

***MITCHELL COUNTY, NORTH CAROLINA***

***Bakersville, North Carolina***

***Financial Statements***

***June 30, 2019***

*(with Independent Auditor's Report thereon)*

**YOUNG, MILLER & GILLESPIE, P.A.  
Certified Public Accountants  
PO Box 723, 215 Oak Avenue  
Spruce Pine, North Carolina 28777**

# MITCHELL COUNTY, NORTH CAROLINA

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June 30, 2019

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## **Independent Auditor's Report**

To the Board of County Commissioners  
Mitchell County  
Bakersville, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Mitchell County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell County, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, 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 Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, 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' Schedules of Funding Progress and Employer Contributions Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, pages 8-16 and 57-60, respectively, 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Mitchell County, North Carolina. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, 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 by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, 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 September 27, 2019 on our consideration of Mitchell County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the 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 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 Mitchell County's internal control over financial reporting and compliance.

*Young, Miller & Gillespie, P.A.*

Young, Miller & Gillespie, P.A.  
Spruce Pine, North Carolina  
September 27, 2019

## ***Management's Discussion and Analysis***

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

### ***Financial Highlights***

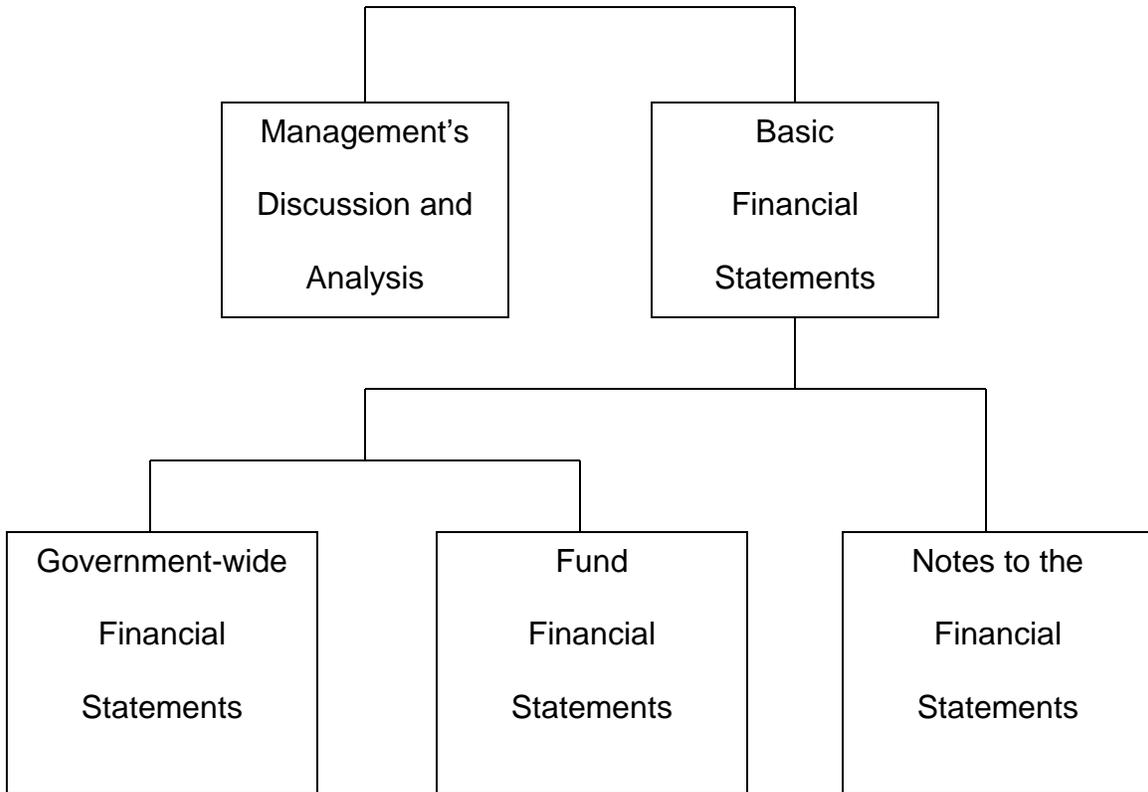
- *The assets of Mitchell County exceeded its liabilities at the close of the fiscal year by \$12,194,135.*
- *The government's total net position increased by \$2,257,419.*
- *As of the close of the current fiscal year, Mitchell County's governmental funds reported combined ending fund balances of \$9,420,634, an increase of \$857,180 in comparison with the prior year. Approximately 75 percent of this total amount, or \$7,066,835 is available for spending at the government's discretion. Part of this amount (\$511,333) has been reserved to balance the 2019-20 budget.*
- *At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,555,502 or 34 percent of total general fund expenditures and transfers to other funds for the fiscal year. In addition, \$511,333 of the General Fund balance has been appropriated for use in the 2019-20 budget year and has not been included in the preceding calculation.*
- *Mitchell County's tax collection rate remained consistent, averaging 96.48% in the current fiscal year and 96.42% in the prior fiscal year.*

### ***Overview of the Financial Statements***

*This discussion and analysis is intended to serve as an introduction to Mitchell 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 Mitchell County.*

*Required Components of Annual Financial Report*

*Figure 1*



***Basic Financial Statements***

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

*The next statements (Exhibits 3 through 6) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.*

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

## ***Management's Discussion and Analysis***

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### ***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 total liabilities. Measuring net position is one way to gauge the County's financial condition.*

*The government-wide statements represent governmental activities and include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities.*

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

### ***Fund Financial Statements***

*The fund financial statements (see Figure 2) provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mitchell County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Mitchell County are in one category: governmental funds.*

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

## ***Management's Discussion and Analysis***

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*Mitchell 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, changes to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and changes. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.*

***Fiduciary Funds*** – *Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Mitchell County has five fiduciary funds, including four agency funds and one pension trust fund.*

***Notes to the Financial Statements*** – *The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.*

***Other Information*** – *In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Mitchell County's progress in funding its obligation to provide pension benefits to its employees.*

## Management's Discussion and Analysis

### Government-Wide Financial Analysis

#### Mitchell County's Net Position

	Governmental Activities		
	2019	2018	Difference
Current and other assets	\$ 10,871,190	\$ 10,083,211	\$ 787,979
Capital assets	12,096,850	10,144,164	1,952,686
Deferred outflows	1,579,092	1,116,912	462,180
Total assets and deferred outflows	\$ 24,547,132	\$ 21,344,287	\$ 3,202,845
Long-term liabilities outstanding	\$ 10,601,507	\$ 10,269,622	\$ 331,885
Other liabilities	566,185	513,258	52,927
Total liabilities	11,167,692	10,782,880	384,812
Deferred Inflows	1,185,305	880,291	305,014
Net position:			
Net investment in capital assets	11,845,984	9,923,319	1,922,665
Restricted	1,339,782	1,358,799	(19,017)
Unrestricted	(991,631)	(1,345,402)	353,771
Total net position	\$ 12,194,135	\$ 9,936,716	\$ 2,257,419

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Mitchell County exceeded liabilities by \$12,194,135 as of June 30, 2019. One of the largest portions of net position reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Mitchell County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Mitchell 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 Mitchell County's net position, \$1,339,782 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$991,631) is unrestricted.

Several aspects of the County's financial operations influenced the total unrestricted governmental net position resulting in a current year decrease. Overall position decreased due to the implementation of GASB 75 and treatment of other post-employment health benefits. While increased revenues and controlled spending caused an increase in the current year net position, the overall year end effect was negated due to the implementation of the presentation of healthcare benefits.

## Management's Discussion and Analysis

**Figure 3**

	Governmental Activities	
	2019	2018
<i>Revenues:</i>		
<i>Program revenues:</i>		
Charges for services	\$ 1,434,070	\$ 795,801
Operating grants and contributions	3,543,302	5,260,809
Capital grants and contributions	2,366,910	9,436
<i>General revenues:</i>		
Property taxes	11,498,354	11,173,589
Other taxes	3,888,978	3,717,138
Investment earnings	121,739	95,111
Other	235,065	202,001
<b>Total revenues</b>	<b>23,088,418</b>	<b>21,253,885</b>
<i>Expenses:</i>		
General government	2,314,516	2,457,010
Public safety	6,092,167	5,530,730
Transportation	744,501	523,752
Environmental protection	1,430,586	1,401,221
Economic and physical development	552,755	531,334
Human services	5,643,417	6,919,345
Cultural and recreation	295,042	287,194
Education	3,758,015	3,659,315
<b>Total expenses</b>	<b>20,830,999</b>	<b>21,309,901</b>
Increase (decrease) in net position	2,257,419	(56,016)
Net position, beginning	9,936,716	15,352,007
Restatement	-	(5,359,275)
<b>Net position, ending</b>	<b>\$ 12,194,135</b>	<b>\$ 9,936,716</b>

### **Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Mitchell County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Mitchell 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 Mitchell County. At the end of the current fiscal year, Mitchell County's fund balance available in the General Fund was \$7,066,835 while total fund balance reached \$8,501,131. The Governing Body of Mitchell County has determined that the county should maintain an available fund balance of 8% of general fund expenditures in case

## ***Management's Discussion and Analysis***

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*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 34 % of general fund expenditures, while total fund balance represents 45% of that same amount.*

*At June 30, 2019, the governmental funds of Mitchell County reported a combined fund balance of \$9,420,634, a 10 percent increase over last year. The increase is attributed to increased revenues and controlled budgetary expenditures.*

***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 the original budgeted expenditures by \$528,308.*

### ***Capital Asset and Debt Administration***

***Capital assets.*** *Mitchell County's capital assets for its governmental activities as of June 30, 2019, total \$12,096,850 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.*

*Major capital asset transactions during the year include:*

- *Building construction for Mitchell County Regional E-911 backup center*
- *Purchase of vehicles and equipment for Transportation, Environmental Protection and Public Safety functions*

*These major capital asset purchases were funded by proceeds from lease agreements received by the County during the fiscal year and from local monies.*

