same manner by Rutherford County who jointly govern the Health Department. In addition, the County has made a financial commitment to the Health Department. For the year ended June 30, 2021, the County contributed \$476,084 to the general operations of the Health Department.

The Board of Directors of McDowell Economic Development Association (MEDA), a 501(c)(3) organization, is comprised of twenty directors. McDowell County appoints three directors to serve on the board. The remaining directors are appointed as follows: one by the City of Marion, one by the Town of Old Fort, one by the McDowell County Chamber of Commerce, one by the McDowell Technical Community College, and one by the McDowell County Board of Education. This board then elects seven additional directors from members of MEDA. Five ex-officio members are comprised of the County manager, the County attorney, the Director of the Isothermal Planning and Development Commission, the Director of the Small Business Center and the Director of the McDowell County Chamber of Commerce. In addition, the County has made a financial commitment to MEDA. For the year ended June 30, 2021, the County contributed \$146,183 to the general operations of MEDA, including personnel costs.

The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and Development Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid \$36,738 in annual allocation to the Commission during the fiscal year ended June 30, 2021.

VI. Related Party Transactions

For the year ended June 30, 2021, one County Commissioner is employed by McDowell County Schools and McDowell Technical Community College, and one County Commissioner is a reserve deputy for the McDowell County Sheriff's Department.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

VII. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 162,732	\$ -
Medicaid	74,805,601	28,754,815
N. C. Health Choice	961,933	189,185
State/County Special Assistance to Adults	-	512,201
Foster Care Adoption Assistance	672,773	123,063
Child Welfare Services Adoption Subsidy	<u>-</u>	<u>240,505</u>
Total	<u>\$76,603,039</u>	<u>\$29,819,769</u>

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Industrial Recruitment and Economic Development Incentives

The County has entered into various incentive agreements with private companies, whereby the companies agree to locate or expand operation in McDowell County, agreeing to comply with certain performance goals in exchange for financial assistance with initial or enhanced capital investment in the County or rent for building space. Performance goals normally include prescribed levels of new construction or equipment acquisition and the addition of a target number of full-time, equivalent employees within certain wage parameters.

After inception-year assistance from the County, the companies must submit proof of compliance with the agreement terms before future installments are paid. Additionally, full or partial repayment of start-up advances may be required in the event target goals are not adequately satisfied or maintained for a prescribed time period. Due to the uncertain terms of these agreements, liabilities for future payments or receivables for potential repayments have not been recorded in the government-wide financial statements.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

During the year ended June 30, 2021, payments of \$169,334 were made under the economic development incentive agreements described above. Potential future installment payments of four active agreements amount to \$55,000 for the year ending June 30, 2022. One active agreement is in place that provides for reduced rental payments for space at the Universal Building.

Interlocal Agreement to Purchase a Historic Property

Adopted on August 11, 2008, the Authority, the County and the City of Marion entered into an agreement to purchase and preserve a historic structure known as the McDowell House. The County agreed to purchase the property and entered into an agreement to finance \$562,500 over a fifteen-year period. The Authority agrees to make semi-annual payments to the County equal to the principal and interest payments. The payment is funded from the occupancy tax proceeds resulting from the increase in the occupancy tax effective January 1, 2008.

The total semi-annual payment is equal to the principal portion of \$18,750, plus the interest computed at 3.83% on the unpaid balance of \$75,000, as of June 30, 2021. See related Note III for the installment purchase recorded under governmental activities.

Operating Leases

The County leases phone systems for the Sheriff's Office, the Department of Social Services, and EMS. It also leases copiers and other small equipment for all County departments. Total costs for operating leases were \$60,357 for the year ended June 30, 2021. Future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 60,357
2022	34,447
2023	16,801
2024	6,958
2025	-
Total	<u><u>\$118,563</u></u>

IX. Cafeteria Plan

The County offers a cafeteria plan in which employees may elect to have specified amounts of their salaries set aside for qualified medical and child care expenses. These amounts are not subject to FICA or withholding taxes. As the employees incur expenses, they file for reimbursement. Any amounts remaining in the cafeteria plan fund at year end revert to the County. The activity of the cafeteria plan is currently accounted for in an Agency Fund.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

X. Concentration of Credit Risk

McDowell County grants credit without collateral to users of emergency medical services, accounted for in the General Fund, and to users of the waste disposal facility, accounted for in the Enterprise Fund. Most customers are residents of McDowell County, setting up a concentration of credit risk with respect to receivables.

The Waste Disposal Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 55% of waste disposal revenue. Sales to this customer amounted to \$559,707 for the year ended June 30, 2021, with an account receivable balance of \$53,519 at June 30, 2021.

XI. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses/expenditures. Actual results could differ from those estimates.

XII. Subsequent Events

Management has evaluated subsequent events through January 21, 2021, the date on which the financial statements were available to be issued, and concluded that the following subsequent event has occurred that would require recognition or disclosure in these financial statements:

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. Any fluctuations impacting McDowell County are not reflected in the financial statements for the year ended June 30, 2021, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of January 21, 2021.

XIII. Change in Accounting Principle

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all State and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefits) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

MCDOWELL COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2021

As part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

Governmental Activities Net Position <u>Increase (Decrease)</u>	General Fund Balance <u>Increase (Decrease)</u>	Non-major Special Revenue Fund Balance <u>Increase (Decrease)</u>	Fiduciary Net Position Custodial Fund <u>Increase (Decrease)</u>	
\$ -	\$ -	\$ -	\$ 24,894	Cash related to funds held on behalf of incarcerated inmates was reclassified from the General Fund into fiduciary net position in a newly created Jail Inmate Pay Custodial Fund.
-	-	-	-	Cash, taxes receivables and liabilities related to ad valorem and vehicle property taxes collected by the County on behalf of various municipalities were reclassified out of the Agency Fund into a newly created Municipal Tax Custodial Fund. The portion of liabilities of attributable taxes receivable at the beginning of the year were restated as custodial net position.
54,901	-	54,901	-	Cash received under the Social Security Administration's Representative Payee Program, net of liabilities owed for payments on behalf of beneficiaries, were reclassified out of the Agency Fund into a newly created Representative Payee Special Revenue Fund. The portion of liabilities in the Agency Fund representing net cash available at the beginning of the year were restated as fund balance.
_____ -	_____ -	_____ -	_____ -	Cash and receivables from fines and forfeitures, net of liabilities owed to the Carolina County Board of Education, were reclassified out of the Agency Fund into a newly created Fines and Forfeitures Special Revenue Fund. The portion of liabilities in the Agency Fund representing receivables that were uncollected at the beginning of the year were restated as fund balance.

MCDOWELL COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Year Ended June 30, 2021**

Governmental Activities Net Position <u>Increase (Decrease)</u>	General Fund Balance <u>Increase (Decrease)</u>	Non-major Special Revenue Fund Balance <u>Increase (Decrease)</u>	Fiduciary Net Position Custodial Fund <u>Increase (Decrease)</u>	
\$ -	\$ -	\$ -	\$ -	Cash and liabilities related to Deed of Trust Fees collected required to be remitted to the State of North Carolina were reclassified out of the Agency Fund into a newly created Deed of Trust Special Revenue Fund. The reclassifications did not result in a restatement of fund balance.
-	-	-	48,730	Cash related to confiscated funds held were reclassified out of the Agency Fund into a newly created Custodial Fund. The portion of liabilities at the beginning of the year were restated as Custodial Net Position
-	-	-	62,755	Cash related to funds held in a custodial capacity for others were reclassified out of the Agency Fund into a newly created Custodial Fund. The portion of liabilities at the beginning of the year were restated as Custodial Net Position.
<u>-</u>	<u>-</u>	<u>-</u>	<u>340</u>	Cash related to Rescue Squad fees collected by the County on behalf of the Rescue Squad were reclassified out of the Agency Fund into a newly created Custodial Fund. The portion of liabilities at the beginning of the year were restated as Custodial Net Position.
<u><u>\$54,901</u></u>	<u><u>\$ -</u></u>	<u><u>\$54,901</u></u>	<u><u>\$136,719</u></u>	

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- **Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) - Local Governmental Employees' Retirement System**
 - **Schedule of the County's Contributions - Local Governmental Employees' Retirement System**
 - **Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) - Register of Deeds' Supplemental Pension Fund**
 - **Schedule of the County's Contributions - Register of Deeds' Supplemental Pension Fund**
 - **Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance**
 - **Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance**
 - **Schedule of Changes in the Net OPEB Liability and Related Ratios - Healthcare Benefits Plan**
-

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 1-1****Schedule of County's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Local Governmental Employees' Retirement System
Last Eight Fiscal Years***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.198%	0.199%	0.192%	0.187%	0.183%	0.181%	0.178%	0.168%
County's proportionate share of the net pension liability (asset) (\$)	\$ 7,091,107	\$ 5,444,093	\$ 4,544,933	\$ 2,859,134	\$ 3,876,689	\$ 810,342	\$(1,050,472)	\$ 2,031,072
County's covered payroll	\$14,557,440	\$13,478,464	\$12,360,737	\$11,813,800	\$11,180,150	\$10,878,319	\$10,543,704	\$10,231,851
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.71%	40.39%	36.77%	24.20%	34.68%	7.45%	(9.96)%	19.85%
Plan fiduciary net position as a percentage of the total pension liability	92.0%	94.18%	91.47%	98.09%	98.79%	102.64%	94.35%	98.22%

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

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 1-2****Schedule of County's Contributions
Required Supplementary Information
Local Governmental Employees' Retirement System
Last Eight Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,501,735	\$ 1,231,374	\$ 978,504	\$ 908,402	\$ 825,323	\$ 740,011	\$ 746,980	\$ 722,743
Contributions in relation to the contractually required contribution	<u>1,501,735</u>	<u>1,231,374</u>	<u>978,504</u>	<u>908,402</u>	<u>825,323</u>	<u>740,011</u>	<u>746,980</u>	<u>722,743</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$14,557,440	\$13,478,464	\$12,360,737	\$11,813,800	\$11,180,150	\$10,878,319	\$10,543,704	\$10,231,851
Contributions as a percentage of covered payroll	10.32%	9.14%	7.92%	7.69%	7.38%	6.8%	7.08%	7.06%

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 1-3

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.370%	0.350%	0.366%	0.406%%	0.401%	0.380%	0.384%	0.374%
County's proportionate share of the net pension liability (asset) (\$)	\$ (84,785)	\$ (69,000)	\$ (60,692)	\$ (69,385)	\$ (74,915)	\$ (88,019)	\$ (87,139)	\$ (79,985)
County's covered-employee payroll	\$ 61,801	\$ 53,673	\$ 51,718	\$ 49,409	\$ 47,688	\$ 46,518	\$ 45,942	\$ 44,814
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(137.19)%	(128.55)%	(117.35)%	(140.43)%	(157.09)%	(189.21)%	(189.67)%	(178.48)%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 1-4

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,230	\$ 3,542	\$ 3,322	\$ 3,373	\$ 3,532	\$ 3,274	\$ 3,039	\$ 3,139
Contributions in relation to the contractually required contribution	<u>4,230</u>	<u>3,542</u>	<u>3,322</u>	<u>3,373</u>	<u>3,532</u>	<u>3,274</u>	<u>3,039</u>	<u>3,139</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 61,801	\$ 53,673	\$ 51,718	\$ 49,409	\$ 47,688	\$ 46,518	\$ 45,942	\$ 44,814
Contributions as a percentage of covered-employee payroll	6.84%	6.60%	6.42%	6.83%	7.41%	7.04%	6.61%	7.00%

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 1-5****Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Three Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 916,426	\$ 916,385	\$ 921,127
Service cost	50,718	40,434	43,181
Interest on the total pension liability	28,451	31,624	27,879
Changes in benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	27,053	(2,519)	33,896
Changes of assumptions and other inputs	378,199	25,684	(31,941)
Benefit payments	(87,396)	(95,182)	(77,757)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$1,313,451</u>	<u>\$ 916,426</u>	<u>\$ 916,385</u>

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

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 1-6****Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Three Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability	\$1,313,451	\$ 916,426	\$ 916,385
Covered payroll	2,326,496	1,836,913	1,836,402
Total pension liability as a percentage of covered payroll	56.46%	49.89%	49.90%

Notes to Schedule:

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

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 1-7

**Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
Last Four Fiscal Years***

Total OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 116,317	\$ 101,721	\$ 105,189	\$ 113,747
Interest	179,935	135,584	130,186	115,633
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	125,214	1,574,130	67,897	(7,977)
Changes of assumptions	630,192	194,342	(110,414)	(194,840)
Benefit payments	<u>(457,264)</u>	<u>(475,264)</u>	<u>(255,647)</u>	<u>(167,887)</u>
Net change in total OPEB liability	594,394	1,530,513	(62,789)	(141,324)
Total OPEB liability, beginning	<u>5,251,338</u>	<u>3,720,825</u>	<u>3,783,614</u>	<u>3,924,938</u>
Total OPEB liability, ending	<u><u>\$ 5,845,732</u></u>	<u><u>\$ 5,251,338</u></u>	<u><u>\$ 3,720,825</u></u>	<u><u>\$ 3,783,614</u></u>
Covered payroll	\$ 3,999,527	\$ 3,999,527	\$ 4,901,134	\$ 4,901,134
Total OPEB liability as a percentage of covered payroll	146.16%	131.30%	75.92%	77.20%

* Plan measurement date is the reporting date. Employer measurement date is one year prior to reporting date.

