

MITCHELL COUNTY, NORTH CAROLINA

Bakersville, North Carolina

Financial Statements

June 30, 2020

(with Independent Auditor's Report thereon)

**S. GILLESPIE, P.A.
Certified Public Accountant
PO Box 725, 215 Oak Avenue
Spruce Pine, North Carolina 28777**

MITCHELL COUNTY, NORTH CAROLINA

Table of Contents

June 30, 2020

<u>Exhibit</u>		<u>Pages</u>
FINANCIAL SECTION		
	Independent Auditor's Report	4 - 7
	Management's Discussion and Analysis	8-16
	<i>Basic Financial Statements:</i>	
	<i>Government-wide Financial Statements</i>	
"1"	Statement of Net Position	17
"2"	Statement of Activities	18
	<i>Fund Financial Statements:</i>	
"3"	Balance Sheet - Governmental Funds	19
"3"	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
"4"	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
"4"	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
"5"	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	22
"6"	Statement of Fiduciary Net Position	23
"7"	Statement of Changes in Fiduciary Net Position	24
	Notes to Financial Statements	25-56
<u>Schedule</u>		
	Required Supplemental Financial Data:	
"A-1"	Schedule of Changes in Total Pension Liability - Law Enforcement Officer Special Separation Allowance	57
"A-1"	Schedule of Total Liability as a Percentage of Covered Payroll - Law Enforcement Officer Special Separation Allowance	57
"A-2"	Schedule of Changes in Total OPEB Liability and Related Ratios	58
"A-3"	Schedule of County's Proportionate Share of Net Pension Asset (LGERS)	59
"A-3"	Schedule of County Contributions (LGERS)	59

MITCHELL COUNTY, NORTH CAROLINA

Table of Contents

June 30, 2020

"A-4"	<i>Schedule of County's Proportionate Share of Net Pension Asset (ROD)</i>	60
"A-4"	<i>Schedule of County Contributions (ROD)</i>	60
Combining and Individual Fund Statements and Schedules:		
"B-1"	<i>Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund -- Budget and Actual --</i>	61-67
"B-2"	<i>Statement of Revenues, Expenditures and Changes in Fund Balances - Revaluation Fund -- Budget and Actual --</i>	68
"C-1"	<i>Combining Balance Sheet - Non-major Governmental Funds</i>	69
"C-2"	<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds</i>	70
<u>Schedules</u>		
<i>Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</i>		
"D-1"	<i>Fire District Fund</i>	71
"D-2"	<i>Emergency Telephone System Fund</i>	72
"D-3"	<i>Grant Project Fund - CDBG Grant 10-C-2169</i>	73
"D-4"	<i>Statement of Changes in Fiduciary Net Assets</i>	74
OTHER SCHEDULES		
"E-1"	<i>Schedule of Ad Valorem Taxes Receivable</i>	75
"E-2"	<i>Analysis of Current Tax Levy County-Wide Levy</i>	76
COMPLIANCE SECTION		
	<i>Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u></i>	77-78
	<i>Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with the Uniform Guidance and the State Single Audit Implementation Act</i>	79-81
	<i>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</i>	82-84
"F-1"	<i>Schedule of Findings and Responses</i>	85
"F-2"	<i>Schedule of Expenditures of Federal and State Awards</i>	86-87



S. Gillespie, P.A.

Certified Public Accountant

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, 2020, 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

215 OAK AVE., P.O. BOX 725, SPRUCE PINE, NC 28777 • (828) 765-6444 • FAX: (828) 765-0538

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2020, 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 30, 2020 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.