**Management's Discussion and Analysis**

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

	<i>Governmental Activities</i>		
	2019	2018	Difference
<i>Land</i>	\$ 1,084,083	\$ 1,084,083	\$ -
<i>Construction and other assets in progress</i>	2,532,727	260,877	2,271,850
<i>Buildings</i>	5,304,917	5,368,415	(63,498)
<i>Improvements other than buildings</i>	1,545,272	1,654,757	(109,485)
<i>Machinery and equipment</i>	552,377	664,132	(111,755)
<i>Vehicles and motorized equipment</i>	1,077,474	1,111,900	(34,426)
<b>Total</b>	<b>\$ 12,096,850</b>	<b>\$ 10,144,164</b>	<b>\$ 1,952,686</b>

*Additional information regarding Mitchell County's capital assets can be found in the notes to the financial statements.*

**Long-term Debt.** *As of June 30, 2019, Mitchell County had total debt outstanding of \$10,813,740. Of this, \$214,397 is compensated absences, \$571,429 is qualified zone academy bond financing, \$209,773 due for equipment purchased under capital lease, \$7,602,064 is accrued liability for other post-employment benefits such as health insurance and \$2,216,075 represents various pension obligations.*

***Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2020***

***Governmental Activities:***

*For the fiscal year ended June 30, 2020, budgeted expenditures in the General Fund are expected to slightly decrease to \$19,302,776. To cover costs included in the upcoming budget, management has appropriated \$511,333 of the available fund balance.*

*Mitchell County feels comfortable with this Fund Balance Appropriation considering its current fund balance of 34%. The county has also strengthened tax collection polices and performance procedures with collection goals to meet the average for our population group of <25,000 which is currently 97.06%.*

*Mitchell County is currently building a new Regional 911 Center which will be completed by fiscal year ending June 30, 2020. This state of the art facility has been made possible with the aid of a State PSAP Grant.*

### **Requests for Information**

*This report is designed to provide an overview of Mitchell 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 County Manager, Mitchell County, 26 Crimson Laurel Circle, Bakersville, NC 28705.*

**MITCHELL COUNTY, NORTH CAROLINA****Statement of Net Position****June 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,306,097
Receivables (net)	1,061,442
Prepaid expenses	62,500
Due from other governments	1,319,293
Restricted cash and equivalents	96,253
Net pension asset - ROD	25,605
Capital assets:	
Land, improvements, and construction in progress	3,616,810
Other capital assets, net of depreciation	8,480,040
Total capital assets	<u>12,096,850</u>
Total assets	<u>22,968,040</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,579,092</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	353,952
Long-term liabilities:	
Net pension liability - LGERS	1,891,706
Total pension liability - LEO	324,369
Due within one year	212,231
Due in more than one year	8,385,434
Total liabilities	<u>11,167,692</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,185,305</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,845,984
Restricted for:	
Stabilization by State statute	1,339,470
Register of Deeds	312
Unrestricted (deficit)	(991,631)
Total net position	<u>\$ 12,194,135</u>

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

**Mitchell County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Primary government:</b>					
<i>Governmental Activities:</i>					
General government	\$ 2,314,516	\$ 182,512	\$ -	\$ -	\$ (2,132,004)
Public safety	6,092,167	223,138	144,484	2,271,850	(3,452,695)
Transportation	744,501	97,102	384,843	95,060	(167,496)
Environmental protection	1,430,586	879,527	43,122	-	(507,937)
Economic and physical development	552,755	-	-	-	(552,755)
Human services	5,643,417	-	2,970,853	-	(2,672,564)
Cultural and recreation	295,042	51,791	-	-	(243,251)
Education	3,758,015	-	-	-	(3,758,015)
<b>Total governmental activities</b>	<b>\$ 20,830,999</b>	<b>\$ 1,434,070</b>	<b>\$ 3,543,302</b>	<b>\$ 2,366,910</b>	<b>\$ (13,486,717)</b>
 <i>General revenues:</i>					
<i>Taxes:</i>					
Property taxes, levied for general purpose					11,498,354
Local option sales tax					3,637,967
Other taxes and licenses					251,011
Investment earnings, unrestricted					121,739
Miscellaneous, unrestricted					235,065
<b>Total general revenues, special items, and transfers</b>					<b>15,744,136</b>
Change in net position					2,257,419
Net position-beginning					9,936,716
<b>Net position-ending</b>					<b>\$ 12,194,135</b>

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

**MITCHELL COUNTY, NORTH CAROLINA**

Exhibit "3"

**Balance Sheet  
Governmental Funds  
June 30, 2019**

Assets	<u>General</u>	<u>E-911 Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Assets:</i>				
Cash and investments	\$ 7,400,091	\$ 906,006	\$ -	\$ 8,306,097
Restricted cash	96,253	-	-	96,253
Receivables (net)	794,598	-	90,428	885,026
Prepaid expenses	62,500	-	-	62,500
Due from other governments	1,253,276	66,018	-	1,319,294
<b>Total assets</b>	<b>\$ 9,606,718</b>	<b>\$ 972,024</b>	<b>\$ 90,428</b>	<b>\$ 10,669,170</b>

**Liabilities, Deferred Inflows of Resources and Fund Balances**

<i>Liabilities:</i>				
Accounts payable	\$ 301,433	\$ 52,521	\$ -	\$ 353,954
<b>Total liabilities</b>	<b>301,433</b>	<b>52,521</b>	<b>-</b>	<b>353,954</b>
<i>Deferred Inflows of Resources:</i>	<u>804,154</u>	<u>-</u>	<u>90,428</u>	<u>894,582</u>
<i>Fund balances:</i>				
<i>Nonspendable:</i>				
Prepaid expenses	62,500	-	-	62,500
<i>Restricted:</i>				
Stabilization by State statute	1,273,454	66,016	-	1,339,470
Register of Deeds	312	-	-	312
<i>Committed:</i>				
Tax revaluation	98,030	-	-	98,030
Emergency Telephone System	-	853,487	-	853,487
<i>Assigned:</i>				
Subsequent year's expenditures	511,333	-	-	511,333
<i>Unassigned:</i>				
	6,555,502	-	-	6,555,502
<b>Total fund balances</b>	<b>8,501,131</b>	<b>919,503</b>	<b>-</b>	<b>9,420,634</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,606,718</b>	<b>\$ 972,024</b>	<b>\$ 90,428</b>	

Amounts reported for governmental activities in the statement of net position

(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,096,850
Net pension liability	(1,866,101)
Total pension liability	(324,369)
Contributions to pension plans are not current resources and therefore are deferred outflows of resources	
Contributions to OPEB are not current resources and therefore are deferred	
Deferred inflows of resources for prepaid taxes	864,848
Pension related deferrals	423,521
Healthcare plan liability	(7,602,065)
Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds	176,416
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(995,599)

Net position of governmental activities \$ 12,194,135

**MITCHELL COUNTY, NORTH CAROLINA**  
**Combined Statement of Revenue, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2019**

	<u>General Fund</u>	<u>E-911 Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenues:</i>				
<i>Ad valorem taxes</i>	\$ 10,551,725	\$ -	\$ 1,047,310	\$ 11,599,035
<i>Local option sales tax</i>	3,637,968	-	-	3,637,968
<i>Other taxes</i>	213,921	-	-	213,921
<i>Unrestricted intergovernmental</i>	55,110	-	-	55,110
<i>Restricted intergovernmental</i>	3,415,280	2,405,886	-	5,821,166
<i>Licenses and permits</i>	154,231	-	-	154,231
<i>Sales and services</i>	1,430,087	-	-	1,430,087
<i>Investment earnings</i>	146,537	1,658	-	148,195
<i>Miscellaneous</i>	155,626	-	-	155,626
<i>Total revenues</i>	<u>19,760,485</u>	<u>2,407,544</u>	<u>1,047,310</u>	<u>23,215,339</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government</i>	2,128,260	-	-	2,128,260
<i>Public safety</i>	4,473,556	102,573	1,047,310	5,623,439
<i>Public transportation</i>	602,235	-	-	602,235
<i>Environmental protection</i>	1,360,258	-	-	1,360,258
<i>Economic and physical development</i>	552,696	-	-	552,696
<i>Human services</i>	5,348,412	-	-	5,348,412
<i>Cultural and recreational</i>	273,369	-	-	273,369
<i>Education</i>	3,758,015	-	-	3,758,015
<i>Capital outlay</i>	274,409	2,271,850	-	2,546,259
<i>Debt service:</i>				
<i>Principal retirement</i>	270,309	-	-	270,309
<i>Interest and fees</i>	11,287	-	-	11,287
<i>Total expenditures</i>	<u>19,052,806</u>	<u>2,374,423</u>	<u>1,047,310</u>	<u>22,474,539</u>
<i>Excess of revenues over expenditures</i>	707,679	33,121	-	740,800
<i>Other financing sources (uses):</i>				
<i>Proceeds from debt issue</i>	116,380	-	-	116,380
<i>Total other financing sources (uses)</i>	<u>116,380</u>	<u>-</u>	<u>-</u>	<u>116,380</u>
<i>Net change in fund balances</i>	824,059	33,121	-	857,180
<i>Fund balances - beginning of year</i>	<u>7,677,072</u>	<u>886,382</u>	<u>-</u>	<u>8,563,454</u>
<i>Fund balances - end of year</i>	<u>\$ 8,501,131</u>	<u>\$ 919,503</u>	<u>\$ -</u>	<u>\$ 9,420,634</u>

**MITCHELL COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

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

Net changes in fund balances - total governmental funds	\$ 857,180
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 outlays exceeded depreciation and disposals in the current period.	1,952,686
Gain (loss) on disposal of fixed assets Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(126,921)
Contributions to the pension plan in the current year are not included on the Statement of Activities	437,134
Changes in pension deferrals	(292,591)
Changes in pension liabilities	(710,194)
Contributions to the healthcare plan in the current year are not included on the Statement of Activities	118,572
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 assets. 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.	153,931
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.	<u>(132,378)</u>
Total changes in net position of governmental activities	<u><u>\$ 2,257,419</u></u>