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1****Page 1 of 10**

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$26,353,435	\$26,879,890	\$ 526,455
Prior years	112,929	243,535	130,606
Discounts	(147,500)	(147,385)	115
Penalties and interest	126,000	110,547	(15,453)
Total	<u>26,444,864</u>	<u>27,086,588</u>	<u>641,724</u>
Local option sales tax:			
Article 39 one percent	4,511,500	4,563,711	52,211
Article 40 one-half percent	2,459,582	2,634,984	175,402
Article 42 one-half percent	343,000	562,192	219,192
Article 44 one-half percent	625,000	655,984	30,984
Total	<u>7,939,082</u>	<u>8,416,870</u>	<u>477,788</u>
Other taxes and licenses:			
Deed stamp excise tax	200,000	186,542	(13,458)
Real estate transfer tax	396,000	547,488	151,488
Scrap tire disposal tax	70,000	76,858	6,858
Occupancy tax	1,085,100	1,018,851	(66,249)
Cable franchise	155,000	149,962	(5,038)
Schedule B	500	340	(160)
Total	<u>1,906,600</u>	<u>1,980,042</u>	<u>73,442</u>
Unrestricted intergovernmental revenues:			
Payment in lieu of taxes	<u>275,000</u>	<u>284,257</u>	<u>9,257</u>
Total	<u>275,000</u>	<u>284,257</u>	<u>9,257</u>
Restricted intergovernmental revenues:			
State and federal grants:			
DSS	6,513,508	5,606,309	(907,199)
Medicaid Hold Harmless	389,647	533,279	143,632
State aid library	109,243	106,495	(2,748)
Senior Center - aging	526,296	459,342	(66,954)
Soil and water reimbursement	27,000	24,980	(2,020)
Veterans service	2,500	2,084	(416)
Juvenile Crime Prevention	149,121	144,105	(5,016)
EMA reimbursement	38,000	52,073	14,073
One NC grant	1,150,000	1,150,000	-
Other	196,466	121,950	(74,516)
Court facility fees	83,000	85,077	2,077
Officer fees	21,000	24,948	3,948
ABC profits for law enforcement	8,000	11,924	3,924
Total	<u>9,213,781</u>	<u>8,322,567</u>	<u>(891,214)</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1
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**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (continued):			
Permits and fees:			
Building inspections	\$ 230,000	\$ 311,804	\$ 81,804
Sign revenue	1,750	400	(1,350)
Homeowners' recovery	2,600	1,710	(890)
Register of deeds:			
Acknowledgement and oath	12,000	8,394	(3,606)
Certificates and copies	42,000	46,560	4,560
Flood plain fees	20,500	16,238	(4,262)
Cultural resources	9,000	8,012	(988)
Total	<u>317,850</u>	<u>393,118</u>	<u>75,268</u>
 Sales and service:			
NCDMV fees	233,000	244,227	11,227
Tax mapping	200	103	(97)
Library fees	23,000	6,442	(16,558)
Rent -dialysis clinic	46,650	57,728	11,078
Rent - mental health building	26,556	27,220	664
Rent - Baldwin Ave - Isothermal	7,200	7,561	361
Rent - Baldwin Ave - ESC	25,456	23,794	(1,662)
Rent - soil and water	1,200	-	(1,200)
Tower rental	43,500	45,966	2,466
City of Marion reimbursement	80,000	80,000	-
Adoption fees	22,000	23,568	1,568
Canteen fees	206,174	226,281	20,107
Sheriff - fees	363,090	398,774	35,684
Jail - fees	73,000	104,244	31,244
Jail - lease	856,129	1,184,082	327,953
EMS collections	2,500,817	2,498,795	(2,022)
EMS Medicaid	190,000	206,093	16,093
Rescue Squad billing	35,000	16,602	(18,398)
Recreation program fees	81,750	30,581	(51,169)
Other	390,349	655,151	264,802
Total	<u>5,205,071</u>	<u>5,837,211</u>	<u>632,141</u>
 Investment earnings	<u>25,000</u>	<u>26,901</u>	<u>1,901</u>
 Miscellaneous	<u>1,481,093</u>	<u>1,689,499</u>	<u>208,406</u>
 Total revenues	<u>52,808,341</u>	<u>54,037,054</u>	<u>1,228,713</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1
Page 3 of 10****General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Board of commissioners:			
Salaries and employee benefits	\$ 172,554	\$ 172,552	\$ 2
Operating expenditures	<u>30,721</u>	<u>25,425</u>	<u>5,296</u>
Total	<u>203,275</u>	<u>197,977</u>	<u>5,298</u>
Human resources:			
Salaries and employee benefits	177,060	177,060	-
Operating expenditures	<u>341,880</u>	<u>338,901</u>	<u>2,979</u>
Total	<u>518,940</u>	<u>515,961</u>	<u>2,979</u>
County administration:			
Salaries and employee benefits	149,613	147,564	2,049
Operating expenditures	<u>12,900</u>	<u>8,450</u>	<u>4,450</u>
Total	<u>162,513</u>	<u>156,014</u>	<u>6,499</u>
Finance:			
Salaries and employee benefits	485,684	483,116	2,568
Operating expenditures	243,597	225,419	18,178
Capital expenditures	<u>9,789</u>	<u>9,788</u>	<u>1</u>
Total	<u>739,070</u>	<u>718,323</u>	<u>20,747</u>
Tax - assessment:			
Salaries and employee benefits	428,508	422,301	6,207
Operating expenditures	117,500	88,261	29,239
Capital expenditures	<u>5,070</u>	<u>5,070</u>	<u>-</u>
Total	<u>551,078</u>	<u>515,632</u>	<u>35,446</u>
Tax collections:			
Salaries and employee benefits	247,384	247,211	173
Operating expenditures	<u>85,180</u>	<u>55,193</u>	<u>29,987</u>
Total	<u>332,564</u>	<u>302,405</u>	<u>30,159</u>
Legal	<u>25,318</u>	<u>22,753</u>	<u>2,565</u>
Board of elections:			
Salaries and employee benefits	302,079	301,952	127
Operating expenditures	237,634	215,204	22,430
Capital expenditures	<u>74,682</u>	<u>74,679</u>	<u>3</u>
Total	<u>614,395</u>	<u>591,834</u>	<u>22,561</u>
Register of deeds:			
Salaries and employee benefits	219,877	218,580	1,297
Operating expenditures	<u>384,500</u>	<u>359,835</u>	<u>24,665</u>
Total	<u>604,377</u>	<u>578,415</u>	<u>25,962</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1
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**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Clerk of court:			
Operating expenditures	\$ 13,433	\$ 9,361	\$ 4,072
Total	<u>13,433</u>	<u>9,361</u>	<u>4,072</u>
 Garage:			
Salaries and employee benefits	57,635	57,123	512
Operating expenditures	<u>32,300</u>	<u>20,910</u>	<u>11,390</u>
Total	<u>89,935</u>	<u>78,033</u>	<u>11,902</u>
 Facility maintenance:			
Salaries and employee benefits	747,109	744,085	3,024
Operating expenditures	1,059,010	998,146	60,864
Capital expenditures	<u>16,000</u>	<u>13,835</u>	<u>2,165</u>
Total	<u>1,822,119</u>	<u>1,756,066</u>	<u>66,053</u>
 Information technology:			
Salaries and employee benefits	171,672	171,625	47
Operating expenditures	53,376	27,819	25,557
Capital expenditures	<u>5,824</u>	<u>-</u>	<u>5,824</u>
Total	<u>230,872</u>	<u>199,444</u>	<u>31,428</u>
 Planning:			
Salaries and employee benefits	155,347	155,346	1
Operating expenditures	<u>10,750</u>	<u>6,688</u>	<u>4,062</u>
Total	<u>166,097</u>	<u>162,034</u>	<u>4,063</u>
 DMV operations:			
Salaries and employee benefits	179,473	178,637	836
Operating expenditures	<u>167,500</u>	<u>157,677</u>	<u>9,823</u>
Total	<u>346,973</u>	<u>336,314</u>	<u>10,659</u>
 Total general government	<u>6,420,959</u>	<u>6,140,566</u>	<u>280,393</u>
 Public safety:			
Sheriff:			
Salaries and employee benefits	3,476,168	3,464,363	11,805
Operating expenditures	782,034	675,759	106,275
Capital expenditures	<u>728,295</u>	<u>484,770</u>	<u>243,525</u>
Total	<u>4,986,497</u>	<u>4,624,891</u>	<u>361,606</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-1

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General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

Expenditures (continued):	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Jail:			
Salaries and employee benefits	\$ 1,417,831	\$ 1,405,450	\$ 12,381
Operating expenditures	1,236,145	1,158,109	78,036
Capital expenditures	45,800	44,768	1,032
Total	<u>2,699,776</u>	<u>2,608,327</u>	<u>91,449</u>
EMS:			
Salaries and employee benefits	2,231,280	2,084,023	147,257
Operating expenditures	605,838	536,841	68,997
Capital expenditures	772,042	491,524	280,518
Total	<u>3,609,160</u>	<u>3,112,388</u>	<u>496,772</u>
Emergency management:			
Salaries and employee benefits	263,566	146,862	116,704
Operating expenditures	331,895	197,015	134,880
Capital expenditures	15,000	7,893	7,107
Total	<u>610,461</u>	<u>351,770</u>	<u>258,691</u>
Community paramedic:			
Salaries and employee benefits	197,635	172,967	24,668
Operating expenditures	209,700	134,497	75,203
Total	<u>407,335</u>	<u>307,464</u>	<u>99,871</u>
Forest service	<u>77,091</u>	<u>56,002</u>	<u>21,089</u>
Emergency communication:			
Salaries and employee benefits	678,646	668,491	10,155
Operating expenditures	43,511	41,330	2,181
Total	<u>722,157</u>	<u>709,820</u>	<u>12,337</u>
Animal control:			
Salaries and employee benefits	153,663	153,443	220
Operating expenditures	138,212	106,831	31,381
Total	<u>291,875</u>	<u>260,274</u>	<u>31,601</u>
Building inspections:			
Salaries and employee benefits	315,157	314,481	676
Operating expenditures	83,950	53,891	30,059
Total	<u>399,107</u>	<u>368,372</u>	<u>30,735</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1****Page 6 of 10**

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

Expenditures (continued):	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Medical examiner	\$ 64,000	\$ 53,050	\$ 10,950
Rescue squad billing	166,000	110,683	55,317
Total public safety	14,033,459	12,563,041	1,470,418
Environmental protection:			
Waste collections:			
Salaries and employee benefits	461,224	457,488	3,736
Operating expenditures	217,610	206,646	10,964
Capital expenditures	9,000	6,255	2,745
Total	687,834	670,389	17,445
Soil and water district technician:			
Salaries and employee benefits	47,292	47,175	117
Operating expenditures	7,810	2,867	4,943
Total	55,102	50,042	5,060
Soil and water conservation:			
Salaries and employee benefits	49,746	49,532	214
Operating expenditures	23,150	11,556	11,594
Total	72,896	61,087	11,809
Watershed commission	30,000	11,515	18,485
Water and sewer	52,166	52,156	10
Total environmental protection	897,998	845,189	52,809
Economic and physical development:			
Chamber of Commerce:			
McDowell	28,400	28,400	-
Old Fort	4,200	4,200	-
Total	32,600	32,600	-
Cooperative extension:			
Salaries and employee benefits	49,640	49,541	99
Operating expenditures	228,129	217,044	11,085
Total	277,769	266,585	11,184