S. Gillespie, P.A.

Spruce Pine, North Carolina
September 30, 2020

Management's Discussion and Analysis

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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

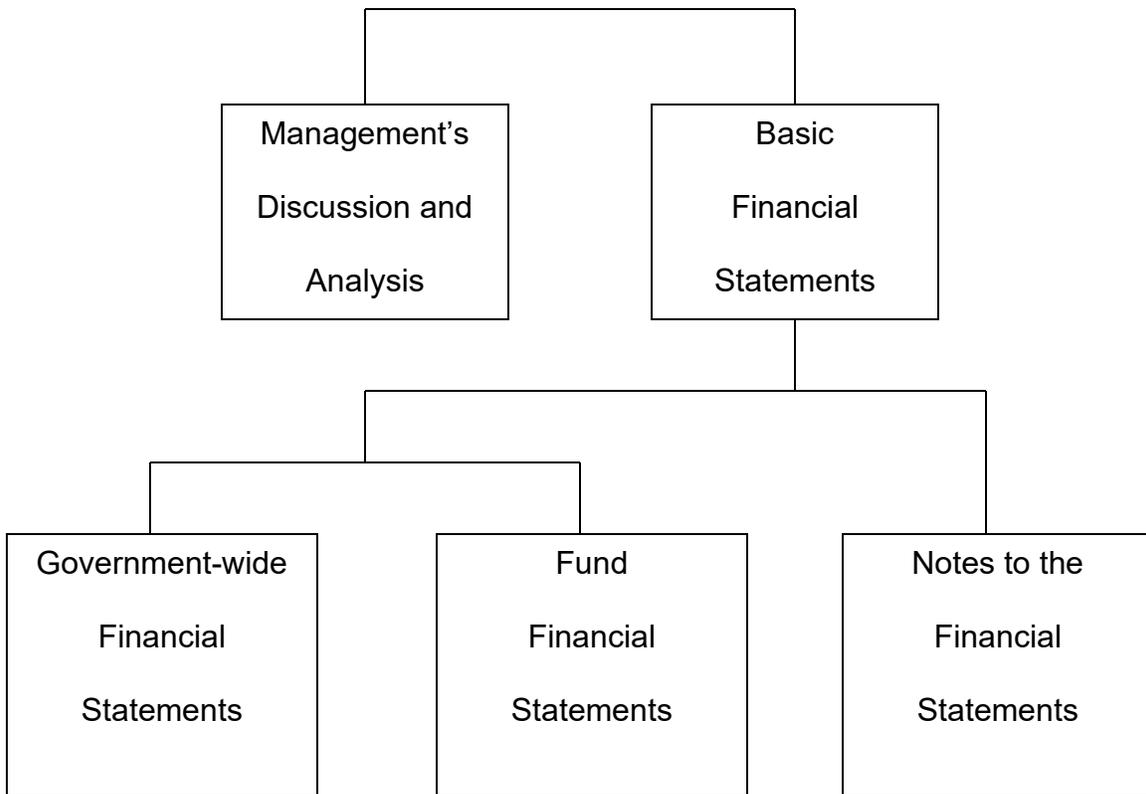
- *The assets of Mitchell County exceeded its liabilities at the close of the fiscal year by \$12,851,669.*
- *The government's total net position increased by \$657,534*
- *As of the close of the current fiscal year, Mitchell County's governmental funds reported combined ending fund balances of \$8,515,781, a decrease of \$904,853 in comparison with the prior year. Approximately 75 percent of this total amount, or \$6,413,288 is available for spending at the government's discretion. Part of this amount (\$1,245,072) has been reserved to balance the 2020-21 budget.*
- *At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,168,216 or 25 percent of total general fund expenditures and transfers to other funds for the fiscal year. Again keep in mind that \$1,245,072 of the General Fund balance has been appropriated for use in the 2020-21 budget year and has not been included in the preceding calculation.*
- *Mitchell County's tax collection rate remained consistent, averaging 96.56% in the current fiscal year and 96.48% 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