**MITCHELL COUNTY, NORTH CAROLINA****Statement of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual - General Fund****For the Fiscal Year Ended June 30, 2019**

	<b>General Fund</b>			<b>Variance With Final Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,600,515	10,591,354	10,551,725	\$ (39,629)
Local option sales taxes	3,759,333	3,600,758	3,637,968	37,210
Other taxes and licenses	191,434	216,721	213,921	(2,800)
Unrestricted intergovernmental	27,712	55,109	55,110	1
Restricted intergovernmental	3,085,895	3,076,118	3,415,280	339,162
Licenses and permits	162,632	155,602	154,231	(1,371)
Sales and services	835,972	1,527,692	1,430,087	(97,605)
Investment earnings	127,950	139,476	146,455	6,979
Miscellaneous	-	162,344	155,626	(6,718)
Total revenues	<u>18,791,443</u>	<u>19,525,174</u>	<u>19,760,403</u>	<u>235,229</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,413,413	2,244,986	2,114,075	130,911
Public safety	4,803,266	4,711,560	4,596,182	115,378
Public transportation	608,271	720,608	707,859	12,749
Environmental protection	1,539,049	1,466,010	1,387,812	78,198
Economic and physical development	646,838	682,213	552,696	129,517
Human services	5,033,649	5,566,969	5,348,412	218,557
Cultural and recreational	280,648	280,362	273,369	6,993
<b>Intergovernmental:</b>				
Education	3,734,784	3,776,780	3,758,015	18,765
<b>Debt service:</b>				
Principal retirement	142,858	270,309	270,309	-
Interest and fees	-	11,287	11,287	-
Total expenditures	<u>19,202,776</u>	<u>19,731,084</u>	<u>19,020,016</u>	<u>711,068</u>
Revenues over (under) expenditures	<u>(411,333)</u>	<u>(205,910)</u>	<u>740,387</u>	<u>946,297</u>
<b>Other financing sources (uses):</b>				
Debt issue proceeds	-	116,380	116,380	116,380
Operating transfers from (to) other funds	(100,000)	(50,000)	(50,000)	-
Appropriated fund balance	511,333	139,530	-	(139,530)
Total other financing sources (uses)	<u>411,333</u>	<u>205,910</u>	<u>66,380</u>	<u>(23,150)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>806,767</u>	<u>\$ 923,147</u>
<b>Fund balances:</b>				
Beginning of year			<u>7,596,333</u>	
End of year			<u>\$ 8,403,100</u>	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes.				
Interest earnings			82	
Transfers in from general fund			50,000	
Expenditures			(32,789)	
Beginning Fund Balance - Revaluation			<u>80,738</u>	
Ending Fund Balance - Exhibit 4			<u>\$ 8,501,131</u>	

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA**  
**Statement of Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2019**

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	<u>Agency Funds</u>	<u>Pension Trust Funds</u>
<i>Assets:</i>		
<i>Cash and investments</i>	\$ 55,055	\$ 193,262
<i>Total assets</i>	<u>\$ 55,055</u>	<u>\$ 193,262</u>
 <i>Liabilities:</i>		
<i>Miscellaneous liabilities</i>	\$ 55,055	\$ 193,262
<i>Total liabilities</i>	<u>\$ 55,055</u>	<u>\$ 193,262</u>

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2019**

	<u>Pension Trust Fund</u>
<i>Additions:</i>	
<i>Employer contributions</i>	\$ 250
<i>Investment income</i>	<u>2,432</u>
<i>Total additions</i>	<u>2,682</u>
 <i>Deductions:</i>	
<i>Change in net position</i>	2,682
 <i>Net position, beginning</i>	<u>190,580</u>
<i>Net position, ending</i>	<u><u>\$ 193,262</u></u>

See the accompanying independent Auditor's report.

# MITCHELL COUNTY, NORTH CAROLINA

## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mitchell County 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.

#### (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 (the County). These statements include the financial activity of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, as presented in these statements, generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or functions 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 and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

Emergency Telephone Fund: To account for E-911 operations

The County reports the following non-major funds:

Fire District Fund: To distribute fire tax collected for districts within the County.

The County reports the following fund types:

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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Pension Trust Fund. The County maintains a Pension Trust Fund to account for the IRC section 457 deferred compensation plan. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans.

Agency Funds: Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for money deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Mitchell Board of Education; the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County, and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Nonmajor Funds. The County one other legally budgeted fund. The Revaluation Fund is consolidated in the General Fund in accordance with GASB Statement No. 54.

#### **Measurement Focus, Basis of Accounting**

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

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 that 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 financial sources.

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

#### **(C) Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and Revaluation Special Revenue Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund and the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures by more than \$5,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### **(D) Assets, Liabilities and Fund Equity**

##### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund maintaining an AAAM rating from S&P, are valued at fair value, which is the NCCMT's share price. The NCCMT Government Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

#### **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.

#### **3. Restricted Assets**

Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

#### **4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

#### **5. Allowance 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. 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. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines, and other plant and distribution system, infrastructure, furniture and equipment and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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

	<u>Years</u>
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

**7. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow 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 two items that meet this criterion: pension related deferrals, and contributions made to the pension plan 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 three items that meet the criterion for this category - prepaid taxes, other post-employment benefits, and other pension related deferrals.

**8. Long-Term Obligations**

In the government-wide financial statements and fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities.

In the fund financial statements for government type funds, the face amount of debt issued is reported as an other financing source.

**9. 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 funds, an expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned.

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

**10. Net Position/Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

#### **Fund Balances**

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

*The governmental fund types classify fund balances as follows:*

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

- *Inventories* - *portion of 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-*

- *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 nonspendable. 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-* *portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.*

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

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

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

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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

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

*Mitchell 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: bond proceeds, federal funds, State funds, local non-city 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.*

#### **11. Defined Benefit Pension and 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) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"), and one other postemployment 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. Investments are reported at fair value. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/ deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.*

#### **(E) Reconciliation of Government-wide and Fund Financial Statements**

1. *Explanation of certain differences between the governmental 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 \$ 2,773,501 consists of several elements as follows:*

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

<u>Description</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 assets on government-wide statement in governmental activities column)	\$ 18,377,745
Less Accumulated Depreciation	<u>(6,280,895)</u>
Net capital assets	12,096,850
Net pension asset	25,605
Net pension liability	(1,891,706)
Total pension liability	(324,369)
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	176,416
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	864,848
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:	
Pension related deferrals	423,521
Healthcare related deferrals	(7,602,065)
Compensated absences	(214,397)
Bonds, leases, and installment financing	(781,202)
Total adjustment	<u>\$ 2,773,501</u>

2. *Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:*

*The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 \$1,400,238 as follows:*

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

<u>Description</u>	
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,546,259
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(593,573)
Contributions to the pension plan in the current year are not reported on the Statement of Activities	437,134
Proceeds from capital leases are not reported as revenues on the government-wide financial statements	(116,380)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again only the statement of net assets in the government-wide statements	270,310
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	
Change in compensated absences	(15,484)
Change in pension obligation	(1,002,785)
Change in other post employment benefits	1,679
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Decrease in interest receivable for the year ended 06/30/19	(26,250)
Decrease in deferred revenue from taxes receivable at 07/01/18	(100,672)
Total adjustment	\$ <u><u>1,400,238</u></u>

**II. DETAIL NOTES ON ALL FUNDS**

**(A) Assets**

**1. Deposits**

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

The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County analyzes the

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the County's deposits had a carrying value of \$1,036,254 and a bank balance of \$1,375,748. The carrying value includes fiduciary funds of \$248,317. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,125,748 was covered by collateral held under the Pooling Method.

The County maintains cash on hand of \$1,000.

**2. Investments**

At June 30, 2019, the County's investments consisted of the following: of June

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Fair Value - Level 1</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>
NC Capital Management Trust-Government Portfolio	Amortized Cost	7,517,160	7,517,160	N/A

\* As 30, 2019, the NCCMT Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Interest Rate Risk. The County has no formal policies on interest rate risk.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019.

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

**3. Receivables**

**Receivables – Allowance for Doubtful Accounts**

Receivables at the government-wide level at June 30, 2019 were as follows:

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
<i>Governmental activities:</i>				
General	\$ 20,178	\$ 1,090,836	\$ 1,253,277	\$ 2,364,291
Other Governmental	-	91,428	66,016	157,444
<i>Total receivables</i>	<u>20,178</u>	<u>1,182,264</u>	<u>1,319,293</u>	<u>2,521,735</u>
Allowance for doubtful accounts	-	(141,000)	-	(141,000)
<i>Total - Governmental activities</i>	<u>\$ 20,178</u>	<u>\$ 1,041,264</u>	<u>\$ 1,319,293</u>	<u>\$ 2,380,735</u>

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

Local option sales tax and hold harmless funds	\$ 633,120
NC DOT operating subsidy and capital grants	71,726
NC DHHS operating funds	381,243
NC DMV Motor Vehicle tax	80,062
White Goods and Tire Disposal	8,534
NC PSAP payment and grant installment	62,962
NC sales tax refund receivable	49,862
Other	31,784
	<u>\$ 1,319,293</u>

For the County, the amounts presented in Exhibit 1, the Statement of Net Position, are net of the following allowances for doubtful accounts at June 30, 2019:

<i>General Fund:</i>	
Property taxes	\$ 140,000
<i>Special Revenue Fund:</i>	<u>1,000</u>
Total	<u>\$ 141,000</u>

**4. Capital Assets**

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

**MITCHELL COUNTY, NORTH CAROLINA**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Ending</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	1,084,084	-	-	1,084,084
Construction in progress	260,876	2,271,850	-	2,532,726
	<u>\$ 1,344,960</u>	<u>\$ 2,271,850</u>	<u>\$ -</u>	<u>\$ 3,616,810</u>
<i>Capital assets being depreciated:</i>				
Buildings	6,757,516	-	-	6,757,516
Other improvements	2,197,609	18,604	-	2,216,213
Equipment	2,654,309	27,554	-	2,681,863
Vehicles and motor equipment	3,022,827	228,250	(145,734)	3,105,343
Total capital assets being depreciated	<u>14,632,261</u>	<u>274,408</u>	<u>(145,734)</u>	<u>14,760,935</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,389,099	63,498	-	1,452,597
Other improvements	542,052	56,055	-	598,107
Equipment	1,990,975	204,749	-	2,195,724
Vehicles and motor equipment	1,910,931	269,270	(145,734)	2,034,467
Total accumulated depreciation	<u>5,833,057</u>	<u>593,572</u>	<u>(145,734)</u>	<u>6,280,895</u>
Total capital assets being depreciated, net	<u>8,799,204</u>			<u>8,480,040</u>
Governmental activity capital assets, net	<u>\$ 10,144,164</u>			<u>\$ 12,096,850</u>

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

General government	\$ 101,782
Public safety	302,077
Transportation	95,040
Environmental protection	37,762
Economic and physical development	59
Human services	46,261
Cultural and recreational	10,591
Total depreciation expense	<u>\$ 593,572</u>

**(B) Liabilities**

**(1) Pension Plan Obligations**

**a. Local Governmental 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

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days 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, 2019, was 8.25% of compensation for law enforcement officers and 7.71% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$388,004 for the year ended June 30, 2019.