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1****Page 7 of 10**

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

Expenditures (continued):	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Isothermal planning commission:			
Isothermal operating expenditures	\$ 36,739	\$ 36,738	\$ 1
Total	<u>36,739</u>	<u>36,738</u>	<u>1</u>
McDowell Economic Development Association:			
Operating expenditures	141,183	141,183	-
Capital expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total	<u>146,183</u>	<u>146,183</u>	<u>-</u>
Economic and industrial development	<u>1,366,834</u>	<u>1,366,834</u>	<u>-</u>
Tourism Development Authority	<u>1,072,047</u>	<u>998,662</u>	<u>73,385</u>
Total economic and physical development	<u>2,932,172</u>	<u>2,847,602</u>	<u>84,570</u>
Human services:			
Health department	<u>476,084</u>	<u>476,084</u>	<u>-</u>
Mental health	<u>67,856</u>	<u>67,856</u>	<u>-</u>
Alcohol and substance abuse	<u>4,000</u>	<u>3,018</u>	<u>983</u>
Juvenile Crime Prevention Council	<u>287,013</u>	<u>279,104</u>	<u>7,909</u>
Social services:			
Administration:			
Salaries and employee benefits	6,097,886	6,070,044	27,842
Operating expenditures	1,926,252	1,193,341	732,911
Capital expenditures	<u>27,000</u>	<u>-</u>	<u>27,000</u>
Total	<u>8,051,138</u>	<u>7,263,384</u>	<u>787,754</u>
Foster care	<u>1,085,000</u>	<u>913,693</u>	<u>171,307</u>
Adoption assistance	<u>300,000</u>	<u>215,863</u>	<u>84,137</u>
Crisis energy program	<u>214,415</u>	<u>150,925</u>	<u>63,490</u>
TANF - county participation	<u>68,000</u>	<u>21,051</u>	<u>46,949</u>
Medicaid - county participation	<u>2,000</u>	<u>248</u>	<u>1,752</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-1

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General Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures (continued):			
Special assistance	\$ 485,000	\$ 352,520	\$ 132,480
Aid to blind	2,050	-	2,050
General assistance	7,500	5,050	2,450
Total social services	10,215,103	8,922,735	1,292,368
Senior Center:			
Salaries and employee benefits	616,388	610,443	5,945
Operating expenditures	767,434	394,173	373,261
Total	1,383,822	1,004,616	379,206
Juvenile placement:			
Operating expenditures	57,090	52,338	4,752
Total human services	12,490,968	10,805,750	1,685,218
Cultural and recreational:			
Recreation - operations:			
Salaries and employee benefits	290,774	284,520	6,254
Operating expenditures	193,750	133,001	60,749
Capital expenditures	58,355	13,022	45,333
Total	542,879	430,542	112,337
Recreation - programs	81,750	21,566	60,184
Library:			
Salaries and employee benefits	582,159	502,713	79,446
Operating expenditures	184,809	150,793	34,016
Capital expenditures	171,000	88,683	82,317
Total	937,968	742,189	195,779
Total cultural and recreational	1,562,597	1,194,298	368,299
Miscellaneous:			
Carson House	30,000	30,000	-
City of Marion hold harmless	66,000	66,000	-
Family services	25,900	25,900	-
MACA	18,500	18,500	-
Connect McDowell	11,000	11,000	-

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1
Page 9 of 10****General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Freedom Ministries	\$ 7,000	\$ 7,000	\$ -
McDowell Mission	17,500	17,500	-
Health Coalition	10,000	10,000	-
Champion rent	20,009	20,008	1
July 4th - Marion and Old Fort	1,000	1,000	-
Old Fort Trail	10,000	10,000	-
Fonta Flora State Trail	20,000	20,000	-
Other	244,900	220,125	24,775
Capital outlay	494,797	494,796	1
Total miscellaneous	<u>976,606</u>	<u>951,830</u>	<u>24,776</u>
Education:			
Public schools:			
Current expense	9,243,000	9,214,269	28,731
Capital outlay	53,200	53,200	-
McDowell Technical College:			
Current expense	1,111,292	1,111,292	-
Capital outlay	137,149	137,149	-
Building payments	105,367	105,366	1
Total education	<u>10,650,008</u>	<u>10,621,276</u>	<u>28,732</u>
Debt service:			
Board of elections	36,221	36,221	-
Building inspections	14,910	11,910	3,000
Emergency medical services	272,364	272,364	-
Waste collections	84,976	84,976	-
Sheriff	190,960	190,960	-
DSS	42,995	42,994	1
Debt service fund	945,866	945,865	1
Other	14,856	14,855	1
Total debt service	<u>1,603,148</u>	<u>1,600,145</u>	<u>3,003</u>
 Total expenditures	 <u>51,567,915</u>	 <u>47,569,697</u>	 <u>3,998,218</u>
 Revenue over (under) expenditures	 <u>1,240,426</u>	 <u>6,467,357</u>	 <u>5,226,931</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-1
Page 10 of 10****General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses):			
Installment purchase obligations issued	\$ 729,508	\$ 729,507	\$ 1
Transfers to:			
Special revenue fund	(419)	(419)	-
Capital project funds	(2,638,082)	(2,476,082)	162,000
Enterprise funds	(1,491,487)	(1,491,487)	-
Revaluation fund	(203,000)	(203,000)	-
Fund balance appropriated	<u>2,363,054</u>	<u>-</u>	<u>(2,363,054)</u>
Total other financing sources (uses)	<u>(1,240,426)</u>	<u>(3,441,481)</u>	<u>(2,201,053)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 3,025,877	 <u>\$ 3,025,877</u>
 Fund balances:			
Beginning of year		<u>13,573,015</u>	
End of year		<u>\$16,598,892</u>	

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 2-2**

Revaluation Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ -	\$ 21	\$ 21
Total revenues	-	21	21
Expenditures:			
General government:			
Contract services	203,000	202,333	667
Total expenditures	203,000	202,333	667
Revenues over (under) expenditures	(203,000)	(202,312)	688
Other Financing Sources (Uses):			
Transfer from General Fund	203,000	203,000	-
Total other financing sources (uses)	203,000	203,000	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	688	\$ 688
Fund balances:			
Beginning of year		23,166	
End of year		<u>\$ 23,855</u>	

Note: Since the Revaluation Fund is legally budgeted, the fund is consolidated into the General Fund for reporting purposes.

COMBINING STATEMENTS FOR NON-MAJOR FUNDS

Special Revenue Funds:

- **Fire and Rescue Districts** - This fund accounts for the tax revenues collected by the County on behalf of the fire and rescue districts in the County.
- **Emergency Telephone System** - This fund accounts for the 911 revenues received by the State 911 Board to enhance the State's 911 system.
- **Coronavirus Relief Fund** - This fund accounts for grant revenues provided by the Federal Emergency Management Agency (FEMA) and N. C. Commerce for disaster relief during the Coronavirus Pandemic.
- **DSS Representative Payee Program** - This fund accounts for funds received under the Social Security Administration's Representative Payee Program.
- **Deed of Trust Fund** - This fund accounts for funds collected for the State of North Carolina based on Register of Deeds fees.
- **Fines and Forfeitures Fund** - This fund accounts for funds received from fines and forfeitures which are required by N. C. General Statute to be disbursed to the McDowell County Board of Education.

Debt Service Fund:

- **The County uses the Debt Service Fund** to account for the debt service requirements for governmental funds other than the General Fund.

Capital Project Funds:

- **Stacy Hill Water Line Project** - The County uses this fund to account for expenditures related to the expansion of water to the Stacy Hill Road area of the water system in McDowell County, funded by the U. S. Environmental Protection Agency and debt issuance.
 - **Catawba River Greenway Phase III Project** - The County uses this fund to account for expenditures related to Phase III of the Catawba River Greenway Project, funded primarily by the N. C. Parks and Recreation Trust Fund, the N. C. Department of Environmental Quality Financial Assistance and local funds.
 - **Emergency Services Construction and Renovations Project** - The County uses this fund to account for expenditures related to the construction and renovation of a new emergency services headquarters, funded by an installment purchase obligation.
 - **North Main Street Renovations Project** - The County uses this fund to account for expenditures related to the renovation of the North Main Street Renovations Project, funded by a transfer of funds from the General Fund.
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COMBINING STATEMENTS FOR NON-MAJOR FUNDS

Capital Project Funds:

- **Limekiln Creek Restoration Project** - The County uses this fund to account for expenditures related to stream restoration on Limekiln Creek, while providing an outdoor environmental learning center and trails system to educate the youth of McDowell County, funded by the N. C. Clean Water Management Trust Fund.
 - **Catawba Falls Trail Improvements Project** - The County uses this fund to account for expenditures related to improvements for the Catawba Falls Trail, funded by the U. S. Department of Agriculture.
 - **Toolcraft Building Reuse Project** - The County uses this fund to account for expenditures related to the renovations of the Toolcraft building, funded by the N. C. Department of Commerce Building Reuse Program, along with Company contribution funds.
 - **Toolcraft Phase II Building Reuse Project** - The County uses this fund to account for expenditures related to the renovations of the Toolcraft building, Phase II, funded by the N. C. Department of Commerce Building Reuse Program, along with Company contribution funds.
 - **Universal Water and Sewer Project** - The County uses this fund to account for expenditures related to water and sewer infrastructure improvements for the Universal Building, funded by Rural Economic Development.
 - **Shooting Range Project** - The County uses this fund to account for expenditures related to the construction of a public shooting range, funded by the U. S. Fish and Wildlife, along with a transfer of funds from the General Fund.
 - **Courthouse Renovation and Addition Project Fund** - The County uses this fund to account for expenditures related to the construction of an additional courtroom and other space, in addition to various improvements to the courthouse, funded mainly through the issuance of an installment purchase obligation.
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MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-3

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**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021**

	Special Revenue Funds						Total
	Fire and Rescue Districts	Emergency Telephone System	Coronavirus Relief Fund	DSS Representative Payee Fund	Deed of Trust Fund	Fines and Forfeitures Fund	Non-Major Special Revenue Funds
<u>Assets</u>							
Current assets:							
Cash and investments	\$ 13,997	\$ 202,966	\$ -	\$ 55,556	\$ 640	\$ -	\$ 273,159
Taxes receivable, net	40,501	-	-	-	-	-	40,501
Accounts receivable - other governments	44,004	28,689	1,034,622	-	-	18,228	1,125,543
Total assets	<u>\$ 98,502</u>	<u>\$ 231,655</u>	<u>\$ 1,034,622</u>	<u>\$ 55,556</u>	<u>\$ 640</u>	<u>\$ 18,228</u>	<u>\$ 1,439,203</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>							
Liabilities:							
Accounts payable and accrued expenses	\$ 58,001	\$ 4,324	\$ -	\$ -	\$ -	\$ -	\$ 62,325
Due to other governments	-	-	-	-	640	18,228	18,868
Due to other funds	-	-	1,034,622	-	-	-	1,034,622
Total liabilities	<u>58,001</u>	<u>4,324</u>	<u>1,034,622</u>	<u>-</u>	<u>640</u>	<u>18,228</u>	<u>1,115,815</u>
Deferred inflows of resources	<u>40,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,501</u>
Fund balances:							
Restricted:							
Stabilization by State Statute	44,004	28,689	1,034,622	-	-	18,228	1,125,543
Public safety	-	198,642	-	-	-	-	198,642
Human services	-	-	-	55,556	-	-	55,556
Assigned:							
Debt service	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Unassigned	(44,004)	-	(1,034,622)	-	-	(18,228)	(1,096,854)
Total fund balances	<u>-</u>	<u>227,331</u>	<u>-</u>	<u>55,556</u>	<u>-</u>	<u>-</u>	<u>282,887</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 98,502</u>	<u>\$ 231,655</u>	<u>\$ 1,034,622</u>	<u>\$ 55,556</u>	<u>\$ 640</u>	<u>\$ 18,228</u>	<u>\$ 1,439,203</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-3

Page 2 of 4

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021**

	Debt Service Fund	Capital Project Funds			
		Stacy Hill Water Line Project	Catawba River Greenway Phase III Project	Emergency Services Construction and Renovation Project	North Main Street Renovations Project
<u>Assets</u>	<u>Debt Service</u>				
Current assets:					
Cash and investments	\$ 9	\$ 94,899	\$ 28,960	\$ 3,680,369	\$ 1,774,721
Taxes receivable, net	-	-	-	-	-
Accounts receivable - other governments	-	-	2,090	-	-
Total assets	<u>\$ 9</u>	<u>\$ 94,899</u>	<u>\$ 31,050</u>	<u>\$ 3,680,369</u>	<u>\$ 1,774,721</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 343,105	\$ -
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,105</u>	<u>-</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	-	-	2,090	-	-
Public safety	-	-	-	-	-
Human services	-	-	-	-	-
Assigned:					
Debt service	9	-	-	-	-
General government	-	94,899	-	3,337,264	1,774,721
Unassigned	-	-	28,960	-	-
Total fund balances	<u>9</u>	<u>94,899</u>	<u>31,050</u>	<u>3,337,264</u>	<u>1,774,721</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 9</u>	<u>\$ 94,899</u>	<u>\$ 31,050</u>	<u>\$ 3,680,369</u>	<u>\$ 1,774,721</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-3

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**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021**

	Capital Project Funds				
	Limekiln Creek Restoration Project	Catawba Falls Trail Improvements Project	Toolcraft Building Reuse Project	Toolcraft Phase II Building Reuse Project	Universal Water/Sewer Project
<u>Assets</u>					
Current assets:					
Cash and investments	\$ 3,303	\$ -	\$ -	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable - other governments	-	100,000	-	28,502	-
Total assets	<u>\$ 3,303</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 28,502</u>	<u>\$ -</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 3,303	\$ -	\$ -	\$ 28,502	\$ -
Due to other funds	-	100,000	-	-	-
Total liabilities	<u>3,303</u>	<u>100,000</u>	<u>-</u>	<u>28,502</u>	<u>-</u>
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted:					
Stabilization by State Statute	-	100,000	-	28,502	-
Public safety	-	-	-	-	-
Human services	-	-	-	-	-
Assigned:					
Debt service	-	-	-	-	-
General government	-	-	-	-	-
Unassigned	-	(100,000)	-	(28,502)	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,303</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 28,502</u>	<u>\$ -</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-3

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**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021**

	Capital Project Funds			
	Shooting Range Project	Courthouse Renovation and Addition Project	Total Non-Major Capital Project Funds	Total Non-Major Governmental Funds
<u>Assets</u>				
Current assets:				
Cash and investments	\$ -	\$ 66,240	\$ 5,648,492	\$ 5,921,660
Taxes receivable, net	-	-	-	40,501
Accounts receivable - other governments	340,873	-	471,465	1,597,008
Total assets	<u>\$ 340,873</u>	<u>\$ 66,240</u>	<u>\$ 6,119,957</u>	<u>\$ 7,559,169</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 90,274	\$ -	\$ 465,184	\$ 527,509
Due to other governments	-	-	-	18,868
Due to other funds	100,538	-	200,538	1,235,160
Total liabilities	<u>190,812</u>	<u>-</u>	<u>665,722</u>	<u>1,781,537</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,501</u>
Fund balances:				
Restricted:				
Stabilization by State Statute	340,873	-	471,465	1,597,008
Public safety	-	-	-	198,642
Human services	-	-	-	55,556
Assigned:				
Debt service	-	-	-	9
General government	-	66,240	5,273,124	5,273,124
Unassigned	<u>(190,812)</u>	<u>-</u>	<u>(290,354)</u>	<u>(1,387,208)</u>
Total fund balances	<u>150,061</u>	<u>66,240</u>	<u>5,454,235</u>	<u>5,737,131</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 340,873</u>	<u>\$ 66,240</u>	<u>\$ 6,119,957</u>	<u>\$ 7,559,169</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-4

Page 1 of 4

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

	Special Revenue Funds						Total
	Fire and Rescue Districts	Emergency Telephone System	Coronavirus Relief Fund	DSS Representative Payee Fund	Deed of Trust Fund	Fines and Forfeitures Fund	Non-Major Special Revenue Funds
Revenues:							
Ad valorem taxes:							
Fire and rescue district taxes	\$ 4,411,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,411,940
Restricted intergovernmental revenues	-	344,270	2,658,944	202,382	-	-	3,205,596
Permits and fees	-	-	-	-	7,006	-	7,006
Sales and service	-	-	-	-	-	369,327	369,327
Miscellaneous income	-	-	-	-	-	-	-
Investment earnings	-	8	-	-	-	-	8
Total revenues	<u>4,411,940</u>	<u>344,278</u>	<u>2,658,944</u>	<u>202,382</u>	<u>7,006</u>	<u>369,327</u>	<u>7,993,877</u>
Expenditures:							
General government	-	-	2,658,944	-	7,006	369,327	3,035,277
Economic and physical development	-	-	-	-	-	-	-
Public safety	4,411,940	131,775	-	-	-	-	4,543,715
Human services	-	-	-	201,728	-	-	201,728
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>4,411,940</u>	<u>131,775</u>	<u>2,658,944</u>	<u>201,728</u>	<u>7,006</u>	<u>369,327</u>	<u>7,780,719</u>
Revenues over (under) expenditures	<u>-</u>	<u>212,503</u>	<u>-</u>	<u>654</u>	<u>-</u>	<u>-</u>	<u>213,157</u>
Other Financing Sources (Uses):							
Transfers to other funds	-	-	-	-	-	-	-
Transfers from other funds	-	418	-	-	-	-	418
Proceeds from loan	-	-	-	-	-	-	-
Reimbursement from loan	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>418</u>
Net change in fund balance	-	212,921	-	654	-	-	213,575
Fund balances - beginning, as previously reported	-	14,410	-	-	-	-	14,410
Prior period restatement - change in accounting principle	-	-	-	54,901	-	-	54,901
Fund balances - beginning, as restated	<u>-</u>	<u>14,410</u>	<u>-</u>	<u>54,901</u>	<u>-</u>	<u>-</u>	<u>69,311</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 227,331</u>	<u>\$ -</u>	<u>\$ 55,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,887</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-4
Page 2 of 4

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

	Debt Service Fund	Capital Project Funds				
		Stacy Hill Water Line Project	Catawba River Greenway Phase III Project	Emergency Services Construction and Renovation Project	North Main Street Renovations Project	Limekiln Creek Restoration Project
Revenues:	Debt Service	Project	Project	Project	Project	Project
Ad valorem taxes:						
Fire and rescue district taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	41,450	-	18,612	-	-	23,346
Permits and fees	-	-	-	-	-	-
Sales and service	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>41,450</u>	<u>-</u>	<u>18,612</u>	<u>-</u>	<u>-</u>	<u>23,346</u>
Expenditures:						
General government	-	-	-	-	-	64,349
Economic and physical development	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Debt service	1,221,474	-	-	-	-	-
Capital outlay	-	-	34,570	3,840,751	198,361	-
Total expenditures	<u>1,221,473</u>	<u>-</u>	<u>34,570</u>	<u>3,840,751</u>	<u>198,361</u>	<u>64,349</u>
Revenues over (under) expenditures	<u>(1,180,024)</u>	<u>-</u>	<u>(15,958)</u>	<u>(3,840,751)</u>	<u>(198,361)</u>	<u>(41,003)</u>
Other Financing Sources (Uses):						
Transfers to other funds	-	-	-	-	-	-
Transfers from other funds	1,180,024	-	-	-	1,973,082	-
Proceeds from loan	-	-	-	7,524,300	-	-
Reimbursement from loan	-	-	-	(346,285)	-	-
Total other financing sources (uses)	<u>1,180,024</u>	<u>-</u>	<u>-</u>	<u>7,178,015</u>	<u>1,973,082</u>	<u>-</u>
Net change in fund balance	-	-	(15,958)	3,337,264	1,774,721	(41,003)
Fund balances - beginning, as previously reported	9	94,899	47,008	-	-	41,003
Prior period restatement, change in accounting principle	-	-	-	-	-	-
Fund balances - beginning, as restated	<u>9</u>	<u>94,899</u>	<u>47,008</u>	<u>-</u>	<u>-</u>	<u>41,003</u>
Fund balances - ending	<u>\$ 9</u>	<u>\$ 94,899</u>	<u>\$ 31,050</u>	<u>\$ 3,337,264</u>	<u>\$ 1,774,721</u>	<u>\$ -</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-4

Page 3 of 4

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

	Capital Project Funds					
	Catawba Falls Trail Improvements Project	Toolcraft Building Reuse Project	Toolcraft Phase II Building Reuse Project	Universal Water/Sewer Project	Shooting Range Project	Courthouse Renovation and Addition Project
Revenues:						
Ad valorem taxes:						
Fire and rescue district taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	8,496	28,502	-	903,184	17,846
Permits and fees	-	-	-	-	-	-
Sales and service	-	-	-	-	-	-
Miscellaneous income	-	8,496	28,502	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>16,992</u>	<u>57,004</u>	<u>-</u>	<u>903,184</u>	<u>17,846</u>
Expenditures:						
General government	-	-	-	-	-	-
Economic and physical development	-	16,992	-	-	-	-
Public safety	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	57,004	-	1,003,123	1,386,436
Total expenditures	<u>-</u>	<u>16,992</u>	<u>57,004</u>	<u>-</u>	<u>1,003,123</u>	<u>1,386,436</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,939)</u>	<u>(1,368,590)</u>
Other Financing Sources (Uses):						
Transfers to other funds	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	250,000	253,000
Proceeds from loan	-	-	-	-	-	-
Reimbursement from loan	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>253,000</u>
Net change in fund balance	-	-	-	-	150,061	(1,115,590)
Fund balances - beginning, as previously reported	-	-	-	-	-	1,181,830
Prior period restatement- change in accounting principle	-	-	-	-	-	-
Fund balances - beginning, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,181,830</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,061</u>	<u>\$ 66,240</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 2-4
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**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

	Total Non-Major Capital Project Funds	Total Non-Major Governmental Funds
Revenues:		
Ad valorem taxes:		
Fire and rescue district taxes	\$ -	\$ 4,411,940
Restricted intergovernmental revenues	999,986	4,247,032
Permits and fees	-	7,006
Sales and service	-	369,327
Miscellaneous income	36,998	36,998
Investment earnings	-	8
Total revenues	<u>1,036,984</u>	<u>9,072,311</u>
Expenditures:		
General government	64,349	3,099,626
Economic and physical development	16,992	16,992
Public safety	-	4,543,715
Human services	-	201,728
Debt service	-	1,221,474
Capital outlay	<u>6,520,245</u>	<u>6,520,245</u>
Total expenditures	<u>6,601,586</u>	<u>15,603,780</u>
Revenues over (under) expenditures	<u>(5,564,602)</u>	<u>(6,531,469)</u>
Other Financing Sources (Uses):		
Transfers to other funds	-	-
Transfers from other funds	2,476,082	3,656,524
Proceeds from loan	7,524,300	7,524,300
Reimbursement from loan	<u>(346,285)</u>	<u>(346,285)</u>
Total other financing sources (uses)	<u>9,654,097</u>	<u>10,834,539</u>
Net change in fund balance	4,089,495	4,303,070
Fund balances - beginning, as previously reported	1,364,740	1,379,159
Prior period restatement - change in accounting principle	-	54,901
Fund balances - beginning, as restated	<u>1,364,740</u>	<u>1,434,060</u>
Fund balances - ending	<u>\$ 5,454,235</u>	<u>\$ 5,737,131</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 3-1
Page 1 of 2****Fire and Rescue Districts Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Fire districts:			
Ashford/North Cove	\$ 276,500	\$ 272,108	\$ (4,392)
Crooked Creek	261,000	253,079	(7,921)
Dysartsville	246,500	239,421	(7,079)
Glenwood	241,000	235,499	(5,501)
Nebo	391,500	382,652	(8,848)
Old Fort Area	210,500	203,086	(7,414)
Pleasant Gardens	290,000	280,324	(9,676)
Sugar Hill	236,000	222,840	(13,160)
Woodlawn/Sevier	181,000	175,566	(5,434)
Hankins/North Fork	145,500	142,805	(2,695)
Long Town District	57,500	55,713	(1,787)
Parkway/Woodlawn	36,600	35,954	(646)
Old Fort - Inside	86,000	84,037	(1,963)
Marion Area	436,000	421,252	(14,748)
Fire Commission	942,000	920,856	(21,144)
Apple Mountain	3,000	2,725	(275)
Rescue district:			
McDowell County Rescue	<u>499,000</u>	<u>484,023</u>	<u>(14,977)</u>
 Total revenues	 <u>4,539,600</u>	 <u>4,411,940</u>	 <u>(127,660)</u>
 Expenditures:			
Public safety:			
Fire district allocations:			
Ashford/North Cove	276,500	272,112	4,388
Crooked Creek	261,000	253,060	7,940
Dysartsville	246,500	239,406	7,094
Glenwood	241,000	235,506	5,494
Nebo	391,500	382,659	8,841
Old Fort Area	210,500	203,092	7,408
Pleasant Gardens	290,000	280,303	9,697
Sugar Hill	236,000	222,836	13,164
Woodlawn/Sevier	181,000	175,584	5,416
Hankins/North Fork	145,500	142,805	2,695

cont.

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 3-1, cont.