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

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

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

At June 30, 2019, the County reported a liability of \$1,891,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset 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, 2019, the County's proportion was .07974%, which was an increase of .00299 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the County recognized pension expense of \$553,246. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 291,845	\$ 9,793
Changes of assumptions	501,986	
Net difference between projected and actual earnings on pension plan investments	259,675	-
Changes in proportion and differences between County contributions and proportionate share of contributions	54,889	2,275
County contributions subsequent to the measurement date	388,004	-
Total	\$ 1,496,399	\$ 12,068

\$388,004 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ 521,628
2021	341,594
2022	73,824
2023	159,280
2024	-
Thereafter	-
	\$ 1,096,326

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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

Inflation	3.0 percent
Salary increases	3.5 to 5.5 percent, including inflation and productivity factor
Investment rate of return	7 percent, net of pension plan investment expense, including inflation

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

*The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2015.*

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

*The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:*

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

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

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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 7.25%. 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 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 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 rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 4,544,041	\$ 1,891,706	\$ (324,627)

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

**b. Law Enforcement Officers’ Special Separation Allowance**

**1. Plan Description.**

Mitchell 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 December 31, 2018, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>18</u>

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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Total

19

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**2. Summary of Significant Accounting Policies:**

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

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

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2017 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	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

**3. 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 \$24,424 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, 2019, the County reported a total pension liability of \$324,369. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$29,998.

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 24,723
Changes of assumptions	15,947	15,112
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-
County contributions subsequent to the measurement date	42,473	-
Total	<u>\$ 58,420</u>	<u>\$ 39,835</u>

*\$42,473 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:*

2020	\$ (4,650)
2021	(4,650)
2022	(4,650)
2023	(3,994)
2024	(4,454)
Thereafter	(1,490)
	<u>\$ (23,888)</u>

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

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
County's proportionate share of the net pension liability (asset)	\$ 353,698	\$ 324,369	\$ 297,863

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

**Total Pension Liability as of December 31, 2017** \$ 332,924  
**Changes for the year:**

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

Service Cost at End of Year	24,358
Interest	10,290
Change in benefit terms	0
Difference between expected and actuarial Experience	( 14,877)
Changes of assumptions and other inputs	( 13,715)
Benefit payments	( 14,611)
Other	<u>0</u>
<b>Net changes</b>	<b>( \$ 8,555)</b>
<b>Total Pension Liability as of December 31, 2018</b>	<b>\$324,369</b>

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.5 percent at June 30, 2016 to 3.16 percent at June 30, 2017.

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

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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 immediately vested. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$45,024 all of which was contributed by the County.

**d. Deferred Compensation Plan**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**e. Register of Deeds Supplemental Pension Fund**

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,090 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$25,605 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2019, the County's proportion was .15459%, which was an increase of .007% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the County recognized pension expense of \$7,787. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 226	\$ 1,169
Changes of assumptions	1,204	
Net difference between projected and actual earnings on pension plan investments	4,081	-
Changes in proportion and differences between County contributions and proportionate share of contributions	809	1,031
County contributions subsequent to the measurement date	4,090	-
Total	<u>\$ 10,410</u>	<u>\$ 2,200</u>

*\$4,090 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:*

**Year ended June 30:**

2019	\$ 2,488
2020	(205)
2021	1,203
2022	634
2023	-
Thereafter	-
	<u>\$ 4,120</u>

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

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.*

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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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, 2018 is 1.4%:

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 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 (5.75 percent) than the current rate:

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ 20,188	\$ 25,605	\$ 30,173

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

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

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

The net pension liability for LGERS and ROD was measured as of December 31, 2018, 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 June 30, 2018, with an actuarial valuation date of December 31, 2017. 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)	\$ 1,891,706	\$ (25,605)	\$ 324,369	\$ 2,190,470
Proportion of the Net Pension Liability (Asset)	7.97400%	.15459	n/a	
Total Pension Liability	-	-	\$ -	\$ -

At June 30, 2019, 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>
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 291,845	\$ 226	\$ -	\$ 292,071
Changes of assumptions	501,986	1,204	15,947	519,137
Net difference between projected and actual earnings on pension plan investments	259,675	4,081	-	263,756
Changes in proportion and differences between County contributions and proportionate share of contributions	54,889	809	-	55,698
County contributions (LGERS,ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	388,004	4,090	45,024	437,118
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	\$ 9,793	\$ 1,169	\$ 24,723	\$ 35,685
Changes of assumptions	-	-	15,112	15,112
Changes in proportion and differences between County contributions and proportionate share of contributions	2,275	1,031	-	3,306

**(2) Other Post Employment Benefits**

**HEALTHCARE BENEFITS**

Plan Administration. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they meet the following guidelines: Mitchell County will pay 75% of the cost of premiums for an employee retiring with 20 to 24 years of continuous service, 87.5% for an employee retiring with 25 to 30 years of continuous service, and 100% of the premiums retiring with 30 years of continuous service. The

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

County pays the full cost of coverage for these benefits through private insurers. This coverage will continue until the employee becomes eligible for Medicare, at which time the County will convert coverage to a Medicare supplement policy. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees' Years of Creditable Service	County Contribution
30 or more	100%
25-29	87.50%
20-24	75.00%

Plan membership. At June 30, 2019, the HCB Plan membership consisted of the following:

	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefit payments	24
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>111</u>
	<u>135</u>

**Total OPEB Liability**

The County's total OPEB liability of \$7,602,085 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The total OPEB liability was determined by actuarial valuations as of December 31, 2017 and December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.50 to 5.50 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.25 percent for 2019 decreasing 0.25 percent each year for the next 5 years to 5 percent in 2024

Total OPEB liabilities were rolled forward to June 30, 2018 and June 30, 2019 for the employer and the plan, respectively, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 108% (male) and 81% (female) for ages

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

under 78 and by 124% (male) and 113% (female) for age 78 and older. For law enforcement officers, rates are adjusted by 100% for males and 100% for females.

The actuarial assumptions used in the December 31, 2017 and December 31, 2018 valuations were based on the results of an actuarial experience study for the period 2010-2014.

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

**Discount rate.** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.87 percent which was a change from the discount rate of 3.58 percent at June 30, 2018. However, because the OPEB plan's fiduciary net position was not projected to be sufficient to make all future benefit payments, the discount rate incorporates a municipal bond rate which was 2.79 percent at June 30, 2019 per the S&P Municipal Bond 20 Year High Grade Rate Index. As of June 30, 2018, the S&P Municipal Bond 20 Year High Grade rate was 2.98 percent.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1/2018</b>	7,603,744
<b>Changes for the year</b>	
Service cost	338,122
Interest	268,601
Changes of benefit terms	-
Differences between expected and actual experience	13,008
Changes in assumptions or other inputs	(502,838)
Benefit payments	(118,572)
<b>Net changes</b>	<b>(1,679)</b>
<b>Balance at 6/30/2019</b>	<b>7,602,065</b>

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014 adopted by the LGERS.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

	<u>1% Decrease</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 9,276,201	\$ 7,602,065	\$ 6,320,103

*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:*

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 6,147,929	\$ 7,602,065	\$ 9,558,588

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

*For the year ended June 30, 2019, the County recognized OPEB expense of \$425,720. At June 30, 2019, 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	\$ 11,312	\$ 2,905
Changes of assumptions	-	1,098,563
Benefit payments and administrative costs made subsequent to the measurement date	-	
Total	<u>\$ 11,312</u>	<u>\$ 1,101,468</u>

*Amounts reported as deferred inflows of resources related to healthcare benefits will be recognized in benefit expense as follows:*

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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**Year ended June 30:**

2020	\$	(181,003)
2021		(181,003)
2022		(181,003)
2023		(181,003)
2024		(181,003)
Thereafter		(185,141)

**OTHER EMPLOYMENT BENEFITS**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. 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. The County considers these contributions to be immaterial.

**4. Deferred Outflows and Inflows of Resources**

The balance in deferred revenue at year-end is composed of the following elements:

**MITCHELL COUNTY, NORTH CAROLINA****Notes to Financial Statements****For the Fiscal Year Ended June 30, 2019**

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
<i>Pensions - difference between expected and actual experience</i>		
<i>LGERS</i>	\$ 291,845	\$ 9,793
<i>Register of Deeds</i>	226	1,169
<i>LEO</i>	-	24,723
<i>Changes of assumptions</i>	519,137	15,112
<i>Opeb - Changes of assumptions</i>	11,312	-
<i>Opeb - difference between projected and actual investment earnings</i>		1,101,468
<i>Opeb contributions to plan in 2019-20 fiscal year</i>	-	
<i>Pensions - difference between projected and actual investment earnings</i>	263,756	
<i>Pensions - change in proportion and difference between employer contributions and proportionate share of contributions</i>	55,698	3,306
<i>Contributions to pension plan in 2018-2019 fiscal year</i>	437,118	
<i>Prepaid taxes not yet earned (General)</i>	-	29,734
<b>Total</b>	<b>\$ 1,579,092</b>	<b>\$ 1,185,305</b>

**5. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers compensation, there is a per occurrence retention of \$750,000. For medical and dental insurance, the County is reinsured through the Pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$250,000.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). County officials have determined that structures may incur differing levels of damage based on location, and, therefore, have purchased insurance coverage commensurate with exposure.

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

In accordance with G.S. 159-29, the County's employees that have access at any given time to \$100 or more of the County's funds are performance bonded through a crime coverage declaration by the NCACC Liability and Property Pool. Individual bonds are in the following amounts: The Director of Finance, bonded for \$250,000, Assistant Finance Officer, Tax Collector and Assistant, and Clerk to the Board, \$25,000 each, Register of Deeds and Deputies, Sheriff, and Assistant Director of Transportation, \$10,000 each.

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 exceeded coverage in any of the past three fiscal years.

**6. Long-Term Obligations**

**a. Direct Placement Installment Purchase QZAB**

On August 28, 2008, the County entered into a commitment of \$2,000,000 in order to finance a school renovation project. The contract is with Rocky Mountain Bank located in Montana for the issuance of Qualified Zone Academy Bond (QZAB) funding. Required principal repayment is \$142,857 per year for a fourteen year term with no stated interest rate. In the event of default, the County agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the County under the related agreements.

	<u>Principal</u>
General Long-Term Debt:	
2020	142,857
2021	142,857
2022	142,857
2023	142,858
	<u>\$ 571,429</u>

**b. Leases Payable**

The County has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

For Mitchell County, the first agreement was executed on December 9, 2015 for the lease of sanitation equipment and requires annual payments of \$34,893.21 for five consecutive years. The second lease was executed on November 6, 2017 for the lease of vehicles requires annual payments of \$41,162.12 for three consecutive years. The third agreement was executed on September 19, 2018 for the lease of three vehicles for public safety and requires annual payments of \$41,092.91 for three consecutive years. Under the terms of each agreement, title passes to the County at the end of the lease term.

At June 30, 2019, the County leased vehicles and equipment valued at:

**MITCHELL COUNTY, NORTH CAROLINA**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles and motorized equipment	405,250	87,085	318,165
Total	\$ 405,250	\$ 87,085	\$ 318,165

Year Ending June 30

For Mitchell County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

Year Ending June 30	
2020	117,148
2021	75,986
2022	57,732
2023	-
Total minimum lease payments	250,866
Less: amount representing interest	18,254
Present value of the minimum lease payments	\$ 232,612

**c. Long-Term Obligation Activity**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
QZAB payable	\$ 714,286	\$ -	\$ 142,857	\$ 571,429	\$ 142,857
Leases payable	220,847	116,380	127,452	209,775	69,375
LGERS Net pension liability	1,172,527	719,179		1,891,706	-
Compensated absences	198,913	15,484		214,397	-
Net pension obligation	332,924		8,555	324,369	-
Net health care plan obligation	7,603,744		1,679	7,602,065	-
	\$ 10,268,416	\$ 851,043	\$ 280,543	\$ 10,813,741	\$ 212,232

At June 30, 2018, the County had a legal debt margin of \$166,846,167.

**7. Claims and Judgments**

At June 30, 2019, the County was a defendant to various lawsuits. In the opinion of the County management and County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County's financial position. Pending cases as of June 30, 2019 that may have an unfavorable outcome are covered by the County's liability insurance.

**8. Closure and Postclosure Care Costs (Mitchell-Yancey Sanitary Landfill)**

The Mitchell-Yancey Sanitary Landfill is an association between Mitchell and Yancey Counties, North Carolina. The Landfill was a joint venture for the purpose of operating and funding a sanitary landfill. During the fiscal year ended June 30, 1994, the two counties declined to accept any additional waste and began closure and postclosure procedures in order to comply with State and federal laws and regulations. On October 6,

**MITCHELL COUNTY, NORTH CAROLINA**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

1994, the two counties were notified that all requirements for closure had been successfully completed. As a result of successfully completing closure prior to the mandated date of October 8, 1994, the two counties will only be required to monitor the Landfill at shared costs. For the fiscal year ended June 30, 2019, Mitchell County's portion of shared costs was \$124,706.

**(C) Fund Balance**

Mitchell County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city 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.

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	\$8,501,131
Less:	
Stabilization by State Statute	1,273,454
Prepaid expenses	62,500
Appropriated Fund Balance in 2020 budget	511,333
Committed to Tax Revaluation Register of Deeds	98,030 312
Remaining Fund Balance	\$6,555,502

**III. JOINT VENTURES**

The County participates in a joint venture to operate Avery-Mitchell-Yancey Regional Library with three other local governments. Each participating government appoints three members to the twelve-member board of the library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$77,987 to the library to supplement its activities. Complete financial statements can be obtained from the Library's offices at Highway 19E, Burnsville, North Carolina 28714.

The County in conjunction with the State of North Carolina, Avery County, and Yancey County, participates in a joint venture to operate Mayland Community College (College). Each of the four participants appoints three members of the thirteen-member board of trustees of the College. The president of the College's student government serves as an ex officio nonvoting member of the College's board of trustees. The College is included as a component unit of the State. The Counties have the basic joint responsibility for providing funding for the facilities of the College and also provide some financial support for the College's operations.

## **MITCHELL COUNTY, NORTH CAROLINA**

### **Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2019**

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*The Counties have an ongoing joint financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. Mitchell County contributed \$354,640 and \$25,200 to the College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2019. The participating governments do not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2019. Complete financial statements for Mayland Community College may be obtained from the College's administrative offices at 200 Mayland Tech Road, Spruce Pine, North Carolina 28777.*

*The County participates in a joint venture to operate the Toe River Health District with two other local governments. Each participating government appoints one member to the twelve-member board of directors of the Health District. The County has an ongoing financial responsibility for the joint venture because the Health District's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health District, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$260,531 to the Health District to supplement its activities. Complete financial statements can be obtained from the Toe River Health District's offices at Greenwood Avenue, Spruce Pine, North Carolina 28777.*

*The County participated in a joint venture to operate the Western Highlands Area Authority with eight other local governments. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$18,000 to the Center to supplement its activities.*

#### **IV. JOINTLY GOVERNED ORGANIZATION**

*The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$7,840 to the Council during the fiscal year ending June 30, 2019.*

#### **V. 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.*

#### **VI. SUBSEQUENT EVENTS**

*Management has evaluated subsequent events through September 27, 2019, the date which the financial statements were available to be issued.*

**Mitchell County, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<i>Beginning balance</i>	\$ 332,924	\$ 319,971	\$ 321,039
<i>Service Cost</i>	24,358	19,933	19,090
<i>Interest on the total pension liability</i>	10,290	11,879	11,025
<i>Changes of benefit terms</i>	-	-	-
<i>Differences between expected and actual experience in the measurement of the total pension liability</i>	(14,877)	(18,188)	-
<i>Changes of assumptions or other inputs</i>	(13,715)	23,783	(6,729)
<i>Benefit payments</i>	(14,611)	(24,454)	(24,454)
<i>Other changes</i>	-	-	-
<i>Ending balance of the total pension liability</i>	<u>\$ 324,369</u>	<u>\$ 332,924</u>	<u>\$ 319,971</u>

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

**Mitchell County, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<i>Total pension liability</i>	\$ 324,369	\$ 332,924	\$ 319,971
<i>Covered payroll</i>	900,481	825,751	788,497
<i>Total pension liability as a percentage of covered payroll</i>	36.02%	40.32%	40.58%

Notes to the schedules:

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

**Mitchell County, North Carolina**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**

	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 338,122	\$ 389,787
Interest	268,601	238,458
Changes of benefit terms	-	-
Differences between expected and actual experience	13,008	(3,929)
Changes of assumptions	(502,838)	(894,540)
Benefit payments	(118,572)	(95,735)
<b>Net change in total OPEB liability</b>	<b>(1,679)</b>	<b>(365,959)</b>
<b>Total OPEB liability - beginning</b>	<b>7,603,744</b>	<b>7,969,703</b>
<b>Total OPEB liability - ending</b>	<b>7,602,065</b>	<b>7,603,744</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	-	-
Administrative expense	-	-
<b>Net change in plan fiduciary net position</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - beginning</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending</b>	<b>-</b>	<b>-</b>
<b>County's net OPEB liability - ending</b>	<b>\$ 7,602,065</b>	<b>\$ 7,603,744</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered payroll</b>	<b>4,047,753</b>	<b>4,047,753</b>
<b>County's net OPEB liability as a percentage of covered payroll</b>	<b>187.81%</b>	<b>187.85%</b>

**MITCHELL COUNTY, NORTH CAROLINA**  
**Proportionate Share of Net Pension (Liability) Asset**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

*Local Government Employees Retirement System*

	<b>2019</b>	<b>2018</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	0.076750	0.076750	0.076990	0.074390	0.072600
County's proportion of the net pension liability (asset) (\$)	1,891,706	1,172,527	345,527	(438,712)	875,109
County's covered-employee payroll	5,294,152	3,915,053	3,770,887	3,615,087	3,588,405
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.357	0.299	0.092	(0.121)	0.24
Plan fiduciary net position as a percentage of the total pension liability	0.9200	0.9418	0.9809	1.0264	0.9435

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

**MITCHELL COUNTY, NORTH CAROLINA**  
**Schedule of Contributions to the Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

*Local Government Employees Retirement System*

	<b>2019</b>	<b>2018</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	383,914	408,171	266,616	266,955	255,587
Contributions in relation to the contractually required contribution	383,914	408,171	266,616	266,955	255,587
County's covered-employee payroll	4,832,714	5,294,152	3,915,053	3,770,887	3,615,087
Contributions as a percentage of covered-employee payroll	0.0794	0.0771	0.0681	0.0708	0.0707