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Fire and Rescue Districts Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures (continued):			
Long Town	\$ 57,500	\$ 55,713	\$ 1,787
Parkway/Woodlawn	36,600	35,958	642
Old Fort - Inside	86,000	84,037	1,963
Marion Area	436,000	421,206	14,794
Fire Commission	942,000	920,915	21,085
Apple Mountain	3,000	2,723	277
Rescue district allocation:			
McDowell County Rescue	<u>499,000</u>	<u>484,023</u>	<u>14,977</u>
Total expenditures	<u>4,539,600</u>	<u>4,411,940</u>	<u>127,660</u>
Revenues over (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 3-2****Emergency Telephone System Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental revenue	\$ 344,270	\$ 344,270	\$ -
Investment earnings	-	8	8
Total revenues	<u>344,270</u>	<u>344,278</u>	<u>8</u>
Expenditures:			
Public safety:			
Furniture	9,700	3,686	6,014
Telephone equipment	117,300	5,909	111,391
Travel/training	10,000	5,333	4,667
Telephone	99,000	47,232	51,768
Software maintenance	60,000	55,943	4,057
Hardware maintenance	23,219	12,332	10,887
911 addressing	1,700	1,340	360
911 functions	23,770	-	23,770
Total expenditures	<u>344,689</u>	<u>131,775</u>	<u>212,914</u>
Revenues over (under) expenditures	<u>(419)</u>	<u>212,503</u>	<u>212,922</u>
Other Financing Sources (Uses):			
Transfer from general fund	419	419	-
Total other financing sources (uses)	<u>419</u>	<u>419</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>212,922</u>	<u>\$ 212,922</u>
Fund balance:			
Beginning of year		<u>14,410</u>	
End of year		<u>\$ 227,331</u>	

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 3-3

**Coronavirus Relief Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
FEMA	\$ 2,000,000	\$ -	\$ 829,390	\$ 829,390	\$ (1,170,610)
NC Commerce	1,882,495	-	1,829,554	1,829,554	(52,941)
Total revenues	<u>3,882,495</u>	<u>-</u>	<u>2,658,944</u>	<u>2,658,944</u>	<u>(1,223,551)</u>
Expenditures:					
Medical expenses	250,000	-	163,862	163,862	86,138
Public health expenses	450,000	-	149,282	149,282	300,718
Payroll expenses	2,511,871	-	1,867,012	1,867,012	644,859
Public health/meals	200,000	-	8,164	8,164	191,836
City of Marion	408,925	-	408,925	408,925	-
Town of Old Fort	61,699	-	61,699	61,699	-
Total expenditures	<u>3,882,495</u>	<u>-</u>	<u>2,658,944</u>	<u>2,658,944</u>	<u>1,223,551</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 3-4****DSS Representative Payee Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental revenue	\$ 300,000	\$ 202,382	\$ (97,618)
Total revenues	<u>300,000</u>	<u>202,382</u>	<u>(97,618)</u>
Expenditures:			
Current:			
Human Services:			
Payments made for the benefit of beneficiaries	<u>300,000</u>	<u>201,728</u>	<u>98,272</u>
Total expenditures	<u>300,000</u>	<u>201,728</u>	<u>98,272</u>
Revenues over (under) expenditures	<u>-</u>	<u>654</u>	<u>654</u>
Other Financing Sources (Uses):			
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>654</u>	<u>\$ 654</u>
Fund balance:			
Beginning of year		-	
Prior period restatement - change in accounting principle		<u>54,901</u>	
Beginning of year, as restated		<u>54,901</u>	
End of year		<u>\$ 55,556</u>	

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 3-5**

Deed of Trust Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Permits and fees:			
Register of Deeds	\$ 10,000	\$ 7,006	\$ (2,994)
Total revenues	<u>10,000</u>	<u>7,006</u>	<u>(2,994)</u>
 Expenditures:			
Current:			
General government:			
Payments of fees collected for the State of North Carolina	<u>10,000</u>	<u>7,006</u>	<u>2,994</u>
Total expenditures	<u>10,000</u>	<u>7,006</u>	<u>2,994</u>
 Other Financing Sources (Uses):			
 Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
 Fund balance:			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 3-6****Fines and Forfeitures Fund**
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Sales and services:			
Penalties, fines and forfeitures	\$ 400,000	\$ 369,327	\$ (30,673)
Total revenues	<u>400,000</u>	<u>369,327</u>	<u>(30,673)</u>
 Expenditures:			
Current:			
General government:			
Payments of penalties, fines and forfeitures to the McDowell County Board of Education	<u>400,000</u>	<u>369,327</u>	<u>30,673</u>
Total expenditures	<u>400,000</u>	<u>369,327</u>	<u>30,673</u>
 Other Financing Sources (Uses):			
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	-	<u>\$ -</u>
 Fund balance:			
Beginning of year		-	
End of year		<u>\$ -</u>	

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 4****Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Restricted intergovernmental revenue	\$ 41,450	\$ 41,450	\$ -
Total revenues	<u>41,450</u>	<u>41,450</u>	<u>-</u>
Expenditures:			
Debt service	<u>1,221,474</u>	<u>1,221,474</u>	<u>-</u>
Total expenditures	<u>1,221,474</u>	<u>1,221,474</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,180,024)</u>	<u>(1,180,024)</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfer from School Capital Projects Fund	<u>1,180,024</u>	<u>1,180,024</u>	<u>-</u>
Total other financing sources (uses)	<u>1,180,024</u>	<u>1,180,024</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning of year		<u>9</u>	
End of year		<u>\$ 9</u>	

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 5-1

**School Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Public School Building Fund Needs Based	\$ 15,000,000	\$ 10,710,099	\$ 4,289,901	\$ 15,000,000	\$ -
Public School Building Fund ADM	156,373	-	156,373	156,373	-
Local option sales tax	4,564,139	6,719,920	3,337,815	10,057,735	5,493,596
Investment earnings	2,000	219,995	908	220,903	218,903
Miscellaneous	-	326,859	289,061	615,920	615,920
Total revenues	<u>19,722,512</u>	<u>17,976,873</u>	<u>8,074,058</u>	<u>26,050,931</u>	<u>6,328,419</u>
Expenditures:					
Capital outlay:					
Old Fort Elementary	20,500,000	15,237,526	4,874,866	20,112,392	387,608
HVAC heat pumps	423,794	379,097	-	379,097	44,697
Intercom/telephone	120,500	69,500	7,756	77,256	43,244
Shingle replacement	164,000	-	-	-	164,000
Paving replacement	125,000	-	-	-	125,000
Carpet replacement	40,000	-	-	-	40,000
W. Marion Septic	433,550	61,255	270,123	331,377	102,173
Nebo roof	294,800	-	-	-	294,800
Marion Elementary roofing	386,600	-	-	-	386,600
Marion Grading	209,867	12,175	175,847	188,022	21,845
PG Elementary roof	208,497	-	208,497	208,497	-
West Marion culvert	133,900	-	129,325	129,325	4,575
Glenwood roof	218,657	-	218,657	218,657	-
North Cove roof	212,259	-	212,259	212,259	-
Improvement	71,064	-	-	-	71,064
Total expenditures	<u>23,542,488</u>	<u>15,759,553</u>	<u>6,097,328</u>	<u>21,856,882</u>	<u>1,685,606</u>
Revenues over (under) expenditures	<u>(3,819,976)</u>	<u>2,217,317</u>	<u>1,976,731</u>	<u>4,194,049</u>	<u>8,014,024</u>
Other Financing Sources (Uses):					
Transfer to Debt Service Fund	(1,180,024)	-	(1,180,024)	(1,180,024)	-
Installment purchase obligations issued	5,000,000	5,000,000	-	5,000,000	-
Total other financing sources (uses)	<u>3,819,976</u>	<u>5,000,000</u>	<u>(1,180,024)</u>	<u>3,819,976</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 7,217,317</u>	<u>796,707</u>	<u>\$ 8,014,024</u>	<u>\$ 8,014,024</u>
Fund balance:					
Beginning of year			<u>7,217,317</u>		
End of year			<u>\$ 8,014,024</u>		

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 5-2

American Rescue Act Grant Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
American Rescue Plan	\$ 4,443,784	\$ -	\$ -	\$ -	\$ (4,443,784)
Interest income	-	-	35	35	35
Total revenues	<u>4,443,784</u>	<u>-</u>	<u>35</u>	<u>35</u>	<u>(4,443,749)</u>
Expenditures:					
American Rescue Plan	<u>4,443,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,443,784</u>
Total expenditures	<u>4,443,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,443,784</u>
Revenues over (under) expenditures expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>35</u>	<u>\$ 35</u>	<u>\$ 35</u>
Fund balance:					
Beginning of year			<u>-</u>		
End of year			<u>\$ 35</u>		

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 5-3

**Stacy Hill Water Line Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
EPA	\$ 367,176	\$ 367,176	\$ -	\$ 367,176	\$ -
Sales tax reimbursement	-	20,890	-	20,890	20,890
Total revenues	<u>367,176</u>	<u>388,066</u>	<u>-</u>	<u>388,066</u>	<u>20,890</u>
Expenditures:					
Construction	1,226,020	1,222,116	-	1,222,116	3,904
Design	74,000	74,000	-	74,000	-
Construction administration	108,910	96,309	-	96,309	12,601
Bidding and awards	21,900	21,900	-	21,900	-
Total expenditures	<u>1,430,830</u>	<u>1,414,325</u>	<u>-</u>	<u>1,414,325</u>	<u>16,505</u>
Revenues over (under) expenditures	<u>(1,063,654)</u>	<u>(1,026,259)</u>	<u>-</u>	<u>(1,026,259)</u>	<u>37,395</u>
Other Financing Sources (Uses):					
Transfer from General Fund	613,654	671,157	-	671,157	57,503
Transfer from Water Fund	450,000	450,000	-	450,000	-
Total other financing sources (uses)	<u>1,063,654</u>	<u>1,121,157</u>	<u>-</u>	<u>1,121,157</u>	<u>57,503</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 94,899</u>	<u>-</u>	<u>\$ 94,899</u>	<u>\$ 94,899</u>
Fund balance:					
Beginning of year			<u>94,899</u>		
End of year			<u>\$ 94,899</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 5-4**

Catawba River Greenway Phase III Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
City of Marion	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
RTP Grant	20,000	15,750	-	15,750	(4,250)
PARTF grant	250,000	250,000	-	250,000	-
Division of Water Resources grant	500,000	469,451	17,585	487,036	(12,964)
Sales tax	-	2,459	1,027	3,486	3,486
Donations	23,172	23,172	-	23,172	-
Total revenues	<u>823,172</u>	<u>790,832</u>	<u>18,612</u>	<u>809,444</u>	<u>(13,728)</u>
Expenditures:					
Construction cost	789,007	753,895	34,570	788,465	542
Construction management	250,797	207,297	-	207,297	43,500
Grant writer	50,000	50,000	-	50,000	-
Planning/easements	2,000	1,264	-	1,264	736
Total expenditures	<u>1,091,804</u>	<u>1,012,456</u>	<u>34,570</u>	<u>1,047,026</u>	<u>44,778</u>
Revenues over (under) expenditures	<u>(268,632)</u>	<u>(221,624)</u>	<u>(15,958)</u>	<u>(237,582)</u>	<u>31,050</u>
Other Financing Sources (Uses):					
Transfer from General Fund	268,632	268,632	-	268,632	-
Total other financing sources (uses)	<u>268,632</u>	<u>268,632</u>	<u>-</u>	<u>268,632</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 47,008</u>	<u>(15,958)</u>	<u>\$ 31,050</u>	<u>\$ 31,050</u>
Fund balance:					
Beginning of year			<u>47,008</u>		
End of year			<u>\$ 31,050</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 5-5**

Emergency Services Construction and Renovations Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:					
Construction	\$ 6,733,295	\$ -	\$ 3,810,928	\$ 3,810,928	\$ 2,922,367
Architect/engineer	449,245	345,035	23,841	368,876	80,369
Legal	20,000	1,250	5,982	7,232	12,768
Contingency	321,760	-	-	-	321,760
Total expenditures	<u>7,524,300</u>	<u>346,285</u>	<u>3,840,751</u>	<u>4,187,036</u>	<u>3,337,264</u>
Revenues over (under) expenditures	<u>(7,524,300)</u>	<u>(346,285)</u>	<u>(3,840,751)</u>	<u>(4,187,036)</u>	<u>3,337,264</u>
Other Financing Sources (Uses):					
Installment purchase obligations issues	7,524,300	-	7,524,300	7,524,300	-
Reimbursement from loan	-	346,285	(346,285)	-	-
Total other financing sources (uses)	<u>7,524,300</u>	<u>346,285</u>	<u>7,178,015</u>	<u>7,524,300</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>3,337,264</u>	<u>\$ 3,337,264</u>	<u>\$ 3,337,264</u>
Fund balance:					
Beginning of year			<u>-</u>		
End of year			<u>\$ 3,337,264</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 5-6**

North Main Street Renovations Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:					
Renovations	\$ 1,684,000	\$ -	\$ 64,192	\$ 64,192	\$ 1,619,808
Architect and engineering	136,082	-	128,349	128,349	7,733
Furniture and paving	153,000	-	5,820	5,820	147,180
Total expenditures	<u>1,973,082</u>	<u>-</u>	<u>198,361</u>	<u>198,361</u>	<u>1,774,721</u>
 Revenues over (under) expenditures	 <u>(1,973,082)</u>	 <u>-</u>	 <u>(198,361)</u>	 <u>(198,361)</u>	 <u>1,774,721</u>
 Other Financing Sources (Uses):					
Transfer from General Fund	<u>1,973,082</u>	<u>-</u>	<u>1,973,082</u>	<u>1,973,082</u>	<u>-</u>
Total other financing sources (uses)	<u>1,973,082</u>	<u>-</u>	<u>1,973,082</u>	<u>1,973,082</u>	<u>-</u>
 Revenues over (under) expenditures and other financing sources (uses)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>1,774,721</u>	 <u>\$ 1,774,721</u>	 <u>\$ 1,774,721</u>
 Fund balance:					
Beginning of year			<u>-</u>		
 End of year			<u>\$ 1,774,721</u>		