**MITCHELL COUNTY, NORTH CAROLINA**  
**Proportionate Share of Net Pension (Liability) Asset**  
**Required Supplementary Information**  
**Register of Deeds Supplemental Pension Fund**  
**Last Six Fiscal Years**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	0.154590	0.147490	0.157830	0.157590	0.164542	0.169462
County's proportion of the net pension liability (asset) (\$)	25,605	25,175	(29,508)	(36,520)	(37,295)	(36,197)
County's covered-employee payroll	51,301	54,287	49,761	49,265	48,177	47,418
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.499	0.464	(0.593)	(0.741)	(0.774)	(0.76)
Plan fiduciary net position as a percentage of the total pension liability	153.3100	153.7700	160.1700	197.2900	193.8800	190.5000

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

**MITCHELL COUNTY, NORTH CAROLINA**  
**Schedule of Contributions**  
**Required Supplementary Information**  
**Register of Deeds Supplemental Pension Fund**  
**Last Six Fiscal Years**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	4,090	3,904	4,012	3,389	3,483	3,406
Contributions in relation to the contractually required contribution	4,090	3,904	4,012	3,389	3,483	3,406
County's covered-employee payroll	52,173	51,301	54,287	49,761	49,265	48,177
Contributions as a percentage of covered-employee payroll	0.0784	0.0761	0.0739	0.0681	0.0707	0.0707

**MITCHELL COUNTY, NORTH CAROLINA****General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
<i>Ad valorem taxes:</i>				
Taxes	\$	\$ 10,420,160	\$	\$ 10,079,760
Penalties and interest		131,565		105,052
Total		<u>10,591,354</u>		<u>10,184,812</u>
<i>Local option sales taxes:</i>				
Article 39 one percent		1,588,641		1,532,122
Article 40 one-half of one percent		1,003,728		944,313
Article 42 one-half of one percent		797,424		773,281
Article 44 one-half of one percent		248,175		234,453
Total		<u>3,600,758</u>		<u>3,484,169</u>
<i>Other taxes and licenses:</i>				
Real estate transfer tax		78,337		53,745
Adm cost excise tax		1,566		1,069
Occupancy tax		66,332		72,001
Scrap tire disposal tax		21,209		20,390
Solid waste disposal tax		11,702		10,406
Other		34,775		38,508
Total		<u>216,721</u>		<u>196,119</u>
<i>Unrestricted intergovernmental:</i>				
Payments in lieu of taxes		55,110		53,941
Total		<u>55,109</u>		<u>53,941</u>
<i>Restricted intergovernmental:</i>				
State and federal grants		3,396,585		3,264,032
Court facilities fees		14,444		12,864
ABC Board		4,251		9,436
Total		<u>3,076,118</u>		<u>3,286,332</u>
<i>Licenses and permits:</i>				
Inspection fees and building permits		98,619		85,672
Register of deeds		49,492		52,698
Marriage licenses		6,120		6,000
Total		<u>155,602</u>		<u>144,370</u>
<i>Sales and services:</i>				
Officer and jail fees		67,491		38,675
CAP/DA claims		486,235		1,497,988
Rent		69,519		68,186
Cable and telephone fees		54,227		57,013
Recycling waste revenue		55,141		60,596
Tipping fees		327,122		319,388
Transportation fees		250,708		243,661
Recreation fees		51,791		42,600
Other fees		67,853		70,776

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Total	<u>1,527,692</u>	<u>1,430,087</u>	<u>(97,605)</u>	<u>2,398,883</u>
Investment earnings	<u>139,476</u>	<u>146,455</u>	<u>6,979</u>	<u>77,229</u>
Miscellaneous:				
Contributions		120,589		110,895
Sales of fixed assets		2,239		13,673
Insurance refunds		16,188		2,603
Other		16,610		95,303
Total	<u>162,344</u>	<u>155,626</u>	<u>(6,718)</u>	<u>222,474</u>
Total revenues	<u>19,525,174</u>	<u>19,760,403</u>	<u>235,229</u>	<u>20,048,329</u>
<b>Expenditures:</b>				
General government -				
Administration:				
Salaries and employee benefits		308,161		347,900
Other operating expenditures		346,315		366,555
Capital outlay		-		-
Total	<u>706,774</u>	<u>654,476</u>	<u>52,298</u>	<u>714,455</u>
Elections:				
Salaries and employee benefits		101,785		98,303
Other operating expenditures		39,164		44,765
Total	<u>146,961</u>	<u>140,949</u>	<u>6,012</u>	<u>143,068</u>
Finance:				
Salaries and employee benefits		136,628		132,182
Other operating expenditures		12,955		13,138
Total	<u>150,805</u>	<u>149,583</u>	<u>1,222</u>	<u>145,320</u>
Tax listing and supervisor:				
Salaries and employee benefits		135,414		161,265
Other operating expenditures		36,968		21,364
Total	<u>196,791</u>	<u>172,382</u>	<u>24,409</u>	<u>182,629</u>
Tax collections:				
Salaries and employee benefits		107,691		109,970
Other operating expenditures		22,310		20,174
Total	<u>136,172</u>	<u>130,001</u>	<u>6,171</u>	<u>130,144</u>
Mapping/GIS:				
Salaries and employee benefits		51,493		49,655
Other operating expenditures		1,538		1,617
Total	<u>55,317</u>	<u>53,031</u>	<u>2,286</u>	<u>51,272</u>
Register of Deeds:				

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Salaries and employee benefits		157,338		153,300
Other operating expenditures		59,734		64,325
Total	224,597	217,072	7,525	217,625
<b>Public Buildings:</b>				
Salaries and employee benefits		108,335		105,605
Other operating expenditures		342,306		338,585
Capital outlay		18,604		-
Total	497,183	469,245	27,938	444,190
<b>Legal and auditing:</b>				
Contracted services	94,716	94,715	1	63,871
<b>Facilities fees:</b>				
Other operating expenditures	35,670	32,621	3,049	32,480
<b>Total general government</b>	<b>2,244,986</b>	<b>2,114,075</b>	<b>130,911</b>	<b>2,125,054</b>
<b>Public safety -</b>				
<b>Sheriff's Department:</b>				
Salaries and employee benefits		1,296,927		1,227,816
Other operating expenditures		301,898		240,787
Capital outlay		116,380		117,160
Total	1,735,963	1,715,205	20,758	1,585,763
<b>Jail:</b>				
Contracted services		681,080		492,730
Other operating expenditures		72,114		18,025
Total	801,235	753,194	48,041	510,755
<b>Fire protection:</b>				
Contracted services	-	54,706		63,183
Total	85,520	54,706	30,814	63,183
<b>Building inspection:</b>				
Salaries and employee benefits		167,860		155,650
Other operating expenditures		25,008		23,214
Total	194,635	192,868	1,767	178,864
<b>Emergency management:</b>				
Salaries and employee benefits		30,990		21,419
Other operating expenditures		23,228		16,165
Capital outlay		21,609		-
Total	75,897	75,827	70	37,584
<b>Animal Rescue:</b>				

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Operating expenditures	105,328	105,328	-	99,828
Emergency communications:				
Salaries and employee benefits		501,096		489,922
Other operating expenditures		35,495		32,563
Total	545,139	536,591	8,548	522,485
Medical Examiner:				
Professional services	18,000	12,550	5,450	9,050
Emergency medical services:				
Operating expenditures	1,141,273	1,141,273	-	1,108,035
Protective service agencies:				
Other operating expenditures	8,570	8,640	(70)	7,727
Total public safety	4,711,560	4,596,182	115,378	4,123,274
Public transportation:				
Streets and highways:				
Salaries and employee benefits		477,279		442,994
Other operating expenditures		146,566		132,205
Capital outlay		84,014		113,945
Total public transportation	720,608	707,859	12,749	689,144
Environmental protection -				
Sanitation:				
Salaries and employee benefits		319,196		315,178
Contracted services		800,170		740,813
Tire disposal		50,615		43,016
Other operating expenditures		110,234		109,595
Capital outlay		27,554		161,351
Total	1,385,967	1,307,769	78,198	1,369,953
Soil conservation service:				
Contracted services	80,043	80,043	-	75,043
Total environmental protection	1,466,010	1,387,812	78,198	1,444,996
Economic and physical development -				
Agricultural extension agent:				
Other operating expenditures		166,092		153,777
Total	166,910	166,092	818	153,777
Regional economic development:				
Other operating expenditures		28,831		24,415

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Development council dues and fees		7,840		7,897
Occupancy tax distribution		66,332		72,001
	<u>110,013</u>	<u>103,003</u>	<u>7,010</u>	<u>104,313</u>
Community Based Alternatives				
Operating expenditures	<u>55,629</u>	<u>55,315</u>	<u>314</u>	<u>60,017</u>
Economic Development Commission:				
Other operating expenditures		228,286		213,286
Total	<u>349,661</u>	<u>228,286</u>	<u>121,375</u>	<u>213,286</u>
Total economic and physical development	<u>682,213</u>	<u>552,696</u>	<u>129,517</u>	<u>531,393</u>
Human services -				
Public Health:				
Contracted services		282,782		334,721
Total	<u>282,639</u>	<u>282,782</u>	<u>(143)</u>	<u>334,721</u>
Veteran's Service Officer -				
Salaries and employee benefits		22,455		21,989
Other operating expenditures		714		296
Total	<u>24,768</u>	<u>23,169</u>	<u>1,599</u>	<u>22,285</u>
Social Services:				
Salaries and employee benefits		2,650,746		3,492,910
Other operating expenditures		347,781		400,673
Total	<u>3,076,428</u>	<u>2,998,527</u>	<u>77,901</u>	<u>3,893,583</u>
County participation:				
Special assistance		151,921		144,200
Foster care		894,569		1,405,684
Crisis intervention		69,828		56,606
Adoption assistance		101,133		86,455
Other		239,366		196,025
Total	<u>1,565,349</u>	<u>1,456,817</u>	<u>108,532</u>	<u>1,888,970</u>
Senior Citizens:				
Salaries and employee benefits		329,935		286,285
Other operating expenditures		256,496		210,906
Total	<u>617,785</u>	<u>586,431</u>	<u>31,354</u>	<u>497,191</u>
Day Care and Child Development:				
Contracted services	<u>-</u>	<u>686</u>	<u>(686)</u>	<u>-</u>
Total human services	<u>5,566,969</u>	<u>5,348,412</u>	<u>218,557</u>	<u>6,636,750</u>

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<i>Cultural and recreational -</i>				
<i>Community service:</i>				
Agency assistance	1,500	1,500	-	1,500
<i>Library:</i>				
Contracted services	82,987	82,987	-	76,587
Recreation:				
Salaries and employee benefits		101,129		98,520
Other operating expenditures		87,753		68,771
Capital outlay		-		22,000
Total	195,875	188,882	6,993	189,291
<b>Total cultural and recreational</b>	<b>280,362</b>	<b>273,369</b>	<b>6,993</b>	<b>267,378</b>
<i>Education -</i>				
Public schools - current expense		2,172,622		2,287,260
Public schools - special grant		236,153		272,563
Public schools - capital outlay		969,400		674,652
Community College - current expense		354,640		329,640
Community College - special appropriation		-		70,000
Community College - capital outlay		25,200		25,200
<b>Total education</b>	<b>3,776,780</b>	<b>3,758,015</b>	<b>18,765</b>	<b>3,659,315</b>
<i>Debt service -</i>				
Principal retirement		270,309		303,965
Interest and fees		11,287		10,256
<b>Total debt service</b>	<b>281,596</b>	<b>281,596</b>	<b>-</b>	<b>314,221</b>
<b>Total expenditures</b>	<b>19,731,084</b>	<b>19,020,016</b>	<b>711,068</b>	<b>19,791,525</b>
<b>Revenue over (under) expenditures</b>	<b>(205,910)</b>	<b>740,387</b>	<b>946,297</b>	<b>256,804</b>
<b>Other financing sources (uses):</b>				
<b>Appropriated Fund Balance</b>	<b>139,530</b>	<b>-</b>	<b>(139,530)</b>	<b>-</b>
<b>Proceeds from debt issue</b>	<b>116,380</b>	<b>116,380</b>	<b>-</b>	<b>276,506</b>
<b>Transfers in (out):</b>				
<b>Revaluation Fund</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>-</b>	<b>(100,000)</b>
<b>Total other financing sources (uses)</b>	<b>205,910</b>	<b>66,380</b>	<b>(139,530)</b>	<b>176,506</b>
<b>Excess of revenues and other sources</b>				
over (under) expenditures and other uses	\$ -	806,767	\$ 806,767	433,310
<b>Fund balances - beginning of year</b>		<b>7,596,333</b>		<b>7,172,459</b>
<b>Fund balances - end of year</b>		<b>\$ 8,403,100</b>		<b>\$ 7,605,769</b>

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****Revaluation Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--  
For the Fiscal Year Ended June 30, 2019***(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)*

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Investment earnings</i>	\$ 83	82		156
<i>Total revenues</i>	83	82	(1)	156
<i>Expenditures:</i>				
<i>Tax Listing:</i>				
<i>Contracted services</i>		32,789		178,666
	122,262	32,789	89,473	178,666
<i>Total expenditures</i>	122,262	32,789	89,473	178,666
<i>Revenues over (under) expenditures</i>	(122,179)	(32,707)	89,472	(178,510)
<i>Other financing sources (uses):</i>				
<i>Appropriated fund balance</i>	72,179		72,179	
<i>Operating transfer in (out) from     General Fund</i>	50,000	50,000	-	100,000
<i>Total other financing sources (uses)</i>	122,179	50,000	72,179	100,000
<i>Excess of revenues and other sources over (under) expenditures</i>	\$ -	17,293	\$ 17,293	(78,510)
<i>Fund balances - beginning of year</i>		80,739		159,249
<i>Fund balances - end of year</i>		\$ 98,032		\$ 80,739

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2019**

<i>Assets</i>	<i>Fire District Fund</i>	<i>Total Non-major Special Revenue Funds</i>
<i>Current assets:</i>		
<i>Cash and investments</i>	\$ -	\$ -
<i>Taxes receivable - net</i>	100,353	100,353
<i>Due from other governments</i>	-	-
<i>Total assets</i>	<u>\$ 100,353</u>	<u>\$ 100,353</u>
<b><i>Liabilities and Fund Balances</i></b>		
<i>Liabilities:</i>		
<i>Accounts payable and accrued liabilities</i>	\$ -	\$ -
<i>Deferred revenue</i>	100,353	100,353
<i>Total liabilities</i>	<u>100,353</u>	<u>100,353</u>
<i>Fund balances:</i>		
<i>Restricted</i>		
<i>Stabilization by State statute</i>	-	-
<i>Committed:</i>		
<i>Emergency Telephone System</i>	-	-
<i>Total liabilities and fund balances</i>	<u>\$ 100,353</u>	<u>\$ 100,353</u>

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Ba**  
**Non-major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<i>Fire District Fund</i>	<i>Total Non-major Governmental Funds</i>
	<u>                    </u>	<u>                    </u>
<i>Revenues:</i>		
<i>Ad valorem taxes (net)</i>	\$ 1,047,310	\$ 1,047,310
<i>Total revenues</i>	<u>1,047,310</u>	<u>1,047,310</u>
<i>Expenditures:</i>		
<i>Public safety</i>	<u>1,047,310</u>	<u>1,047,310</u>
<i>Total expenditures</i>	<u>1,047,310</u>	<u>1,047,310</u>
<i>Excess of revenues and other sources over expenditures</i>	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****Fire District Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--  
For the Fiscal Year Ended June 30, 2019***(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)*

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<b>Revenues:</b>				
<i>Ad valorem taxes:</i>				
Current and prior years	\$ 1,059,500	\$ 1,047,310	\$ (12,190)	\$ 1,014,410
Total revenues	<u>1,059,500</u>	<u>1,047,310</u>	<u>(12,190)</u>	<u>1,014,410</u>
<b>Expenditures:</b>				
<i>Public safety:</i>				
Bakersville Fire District		161,480		158,732
Ledger Fire District		130,365		128,095
Parkway Fire District		317,909		306,216
Buladean Fire District		69,200		66,088
Fork Mountain Fire District		93,027		91,245
Bradshaw Fire District		105,990		105,061
Spruce Pine Fire District		169,339		158,973
Total expenditures	<u>1,059,500</u>	<u>1,047,310</u>	<u>12,190</u>	<u>1,014,410</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	-	\$ <u>-</u>	-
Fund balances - beginning of year		-		-
Fund balances - end of year		\$ <u>-</u>		\$ <u>-</u>

See the accompanying Independent Auditor's Report.

**Mitchell County, North Carolina**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<b>Social Services -</b>				
<i>Assets:</i>				
Cash and investments	\$ 21,593	\$ 385,067	\$ (351,605)	\$ 55,055
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 21,593	\$ 385,067	\$ (351,605)	\$ 55,055
<b>Motor Vehicle Tax -</b>				
<i>Assets:</i>				
Taxes receivable	\$ -	\$ 98,738	\$ (98,738)	\$ -
<i>Liabilities:</i>				
Intergovernmental payables	\$ -	\$ 98,738	\$ (98,738)	\$ -
<b>Fines and Forfeitures -</b>				
<i>Assets:</i>				
Cash and investments	\$ -	\$ 46,175	\$ 46,175	\$ -
<i>Liabilities:</i>				
Intergovernmental payables - Board of Education	\$ -	\$ 46,175	\$ 46,175	\$ -
Total intergovernmental payables	\$ -	\$ 46,175	\$ 46,175	\$ -
<b>Deed of Trust Fee Fund-</b>				
<i>Assets:</i>				
Cash and investments	\$ -	\$ 1,960	\$ 1,960	\$ -
<i>Liabilities:</i>				
Intergovernmental payable - State of North Carolina	\$ -	\$ 1,960	\$ 1,960	\$ -
<b>Totals - All Agency Funds</b>				
<i>Assets:</i>				
Cash and investments	\$ 21,593	\$ 433,202	\$ (303,470)	\$ 55,055
Taxes receivable	-	98,738	(98,738)	-
Total assets	\$ 29,217	\$ 531,940	\$ (402,208)	\$ 55,055
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 29,217	\$ 385,067	\$ (351,605)	\$ 55,055
Intergovernmental payables - Town Motor Vehicles	-	98,738	(98,738)	-
Intergovernmental payables - Board of Education	-	46,175	46,175	-
Intergovernmental payables - State of North Carolina	-	1,960	1,960	-
Total liabilities	\$ 29,217	\$ 531,940	\$ (402,208)	\$ 55,055

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

	<i>Uncollected Balance June 30, 2018</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2019</i>
2018 - 2019	\$	\$ 10,434,068	\$ 10,066,878	\$ 367,190
2017 - 2018	364,057		179,521	184,536
2016 - 2017	182,765	-	78,768	103,997
2015 - 2016	126,900	-	55,111	71,789
2014 - 2015	70,147	-	24,218	45,929
2013 - 2014	53,329	-	14,907	38,422
2012 - 2013	48,885	-	13,831	35,054
2011 - 2012	36,928	-	10,216	26,712
2010 - 2011	24,168	-	5,551	18,617
2009 - 2010	17,324	-	3,831	13,493
2008 - 2009	41,976		41,976	-
	\$ <u>966,479</u>	\$ <u>10,434,068</u>	\$ <u>10,494,808</u>	905,739
<i>Less: allowance for uncollectible accounts:</i>				
<i>General Fund</i>				<u>140,000</u>
<i>Ad valorem taxes receivable - net</i>				
<i>General Fund</i>			\$	<u><u>765,739</u></u>
<b><i>Reconciliation with revenues:</i></b>				
<i>Ad valorem taxes - General Fund</i>			\$	10,420,160
<i>Reconciling items:</i>				
<i>Taxes written off</i>				41,976
<i>Discounts and abatements</i>				32,672
<i>Total reconciling items</i>				<u>74,648</u>
<i>Total collections and credits</i>			\$	<u><u>10,494,808</u></u>

See the accompanying Independent Auditor's Report.