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 5-7

**Limekiln Creek Restoration Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
Clean Water Management Trust	\$ 222,500	\$ 184,350	\$ 26,649	\$ 210,999	\$ (11,501)
NC Department of Agriculture					
Community Cost Share	8,303	8,303	-	8,303	-
McDowell County Schools	75,000	75,000	(3,303)	71,697	(3,303)
McDowell Soil and Water in-kind	11,400	-	-	-	(11,400)
Donated easements	4,512	-	-	-	(4,512)
Total revenues	<u>321,715</u>	<u>267,653</u>	<u>23,346</u>	<u>290,999</u>	<u>(30,716)</u>
Expenditures:					
Restorations	305,803	226,650	64,349	290,999	14,804
Easements	4,512	-	-	-	4,512
In-kind	11,400	-	-	-	11,400
Total expenditures	<u>321,715</u>	<u>226,650</u>	<u>64,349</u>	<u>290,999</u>	<u>30,716</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 41,003</u>	<u>(41,003)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year			<u>41,003</u>		
End of year			<u>\$ -</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 5-8**

Catawba Falls Trail Improvements Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
NC Recreational Trail Program grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Expenditures:					
Trail construction	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 5-9**

Toolcraft Building Reuse Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
NC Commerce	\$ 200,000	\$ 180,149	\$ 8,496	\$ 188,645	\$ (11,355)
Toolcraft	190,000	170,149	8,496	178,645	(11,355)
Miscellaneous	10,000	10,000	-	10,000	-
Total revenues	<u>400,000</u>	<u>360,298</u>	<u>16,992</u>	<u>377,290</u>	<u>(22,710)</u>
Expenditures:					
Building renovations	<u>400,000</u>	<u>360,298</u>	<u>16,992</u>	<u>377,290</u>	<u>22,710</u>
Total expenditures	<u>400,000</u>	<u>360,298</u>	<u>16,992</u>	<u>377,290</u>	<u>22,710</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 5-10**

Toolcraft Phase II Building Reuse Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
NC Commerce	\$ 35,000	\$ -	\$ 28,502	\$ 28,502	\$ (6,498)
Toolcraft	30,000	-	23,502	23,502	(6,498)
Miscellaneous	5,000	-	5,000	5,000	-
Total revenues	<u>70,000</u>	<u>-</u>	<u>57,004</u>	<u>57,004</u>	<u>(12,996)</u>
Expenditures:					
Building renovations	<u>70,000</u>	<u>-</u>	<u>57,004</u>	<u>57,004</u>	<u>12,996</u>
Total expenditures	<u>70,000</u>	<u>-</u>	<u>57,004</u>	<u>57,004</u>	<u>12,996</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 5-11

**Universal Water and Sewer Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
Rural Economic Development	\$ 352,500	\$ 19,929	\$ -	\$ 19,929	\$ (332,571)
Total revenues	<u>352,500</u>	<u>19,929</u>	<u>-</u>	<u>19,929</u>	<u>(332,571)</u>
Expenditures:					
Water	74,972	-	-	-	74,972
Sewer	297,028	-	-	-	297,028
Legal	2,000	-	-	-	2,000
Engineering	88,000	25,802	-	25,802	62,198
Other	8,000	770	-	770	7,230
Total expenditures	<u>470,000</u>	<u>26,572</u>	<u>-</u>	<u>26,572</u>	<u>443,428</u>
Revenues over (under) expenditures	<u>(117,500)</u>	<u>(6,643)</u>	<u>-</u>	<u>(6,643)</u>	<u>110,857</u>
Other Financing Sources (Uses):					
Transfer from General Fund	117,500	6,643	-	6,643	(110,857)
Total other financing sources (uses)	<u>117,500</u>	<u>6,643</u>	<u>-</u>	<u>6,643</u>	<u>(110,857)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year			<u>-</u>		
End of year			<u>\$ -</u>		

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 5-12

**Shooting Range Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue:					
US Fish and Wildlife	\$ 2,430,000	\$ -	\$ 899,453	\$ 899,453	\$ (1,530,547)
Sales tax	-	-	3,731	3,731	3,731
Total revenues	<u>2,430,000</u>	<u>-</u>	<u>903,184</u>	<u>903,184</u>	<u>(1,526,816)</u>
Expenditures:					
Construction	2,200,000	-	944,198	944,198	1,255,802
Architect/engineering	400,000	-	23,326	23,326	376,674
Testing	100,000	-	35,599	35,599	64,401
Total expenditures	<u>2,700,000</u>	<u>-</u>	<u>1,003,123</u>	<u>1,003,123</u>	<u>1,696,877</u>
Revenues over (under) expenditures	(270,000)	-	(99,939)	(99,939)	170,061
Other Financing Sources (Uses):					
Transfer from General Fund	<u>270,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>270,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>(20,000)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>150,061</u>	<u>\$ 150,061</u>	<u>\$ 150,061</u>
Fund balance:					
Beginning of year			-		
End of year			<u>\$ 150,061</u>		

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 5-13**

**Courthouse Renovation and Addition Capital Project
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Sales tax	\$ 103,000	\$ 85,610	\$ 17,846	\$ 103,455	\$ (455)
Expenditures:					
Capital outlay:					
Courtroom addition	8,330,756	6,972,458	1,314,384	8,286,843	43,913
Engineering/architect	589,484	589,484	-	589,484	-
Legal	17,615	17,615	-	17,615	-
Furniture	167,910	73,987	72,052	146,039	21,871
Total expenditures	9,105,765	7,653,544	1,386,436	9,039,981	65,784
Revenues over (under) expenditures	(9,002,765)	(7,567,935)	(1,368,590)	(8,936,525)	66,240
Other Financing Sources (Uses):					
Transfer from General Fund	3,348,765	3,095,765	253,000	3,348,765	-
Installment purchase obligations issued	5,654,000	5,654,000	-	5,654,000	-
Total other financing sources (uses)	9,002,765	8,749,765	253,000	9,002,765	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ 1,181,830	(1,115,590)	\$ 66,240	\$ 66,240
Fund balance:					
Beginning of year			1,181,830		
End of year			\$ 66,240		

BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Waste Disposal Fund - This fund accounts for the waste management operations of the County.

Water Fund - This fund accounts for the operation and maintenance of the water system in the Nebo community.

Universal Fund - This fund accounts for activity related to a former industrial facility, the Universal Building, including renovations and lease of space.

Transportation Fund - This fund accounts for activity related to the operation of a transit system within McDowell County.

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MCDOWELL COUNTY, NORTH CAROLINA

Schedule 6-1
Page 1 of 2

**Waste Disposal Fund - Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees	\$ 1,590,000	\$ 1,424,823	\$ (165,177)
Recycling revenue	92,000	116,357	24,357
Solid waste disposal	30,000	35,231	5,231
Other operating revenue	62,000	26,820	(35,180)
Total operating revenues	<u>1,774,000</u>	<u>1,603,231</u>	<u>(170,769)</u>
Nonoperating revenues:			
Recycling grant	18,666	18,439	(227)
Investment earnings	200	160	(40)
Total nonoperating revenues	<u>18,866</u>	<u>18,599</u>	<u>(267)</u>
Total revenues	<u>1,792,866</u>	<u>1,621,830</u>	<u>(171,036)</u>
Expenditures:			
Facility operations:			
Salaries and employee benefits	261,824	254,724	7,100
Operating expenses	2,516,599	2,380,731	135,868
Capital outlay	42,416	37,485	4,931
Total operating expenditures	<u>2,820,839</u>	<u>2,672,940</u>	<u>147,899</u>
Debt service:			
Interest	4,300	3,788	512
Principal	69,117	69,117	-
Total debt service expenditures	<u>73,417</u>	<u>72,905</u>	<u>512</u>
Total expenditures	<u>2,894,256</u>	<u>2,745,845</u>	<u>148,411</u>
Revenues over (under) expenditures	<u>(1,101,390)</u>	<u>(1,124,014)</u>	<u>(22,624)</u>
Other Financing Sources (Uses):			
Transfer from General Fund	1,101,390	1,101,390	-
Total other financing sources (uses)	<u>1,101,390</u>	<u>1,101,390</u>	<u>-</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ (22,624)</u>	<u>\$ (22,624)</u>

Note: Prepared on the budgetary basis which is modified accrual.

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 6-1, cont.
Page 2 of 2****Waste Disposal Fund - Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Revenues and other financing sources (uses) over expenditures		\$ (22,624)	
Depreciation		(60,955)	
Capital expenditures		23,291	
Debt service principal		69,117	
Increase (decrease) in deferred outflows of resources - pensions		14,044	
Increase (decrease) in deferred outflows of resources - OPEB		(47)	
(Increase) decrease in accrued vacation		(3,172)	
(Increase) decrease in net pension liability		(31,293)	
(Increase) decrease in net OPEB liability		(9,391)	
(Increase) decrease in deferred inflows of resources - pensions		(470)	
(Increase) decrease in deferred inflows of resources - OPEB		946	
Change in net position (GAAP)		<u>\$ (20,555)</u>	

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 6-2****Page 1 of 2****Water Fund - Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$ 133,000	\$ 144,802	\$ 11,802
Tap fees	3,550	3,480	(70)
Miscellaneous	1,500	2,176	676
Total operating revenues	<u>138,050</u>	<u>150,458</u>	<u>12,408</u>
Nonoperating revenues:			
Investment earnings	<u>-</u>	<u>40</u>	<u>40</u>
Total nonoperating revenues	<u>-</u>	<u>40</u>	<u>40</u>
Total revenues	<u>138,050</u>	<u>150,498</u>	<u>12,448</u>
Expenditures:			
Operating:			
Water purchase	60,000	53,464	6,536
Supplies	2,000	-	2,000
Maintenance and equipment	<u>76,050</u>	<u>65,538</u>	<u>10,512</u>
Total operating expenditures	<u>138,050</u>	<u>119,002</u>	<u>19,048</u>
Debt service:			
Interest	5,926	5,722	204
Debt principal	<u>112,500</u>	<u>112,500</u>	<u>-</u>
Total debt service expenditures	<u>118,426</u>	<u>118,222</u>	<u>204</u>
Total expenditures	<u>256,476</u>	<u>237,224</u>	<u>19,252</u>
Revenues over (under) expenditures	<u>(118,426)</u>	<u>(86,726)</u>	<u>31,700</u>
Other Financing Sources (Uses):			
Transfer from General Fund	<u>118,426</u>	<u>118,426</u>	<u>-</u>
Total other financing sources (uses)	<u>118,426</u>	<u>118,426</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 31,700</u>	<u>\$ 31,700</u>

Note: Prepared on the budgetary basis which is modified accrual.

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 6-2****Page 2 of 2**

Water Fund - Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Revenues and other financing sources (uses) over expenditures		\$ 31,700	
Depreciation		(144,591)	
Capital expenditures		39,700	
Debt service principal		112,500	
Change in net position (GAAP)		<u>\$ 39,308</u>	

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 6-3

**Universal Fund - Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Lease revenue	\$ 523,467	\$ 518,340	\$ (5,127)
Total operating revenues	<u>523,467</u>	<u>518,340</u>	<u>(5,127)</u>
Nonoperating revenues:			
Insurance claim	46,216	46,216	-
Investment earnings	100	47	(53)
Total nonoperating revenues	<u>46,316</u>	<u>46,263</u>	<u>(53)</u>
Total revenues	<u>569,783</u>	<u>564,604</u>	<u>(5,179)</u>
Expenditures:			
Operating:			
Utilities	38,000	37,212	788
Building improvements and supplies	239,754	186,455	53,299
Contract services	52,000	50,740	1,260
Capital outlay	126,412	126,412	-
Total operating expenditures	<u>456,166</u>	<u>400,819</u>	<u>55,347</u>
Debt service:			
Interest	55,263	55,263	-
Debt principal	198,619	196,667	1,952
Total debt service expenditures	<u>253,882</u>	<u>251,930</u>	<u>1,952</u>
Total expenditures	<u>710,048</u>	<u>652,750</u>	<u>57,298</u>
Revenues over (under) expenditures	<u>(140,265)</u>	<u>(88,145)</u>	<u>52,120</u>
Other Financing Sources (Uses):			
Transfer from General Fund	140,265	140,265	-
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>140,265</u>	<u>140,265</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 52,120</u>	<u>\$ 52,120</u>
Note: Prepared on the budgetary basis which is modified accrual.			
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Revenues and other financing sources (uses) over expenditures		\$ 52,120	
Depreciation		(309,640)	
Capital expenditures		126,412	
Debt service principal		196,667	
Change in net position (GAAP)		<u>\$ 65,559</u>	

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 6-4

**Transportation Fund - Enterprise Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Restricted intergovernmental revenues:			
Cares vaccination	\$ -	\$ 19,482	\$ 19,482
Cares operating grant	186,719	283,138	96,419
Charges for services:			
Contract revenue	158,000	66,702	(91,298)
Administration grant	143,538	117,853	(25,685)
Total operating revenues	<u>488,257</u>	<u>487,175</u>	<u>(1,082)</u>
Nonoperating revenues:			
Investment earnings	-	15	15
Total nonoperating revenues	<u>-</u>	<u>15</u>	<u>15</u>
Total revenues	<u>488,257</u>	<u>487,190</u>	<u>(1,067)</u>
Expenditures:			
Operating:			
Salaries and benefits	425,449	408,936	16,513
Operating expenses	156,514	117,965	38,549
Capital outlay	213,200	66,259	146,941
Total operating expenditures	<u>795,163</u>	<u>593,161</u>	<u>202,003</u>
Revenues over (under) expenditures	<u>(306,906)</u>	<u>(105,970)</u>	<u>200,936</u>
Other Financing Sources (Uses):			
Transfer from General Fund	131,406	131,406	-
Capital contributions	175,500	-	(175,500)
Total other financing sources (uses)	<u>306,906</u>	<u>131,406</u>	<u>(175,500)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 25,436</u>	<u>\$ 25,436</u>

Note: Prepared on the budgetary basis which is modified accrual.

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Revenues and other financing sources (uses) over expenditures	\$ 25,436
Depreciation	(37,005)
Capital expenditures	66,259
Gain on disposal of assets	14,855
(Increase) decrease in net pension liability	(36,612)
Increase (decrease) in deferred outflows of resources - pensions	16,189
(Increase) decrease in accrued vacation	3,406
Change in net position (GAAP)	<u>\$ 52,528</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 6-5****Internal Service Fund - Self-Insurance Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue:			
Charges for services:			
Employee contributions	\$ 396,000	\$ 388,281	\$ (7,719)
Employer contributions	3,570,000	3,559,988	(10,012)
Stop loss	350,000	247,932	(102,068)
Cobra payments	21,000	15,157	(5,843)
Total revenues	<u>4,337,000</u>	<u>4,211,358</u>	<u>(125,642)</u>
Expenditures:			
Employee benefits:			
Claims	3,690,200	3,605,433	84,767
Life insurance	20,881	20,881	-
Fees	925,919	924,582	1,337
Total expenditures	<u>4,637,000</u>	<u>4,550,896</u>	<u>86,104</u>
Revenues over (under) expenditures	<u>(300,000)</u>	<u>(339,538)</u>	<u>(39,538)</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Total other financing sources (uses)	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (339,538)</u>	<u>\$ (339,538)</u>

Note: Prepared on the budgetary basis which is modified accrual.

COMBINING FIDUCIARY FUND STATEMENTS - CUSTODIAL ACCOUNTS

Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others.

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MCDOWELL COUNTY, NORTH CAROLINA

Schedule 7-1

**Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021**

	<u>Municipal Tax Fund</u>	<u>Jail Inmate Pay Fund</u>	<u>Sales and Use Tax Fund</u>	<u>Rescue Squad and DMV Billing Fund</u>	<u>Sheriff's Investigative Fund</u>	<u>Deposit and Custodial Trust Fund</u>	<u>Total Custodial Funds</u>
<u>Assets</u>							
Cash and cash equivalents	\$ 192	\$ 25,991	\$ -	\$ 940	\$ 61,397	\$ 62,755	\$ 151,275
Taxes receivable for other governments, net	26,433	-	-	-	-	-	26,433
Sales and use tax receivable for other governments	-	-	345,591	-	-	-	345,591
Total assets	<u>26,625</u>	<u>25,991</u>	<u>345,591</u>	<u>940</u>	<u>61,397</u>	<u>62,755</u>	<u>523,299</u>
<u>Liabilities and Net Position</u>							
Liabilities:							
Accounts payable and other liabilities	-	9,371	-	-	-	2,180	11,551
Due to other governments	<u>26,625</u>	<u>-</u>	<u>343,532</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>370,757</u>
Total liabilities	<u>26,625</u>	<u>9,371</u>	<u>343,532</u>	<u>600</u>	<u>-</u>	<u>2,180</u>	<u>382,308</u>
<u>Net Position</u>							
Restricted for:							
Individuals, organizations, and other governments	<u>\$ -</u>	<u>\$ 16,619</u>	<u>\$ 2,059</u>	<u>\$ 340</u>	<u>\$ 61,397</u>	<u>\$ 60,575</u>	<u>\$ 140,992</u>

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

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 7-2

**Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2021**

	Municipal Tax <u>Fund</u>	Jail Inmate Pay <u>Fund</u>	Sales and Use Tax <u>Fund</u>	Rescue Squad and DMV <u>Billing Fund</u>	Sherriff's Investigative <u>Fund</u>	Deposit and Custodial Trust <u>Fund</u>	Total Custodial <u>Funds</u>
<u>Additions</u>							
Ad valorem taxes for other governments	\$ 293,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,769
Collection on behalf of inmates	-	380,749	-	-	-	-	380,749
Sales and use taxes for other governments	-	-	1,265,621	-	-	-	1,265,621
Billing and collections for other governments	-	-	-	4,461,606	-	-	4,461,606
Collection of confiscated funds	-	-	-	-	63,660	-	63,660
Receipt of assets that will be held in a custodial capacity for others	-	-	-	-	-	43,130	43,130
Total additions	<u>293,769</u>	<u>380,749</u>	<u>1,265,621</u>	<u>4,461,606</u>	<u>63,660</u>	<u>43,130</u>	<u>6,508,535</u>
<u>Deductions</u>							
Tax distributions to other governments	293,769	-	-	-	-	-	293,769
Payments on behalf of inmates	-	389,024	-	-	-	-	389,024
Payments of sales and use tax to other governments	-	-	1,267,712	-	-	-	1,267,712
Payments of billing and collections to other governments	-	-	-	4,461,606	-	-	4,461,606
Payment of bond deposits to developers	-	-	-	-	-	-	-
Payment of confiscated funds	-	-	-	-	50,992	-	50,992
Payments in accordance with custodial agreements	-	-	-	-	-	45,309	45,309
Total deductions	<u>293,769</u>	<u>389,024</u>	<u>1,267,712</u>	<u>4,461,606</u>	<u>50,992</u>	<u>45,309</u>	<u>6,508,412</u>
Net increase (decrease) in fiduciary net position	-	(8,275)	(2,091)	-	12,667	(2,180)	123
Net position, beginning, as previously reported	-	-	4,150	-	-	-	4,150
Prior period restatement - change in accounting principle	-	24,894	-	340	48,730	62,755	136,719
Net position, beginning, as restated	-	24,894	4,150	340	48,730	62,755	140,869
Net position, ending	<u>\$ -</u>	<u>\$ 16,619</u>	<u>\$ 2,059</u>	<u>\$ 340</u>	<u>\$ 61,397</u>	<u>\$ 60,575</u>	<u>\$ 140,992</u>

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

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OTHER SCHEDULES

- **This section contains additional information required on property taxes.**
 - **Schedule of Ad Valorem Taxes Receivable**
 - **Analysis of Current Tax Levy**
 - **County-wide Levy**
 - **County-wide Levy Secondary Market Disclosures**
 - **Ten Largest Taxpayers**
-

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 8-1****Schedule of Ad Valorem Taxes Receivable
June 30, 2021**

<u>Year of Levy</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020	\$ -	\$ 27,039,377	\$ 26,904,221	\$ 135,156
2019	216,672	-	130,543	86,129
2018	88,695	-	37,076	51,619
2017	63,217	-	24,876	38,341
2016	49,523	-	20,892	28,631
2015	40,500	-	17,036	23,464
2014	40,397	-	16,727	23,670
2013	56,742	-	15,868	40,874
2012	52,495	-	4,236	48,259
2011	46,961	-	3,357	43,604
2010	62,278	-	62,278	-
Total	<u>\$ 717,480</u>	<u>\$ 27,039,377</u>	<u>\$ 27,237,110</u>	519,747
Less allowance for uncollectible ad valorem taxes receivable				<u>(264,299)</u>
Ad valorem taxes receivable - net				<u>\$ 255,448</u>
Reconciliation with revenues:				
Taxes - ad valorem:				
General Fund				\$ 27,086,588
Amount written off per statute of limitations				58,558
Discounts				147,384
Releases - prior year's taxes				21,049
Other adjustments				<u>34,078</u>
Subtotal				27,347,657
Less interest collected (not charged to receivable)				<u>(110,547)</u>
Total				<u>\$ 27,237,110</u>

MCDOWELL COUNTY, NORTH CAROLINA

Schedule 8-2

**Analysis of Current Tax Levy
County - Wide Levy
For the Year Ended June 30, 2021**

	<u>County Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year rate	\$4,341,967,035	0.587	\$ 25,509,056	\$ 22,806,848	\$ 2,702,208
Penalties	-		7,917	7,917	-
Total	<u>4,341,967,035</u>		<u>25,516,973</u>	<u>22,814,765</u>	<u>2,702,208</u>
Discoveries:					
Current year taxes	268,942,059	0.587	1,580,035	1,580,035	-
Prior year taxes	10,265,091	0.587	60,307	60,307	-
Prior year taxes	6,100,702	0.55	33,554	33,554	-
Penalties	-		22,675	22,675	-
Total	<u>285,307,852</u>		<u>1,696,571</u>	<u>1,696,571</u>	<u>-</u>
Abatements	<u>(29,645,476)</u>		<u>(174,167)</u>	<u>(174,167)</u>	<u>-</u>
Total property valuation	<u>\$4,597,629,411</u>				
Net levy			27,039,377	24,337,169	2,702,208
Uncollected taxes at June 30, 2021			<u>135,156</u>	<u>131,702</u>	<u>3,454</u>
Current year's tax collected			<u>\$ 26,904,221</u>	<u>\$ 24,205,467</u>	<u>\$ 2,698,754</u>
Current levy collection percentage			<u>99.50%</u>	<u>99.46%</u>	<u>99.87%</u>

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 8-3****Analysis of Current Tax Levy
County - Wide Levy
For the Year Ended June 30, 2021**

Secondary Market Disclosures**Assessed Valuation:**

1 Assessment Ratio	100%
Real Property	\$ 3,275,975,553
Personal Property	1,057,072,016
2 Public Service Companies	264,581,842
Total Assessed Valuation	<u>\$ 4,597,629,411</u>
Tax Rate per \$100	0.5875
3 Levy (includes discoveries, releases and abatements)	<u>\$ 27,008,785</u>

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

Fire Protection Districts	<u>\$ 4,402,682</u>
---------------------------	---------------------

- 1 Percentage of appraised value has been established by Statute.*
2 Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.
3 The levy includes interest and penalties.

MCDOWELL COUNTY, NORTH CAROLINA**Schedule 8-4****Ten Largest Taxpayers
For the Year Ended June 30, 2021**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Baxter Healthcare	IV Solution	\$ 344,338,782	7.49%
Duke Energy	Utility	236,632,358	5.15%
CSX	Railroad	57,861,717	1.26%
Auria	Manufacturing	52,767,961	1.15%
Mission McDowell / HCA Hospital	Medical	43,182,936	0.94%
Rutherford EMC	Utility	37,914,650	0.82%
Baldor/ABB Motors & Mechanical	Manufacturing	28,937,792	0.63%
Rock-Tenn Packaging	Manufacturing	24,348,270	0.53%
Coats America Thread Company	Manufacturing	21,971,712	0.48%
Columbia Carolina	Manufacturing	19,598,322	0.43%
		<u>\$ 867,554,500</u>	<u>18.88%</u>

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COMPLIANCE SECTION

**Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards**

**Independent Auditors' Report On Compliance For Each Major Federal
Program And On Internal Control Over Compliance Required By
The Uniform Guidance And The State Single Audit
Implementation Act**

**Independent Auditors' Report On Compliance For Each Major
State Program And On Internal Control Over Compliance Required
By The Uniform Guidance And The State Single Audit
Implementation Act**

Schedule of Findings and Responses

Corrective Action Plan

Schedule of Prior Audit Findings

Schedule of Expenditures of Federal and State Awards

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

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

**Independent Auditors' Report 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 Commissioner of
McDowell County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise McDowell County, North Carolina's basic financial statements, and have issued our report thereon dated January 21, 2022. Our report includes a reference to the other auditors who audited the financial statements of the McDowell County Tourism Development Authority, as described in our report on McDowell County, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell County, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lowmire Clark & Co., L.L.P.