**MITCHELL COUNTY, NORTH CAROLINA****Analysis of Current Tax Levy****County-Wide Levy****For the Fiscal Year Ended June 30, 2019**

	<i>County-wide</i>			<i>Total Levy</i>	
	<i>Property Valuation</i>	<i>Rate</i>	<i>Amount of Levy</i>	<i>Property excluding Registered Motor Vehicles</i>	<i>Registered Motor Vehicles</i>
	<i>Original levy:</i>				
<i>Property taxed at current     year's rate</i>	\$ 1,797,593,732	.58	10,429,820	\$ 9,587,002	\$ 842,818
<i>Total</i>	<u>1,797,593,732</u>		<u>10,429,820</u>	<u>9,587,002</u>	<u>842,818</u>
 <i>Discoveries:</i>					
<i>Current year taxes</i>	<u>732,419</u>		<u>4,248</u>	<u>4,248</u>	<u>-</u>
<i>Total</i>	<u>732,419</u>		<u>4,248</u>	<u>4,248</u>	<u>-</u>
 <i>Total property valuations</i>	<u>\$ 1,798,326,151</u>				
 <i>Net levy</i>			10,434,068	9,591,250	842,818
 <i>Uncollected taxes at June 30, 2019</i>			<u>367,190</u>	<u>367,190</u>	<u>-</u>
 <i>Current year's taxes collected</i>			<u>\$ 10,066,878</u>	<u>\$ 9,224,060</u>	<u>\$ 842,818</u>
 <i>Current year's collection percentage</i>			<u>96.48%</u>	<u>96.17%</u>	<u>100.00%</u>

See the accompanying Independent Auditor's Report.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners  
County of Mitchell  
Spruce Pine, 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, each major fund, and the aggregate remaining fund information of Mitchell County, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Mitchell County, North Carolina's basic financial statements, and have issued our report thereon dated September 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mitchell County, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mitchell County, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Mitchell 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 Mitchell 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 no to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Young, Miller & Gillespie, P.A.*

Young, Miller & Gillespie, P.A.  
Spruce Pine, North Carolina  
September 27, 2019

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of Commissioners  
County of Mitchell  
Bakersville, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the County of Mitchell, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County of Mitchell's major federal programs for the year ended June 30, 2019. The County of Mitchell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County of Mitchell's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

*Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Mitchell's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the County of Mitchell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be

prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Young, Miller & Gillespie, P.A.*

Young, Miller & Gillespie, P.A.  
Spruce Pine, North Carolina  
September 27, 2019

**Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With the Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of Commissioners  
Mitchell County  
Bakersville, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Mitchell County's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Mitchell County's (the County's) major state programs for the year ended June 30, 2019. The County's state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Mitchell County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform

Guidance) as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### **Opinion on Each Major State Program**

In our opinion, the Mitchell County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Young, Miller & Gillespie, P.A.*

Young, Miller & Gillespie, P.A.  
Spruce Pine, North Carolina  
September 27, 2019

**MITCHELL COUNTY, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**I. Summary of Auditor's Results**

- A. An unqualified opinion was issued on the financial statements of Mitchell County, North Carolina.
- B. Our audit of the financial statements disclosed no significant deficiencies in internal controls.
- C. Our audit of the financial statements disclosed no instance of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that is material to the financial statements.
- D. Our audit of compliance with types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies in internal controls over major programs.
- E. An unqualified opinion was issued on Mitchell County's compliance with the types of compliance requirements applicable to its major federal and State programs.
- F. There were no audit findings relative to the major federal and State award programs for Mitchell County.
- G. Major federal programs for Mitchell County for the fiscal year ended June 30, 2019 are:

<u>Program Name</u>	<u>CFDA #</u>
Medical Assistance	93.778

- H. Major State programs for Mitchell County for the fiscal year ended June 30, 2019 are:

**E-911 Mitchell County Regional Backup Center Grant**

- I. The threshold for determining Type A programs for Mitchell County is \$750,000.
- J. Mitchell County qualified as a low risk auditee under Section 200.520 of the Uniform Guidance.

**II. Findings related to the Audit of the Financial Statements of Mitchell County, North Carolina**

None

**III. Findings and Questioned Costs Related to the Audit of Federal and State Awards**

None

**IV. Status of Prior Year Findings**

None

**MITCHELL COUNTY, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2019**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures
<b>Federal Grants:</b>						
<b>Cash Programs:</b>						
<b><u>U.S. Department of Health &amp; Human Services</u></b>						
Passed-through Region D Council of Governments:						
Special Programs for the Aging-Title III B						
Grants for Supportive Services and Senior Centers						
	93.044		\$ 23,884	4,215	\$ -	-
Special Programs for the Aging-Title III C						
Nutrition Services						
	93.045		132,646	23,408	-	-
Passed through N.C. Dept. of Health & Human Services						
Division of Social Services:						
Administration:						
Temporary Assistance to Needy Families - Work First Admin						
	93.558		68,552	-	-	35,232
Temporary Assistance to Needy Families - Work First Svc						
	93.558		118,106	-	-	104,195
Child Support Enforcement						
	93.563		105,336	-	-	54,264
Low-Income Energy Admin and Assistance						
	93.568		93,874	-	-	-
Crisis Intervention Payments						
	93.568		69,258	-	-	-
Family Preservation						
	93.556		29,362	-	-	-
Child Welfare Services - Permanency Planning						
	93.645		3,974	-	-	1,325
Title IV-E Foster Care - CPS						
	93.658		290,267	75,927	-	52,636
Title IV-E Foster Care - Training						
	93.658		102,121	-	-	88,221
Title IV-E Optional Adoption - Training						
	93.659		11,127	-	-	11,127
Chafee Foster Care Independent Living						
	93.674		33,362	-	-	-
Independent Living Transitional						
	93.674		28,138	-	-	-
Other Services and Training - Social Services Block Grant						
	93.667		146,982	-	-	33,704
State Children's Insurance Program -NC Health Choice						
	93.767		24,138	-	-	-
Division of Medical Assistance:						
Administration:						
Medical Assistance						
	93.778		558,118	739	-	167,964
Medical Transportation Service						
	93.778		22,077	-	-	22,077
MAC						
	93.778		17,785	-	-	17,785
State County Special Assistance						
	93.778		26,162	-	-	8,721
Subsidized Child Care Cluster:						
Division of Social Services						
Child Care Development Fund - Adm.						
	93.596		71,867	-	-	-
Total Child Care Fund Cluster						
			71,867	-	-	-
Total Subsidized Child Care Cluster						
			71,867	-	-	-
Total U.S. Department of Health & Human Services						
			1,977,136	104,289	-	597,251
<b><u>U.S. Department of Agriculture</u></b>						
Passed through N.C. Dept. of Health & Human Services						
Division of Social Services:						
Administration:						
Supplemental Nutrition Assistance Program Cluster:						
State Administrative Matching Grants for the Supplemental Assistance Nutrition Program						
	10.561		183,984	-	-	172,984
Food and Nutrition Services Recovery						
	10.561		2,128	-	-	2,128
Total U.S. Department of Agriculture						
			186,112	-	-	175,112
<b><u>U.S. Department of Transportation</u></b>						
Passed through N.C. Dept. of Transportation						
Formula Grants for Rural Areas						
Transit Developmental Programs						
	20.509	DOT-11	142,564	8,909	-	26,735
Rural Capital Program						
	20.509	DOT-14	84,498	10,562	-	10,562
Total U.S. Department of Transportation						
			227,062	19,471	-	37,297
<b><u>U.S. Department of Homeland Security</u></b>						
Passed through N.C. Dept. of Public Safety						
Control and Public Safety:						
Emergency Management						
	97.042		38,524	-	-	-
Total U.S. Department of Justice						
			38,524	-	-	-

**MITCHELL COUNTY, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2019**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures
Total federal cash assistance			2,428,834	123,760	-	809,660
<b>STATE GRANTS</b>						
<b>Cash Programs:</b>						
<b><u>N.C. Department of Health &amp; Human Services</u></b>						
Passed-through Region D Council of Governments:						
Senior Center General Purpose			-	3,564	-	-
Division of Social Services:						
Direct Benefit Payment:						
Extended FC Max Non IV-E			-	84,493	-	-
FC At Risk Maximization			-	9,524	-	4,075
SFHF Maximization			-	223,938	-	223,938
State Foster Care Home			-	82,677	-	82,677
Total Direct Benefit Payments:			-	404,196	-	310,690
ST Child Welfare CPS CS LD				13,226		
Total N.C. Department of Human Resources			-	417,422	-	310,690
<b><u>N.C. Department of Transportation:</u></b>						
Elderly & Disabled TAP		ROAP	-	53,454	-	-
ROAP Employment		ROAP	-	5,927	-	-
Rural General Public Transportation		ROAP	-	51,361	-	-
Total N.C. Department of Transportation			-	110,742	-	-
<b><u>N.C. Department of Information Technology</u></b>						
North Carolina E-911 Board						
E 911 Regional Backup Center Grant			-	2,271,850	-	-
<b><u>N.C. Department of Public Safety</u></b>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention			-	70,417	-	-
<b><u>N.C. Office of State Budget and Management</u></b>						
State Grant 7762 Mitchell School special appropriation				187,798	-	-
Total State cash assistance			-	3,058,229	-	310,690
Total assistance			\$ 2,428,834	\$ 3,181,989	\$ -	\$ 1,120,350

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

**1 Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Mitchell County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Because the Schedule presents only a limited portion of the operations of Mitchell County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

**2 Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Mitchell County has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.