Morganton, North Carolina
January 21, 2022

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

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

**Independent Auditors' Report On Compliance For Each Major Federal Program
And On Internal Control Over Compliance Required By The Uniform Guidance
And the State Single Audit Implementation Act**

To the Board of Commissioners of
McDowell County, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of McDowell County, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 McDowell County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Lowfennick Church & Co., L.L.P.

Morganton, North Carolina
January 21, 2022

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

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

**Independent Auditors' Report On Compliance For Each Major State Program
And On Internal Control Over Compliance Required By The Uniform Guidance
And The State Single Audit Implementation Act**

To the Board of Commissioners of
McDowell County, North Carolina

Report on Compliance for Each Major State Program

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

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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of McDowell County, North Carolina's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable sections of Title 2 *U.S. Code of State 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 McDowell County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

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

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

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



Morganton, North Carolina
January 21, 2022

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Section I. Summary of Auditors' Results**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____X no
- Significant deficiency(ies) identified? _____yes _____X none reported

Noncompliance material to financial statements noted? _____ yes _____X none reported

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes _____X no
- Significant deficiency(ies) identified? _____ yes _____X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____X none reported

Identification of Major Federal Programs:

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
15.611	Wildlife Restoration and Basic Hunter Education Program
21.019	Coronavirus Relief Fund
93.558	Work First/Temporary Assistance for Needy Families (TANF)
93.658	Foster Care and Adoption Cluster
93.778	Medical Assistance Program (Title XIX - Medicaid) Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? _____X yes _____ no

cont.

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(ies) identified? _____ yes _____ X none reported

Type of auditors' report issued on compliance
for 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

Foster Care and Adoption Cluster

Medical Assistance Program (Title XIX - Medicaid) Cluster State Appropriations

Public School Building Capital Fund - Lottery Proceeds

One N. C. Fund

cont.

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Responses

None reported.

Section IV. State Award Findings and Responses

None reported.

Tony G. Brown, Chairman
David Walker, Vice Chairman
Brenda Vaughn, Commissioner
Chris Allison, Commissioner
Patrick Ellis, Commissioner



Ashley Wooten, County Manager
Cheryl L. Mitchell, Clerk to the Board
Donald Fred Coats, County Attorney

McDowell County

Corrective Action Plan For the Year Ended June 30, 2021

Section V. Financial Statement Findings

None reported.

Section VI. Federal Award Findings and Responses

None reported.

Section VII. State Award Findings and Responses

None reported.

MCDOWELL COUNTY, NORTH CAROLINA

**Schedule of Prior Audit Findings
For the Year Ended June 30, 2021**

None

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass- through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
Federal Awards:					
U. S. Department of Agriculture:					
Passed through the North Carolina Department of Health and Human Services, Division of Social Services:					
<u>SNAP Cluster:</u>					
Food and Nutrition Services Program	10.561		\$ 492,177	\$ -	\$ -
Total U. S. Department of Agriculture			<u>492,177</u>	<u>-</u>	<u>-</u>
U. S. Department of the Treasury:					
Passed through the North Carolina Office of the State Budget and Management:					
North Carolina Pandemic Recovery Office					
Coronavirus Relief Fund	21.019		1,829,554	-	470,624
North Carolina Board of Elections					
Help America Vote Act	90.404	NC20101001-059	49,894	-	-
2020 Cares Initial Grant	90.404		83,638	-	-
Cares Supplemental Elections Grant	21.019		<u>25,000</u>	<u>-</u>	<u>-</u>
Total U. S. Department of the Treasury			<u>1,988,086</u>	<u>-</u>	<u>470,624</u>
U. S. Department of Justice:					
Bulletproof Vest Partnership Program					
Office of Justice Programs:	16.607		7,163	-	-
Criminal Justice Systems Improvement	16.738	Proj013829	34,698	-	-
Passed through the North Carolina Department of Public Safety:					
Coronavirus Supplemental Funding	16.034	Proj014489	22,442	-	-
Byrne Justice Assistance	16.738	2020DJBX0052	19,813	-	-
Passed through the Office of Juvenile Justice and Delinquency					
Prevention allocation to States Project 012172	16.540		<u>103,453</u>	<u>-</u>	<u>103,453</u>
Total U. S. Department of Justice			<u>187,569</u>	<u>-</u>	<u>103,453</u>
U. S. Department of Transportation:					
Passed through the North Carolina Department of Transportation, Division of Public Transportation					
Public Transportation for Non-urbanized Areas	20.509	36233.159.3.1	111,960	5,893	-
Public Transportation for Non-urbanized Areas	20.509	49233.41.1.2	<u>302,620</u>	<u>-</u>	<u>-</u>
Total U. S. Department of Transportation			<u>414,580</u>	<u>5,893</u>	<u>-</u>

cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
Appalachian Regional Commission:					
Isothermal Planning and Development					
Workforce Wellness Grant	23.001		\$ 150,580	\$ -	\$ -
U. S. Department of Homeland Security:					
Passed through the North Carolina Department of Public Safety:					
Emergency Performance Grant	97.042	EMPG-2020-	39,378	-	-
Emergency Performance Grant - Viper Radio	97.042	EMA-2020-EP-	12,695	-	-
Emergency Management Grant - CAST	97.067	EMW-2020-SS-	48,000	-	-
Federal Emergency Management Agency					
Disaster Grant - Public Assistance					
Dorian	97.036		2,618	873	-
COVID-19 Pandemic	97.036		<u>676,931</u>	<u>225,643</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>930,202</u>	<u>226,516</u>	<u>-</u>
U. S. Fish and Wildlife					
Passed through the North Carolina Wildlife Commission					
Wildlife Restoration and Basic Hunter Education	15.611		<u>899,453</u>	<u>-</u>	<u>-</u>
Total U. S. Fish and Wildlife			<u>899,453</u>	<u>-</u>	<u>-</u>
U. S. Office of Library Services:					
Passed through the North Carolina Department of Cultural Resources, Library Services and Technology:					
LSTA State Grant	45.310		<u>3,330</u>	<u>-</u>	<u>-</u>
Total U. S. Office of Library Services			<u>3,330</u>	<u>-</u>	<u>-</u>
U. S. Department of Health and Human Services:					
Passed through the North Carolina Department of Insurance, Division of SHIP:					
CDAP State Health Insurance Assistance	93.324		8,839	-	-
Medicare Improvements for Patients and Providers Act	93.071		<u>3,438</u>	<u>-</u>	<u>-</u>
Total Health Care Financing Administration			<u>12,277</u>	<u>-</u>	<u>-</u>
U. S. Department of Health and Human Services:					
Passed through the North Carolina Department of Health and Human Services:					
Division of Medical Assistance:					

cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
<u>Medicaid Cluster:</u>					
Medical Assistance Program-Administration	93.778		\$1,166,272	\$ -	\$ -
Medical Assistance Program-Adult Care					
Home Case Management	93.778		6,024	3,012	-
Total Medicaid Cluster			1,172,296	3,012	-
Division of Medical Assistance (N. C. Health Choice): State Children's Insurance Program-					
N. C. Health Choice - Administration	93.767		31,713	478	-
<i>Division of Aging and Adult Services:</i>					
Passed through the North Carolina Department of Health and Human Services and Isothermal Planning and Development Commission:					
Aging Cluster:					
Special Programs for the Aging, Title III:					
Part B-Grants for Supportive Services and Senior Centers	93.044		5,338	6,524	-
Part C-Nutrition Services	93.045		250,317	186,651	-
Aging Cluster			255,655	193,175	-
Passed through the North Carolina Department of Health and Human Services:					
Division of Aging and Adult Services:					
Senior Center General Purpose	N/A		-	10,511	-
Total Division of Aging and Adult Services			-	10,511	-
<u>Subsidized Child Care Cluster:</u>					
Passed through the North Carolina Department of Health and Human Services:					
Administration for Children and Families:					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		80,000	-	80,000
Division of Child Development:					
Smart Start	N/A		-	35,000	35,000
Subsidized Child Care Cluster			80,000	35,000	115,000
Division of Social Services:					
Foster Care and Adoption Cluster:					
Title IV-E-Foster Care:					
Administrative	93.658		395,980	34,959	-
Direct Benefit Payments	93.658		428,691	90,547	-
Adoption Training	93.659		5,130	-	-
Adoption/Off-training	93.659		12,899	-	-
Optional Adoption Training	93.659		5,455	-	-
Child Protective Services	N/A		-	73,996	-
Foster Care and Adoption Cluster			848,154	199,502	-

cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipient</u>
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:					
Administration	93.568		\$ 35,728	\$ -	\$ -
Energy Assistance Payments	93.568		267,151	-	-
Crisis Intervention Program	93.568		150,869	-	-
LIHEAP COVID Administration	93.568		190	-	-
LIEAP COV19	93.568		<u>143,902</u>	-	-
Low-Income Home Energy Assistance			<u>597,839</u>	-	-
Passed through the North Carolina Department of Health and Human Services:					
Work First/Temporary Assistance for Needy Families (TANF) Cluster					
Special Children Adoption	93.558		6,093	-	-
Work First Benefits	93.558		459,588	-	-
Administration	93.558		207,622	-	-
Administration-Adoption Foster Care (TANF Share)	93.558		<u>124,421</u>	-	-
TANF Cluster			<u>767,724</u>	-	-
Refugee Assistance Program	93.566		<u>583</u>	-	-
LINKS	93.674		<u>37,818</u>	<u>4,681</u>	-
Social Services Block Grant	93.667		<u>704,594</u>	-	-
Family Preservation	93.556		<u>26,418</u>	-	-
Child Welfare Services:					
Permanency Planning	93.645		<u>5,767</u>	-	-
Title IV-D Admin - Child Support Enforcement	93.563		<u>303,669</u>	<u>129</u>	-
Total U. S. Department of Health and Human Services			<u>4,844,505</u>	<u>446,488</u>	<u>115,000</u>
Total Federal Awards			<u>\$9,759,901</u>	<u>\$ 678,896</u>	<u>\$ 689,077</u>
State Awards:					
North Carolina Department of Health and Human Services:					
Division of Social Services:					
Soil Conservation			\$ -	\$ 24,980	\$ -
Child Welfare Services:					
Child Protective Services			-	155,496	-
CPS Care COVID-19			-	49,699	-
Foster Care Stipend			-	<u>48,000</u>	-
Total North Carolina Department of Health and Human Services			-	<u>278,175</u>	-

cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipient
North Carolina Board of Elections:					
One Stop Voting			\$ -	\$ 5,496	\$ -
Total North Carolina Board of Elections			-	5,496	-
North Carolina Department of Public Safety:					
Division of Youth Services:					
Juvenile Crime Prevention Council			-	159,946	159,946
Total North Carolina Department of Public Safety			-	159,946	159,946
North Carolina Department of Cultural Resources:					
State Aid to Libraries:					
Administration and Library Development			-	103,165	-
North Carolina Clean Water Management Trust Fund			-	26,649	-
Total North Carolina Department of Cultural Resources			-	129,814	-
North Carolina Department of Administration:					
Division of Veterans Affairs:					
N. C. General Statute 165-6(9)			-	2,084	-
North Carolina Department of Commerce:					
Rural Economic Development Center:					
Building Reuse			-	36,998	-
ONE N. C. Fund			-	1,150,000	-
Total North Carolina Department of Commerce			-	1,186,998	-
North Carolina Department of Environmental Quality:					
Division of Environmental Assistance:					
DWR Grant			-	18,439	-
Division of Environmental Quality:					
DWR Grant			-	17,585	-
Total North Carolina Environmental Quality			-	36,024	-
North Carolina Department of Public Instruction:					
Public School Building Capital Fund:					
ADM			-	156,373	231,450
Lottery Proceeds			-	4,289,902	4,289,902
Total North Carolina Department of Public Instruction			-	4,446,275	4,521,352
Total State Awards			-	6,244,812	4,681,298
Total Federal and State Awards			<u>\$9,759,901</u>	<u>\$6,923,708</u>	<u>\$5,370,375</u>

cont.

**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

Notes to the Schedule of Expenditures of Federal and State Awards:**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of McDowell County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 *U. S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of McDowell County, it is not intended to, and does not, present the financial position, changes in net position or cash flows of McDowell County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited, as to reimbursement.

Note 3: Indirect Cost Rate

McDowell County has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 4: Cluster of Programs

The following are clustered by the N. C. Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.

Note 5: Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 162,732	\$ -
Medicaid	74,805,601	28,754,815
N. C. Health Choice	961,933	189,185
State/County Special Assistance to Adults	-	512,201
Foster Care Adoption Assistance	672,773	123,063
Child Welfare Services Adoption Subsidy	<u>-</u>	<u>240,505</u>
Total	<u>\$76,603,039</u>	<u>\$29,819,769</u>