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

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

	<i>Governmental</i>		
	<i>Activities</i>		
	<u>2020</u>	<u>2019</u>	<u>Difference</u>
<i>Current and other assets</i>	\$ 11,175,661	\$ 10,871,190	\$ 304,471
<i>Capital assets</i>	13,855,725	12,096,850	1,758,875
<i>Deferred outflows</i>	1,198,587	1,579,092	(380,505)
<i>Total assets and deferred outflows</i>	<u>\$ 26,229,973</u>	<u>\$ 24,547,132</u>	<u>\$ 1,682,841</u>
 <i>Long-term liabilities outstanding</i>	 \$ 9,105,460	 \$ 10,601,507	 \$ (1,496,047)
<i>Other liabilities</i>	1,763,700	566,185	1,197,515
<i>Total liabilities</i>	<u>10,869,160</u>	<u>11,167,692</u>	<u>(298,532)</u>
 <i>Deferred Inflows</i>	 2,509,144	 1,185,305	 1,323,839
 <i>Net position:</i>			
<i>Net investment in capital assets</i>	13,751,864	11,845,984	1,905,880
<i>Restricted</i>	1,666,470	1,339,782	326,688
<i>Unrestricted</i>	(2,566,665)	(991,631)	(1,575,034)
<i>Total net position</i>	<u>\$ 12,851,669</u>	<u>\$ 12,194,135</u>	<u>\$ 657,534</u>

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 \$13,751,864 as of June 30, 2020. 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, \$1,666,158 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$2,566,665) is unrestricted.

Several aspects of the County's financial operations influenced the total governmental net position resulting in a current year increase, primarily due to acquisition of capital assets. Current liability increases in accounts payable arising primarily from COVID 19 grant funding payable to Towns and sales taxes for capital improvement payable to the Board of Education led to the decrease in unrestricted net position.

Management's Discussion and Analysis

Figure 3

	Governmental Activities	
	2020	2019
<i>Revenues:</i>		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 787,185	\$ 1,434,070
<i>Operating grants and contributions</i>	3,413,941	3,543,302
<i>Capital grants and contributions</i>	382,480	2,366,910
<i>General revenues:</i>		
<i>Property taxes</i>	11,804,725	11,498,354
<i>Other taxes</i>	4,116,544	3,888,978
<i>Investment earnings</i>	82,282	121,739
<i>Other</i>	736,226	235,065
<i>Total revenues</i>	21,323,383	23,088,418
<i>Expenses:</i>		
<i>General government</i>	3,019,816	2,314,516
<i>Public safety</i>	5,685,529	6,092,167
<i>Transportation</i>	846,664	744,501
<i>Environmental protection</i>	1,497,594	1,430,586
<i>Economic and physical development</i>	919,694	552,755
<i>Human services</i>	4,743,288	5,643,417
<i>Cultural and recreation</i>	298,000	295,042
<i>Education</i>	3,655,264	3,758,015
<i>Total expenses</i>	20,665,849	20,830,999
<i>Increase (decrease) in net position</i>	657,534	2,257,419
<i>Net position, beginning</i>	12,194,135	9,936,716
<i>Net position, ending</i>	\$ 12,851,669	\$ 12,194,135

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 \$6,413,2889 while total general fund balance reached \$8,104,189. 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 of unforeseen needs or opportunities, in addition to meeting the cash flow

Management's Discussion and Analysis

needs of the County. The County currently has an available fund balance of 25 % of general fund expenditures, while total fund balance represents 40% of that same amount.

At June 30, 2020, the governmental funds of Mitchell County reported a combined fund balance of \$8,515,781 a 10 percent decrease over last year. The decrease is attributed to additional outlays for capital expansion, including purchase of land for future school site and a residual agreement payoff for EMS ambulance service building.

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 \$1,689,443.

Capital Asset and Debt Administration

Capital assets. *Mitchell County's capital assets for its governmental activities as of June 30, 2020, total \$13,855,725 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.*

Major capital asset transactions during the year include:

- Completion of building construction for Mitchell County Regional E-911 backup center*
- Purchase of property for potential site for new school*
- EMS ambulance service building payoff*

These major capital asset purchases were funded by proceeds from granting agencies and from local monies.

Management's Discussion and Analysis

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

	Governmental Activities		
	2020	2019	Difference
<i>Land</i>	\$ 1,580,059	\$ 1,084,083	\$ 495,976
<i>Construction and other assets in progress</i>	3,555,003	2,532,727	1,022,276
<i>Buildings</i>	5,773,654	5,304,917	468,737
<i>Improvements other than buildings</i>	1,541,427	1,545,272	(3,845)
<i>Machinery and equipment</i>	403,376	552,377	(149,001)
<i>Vehicles and motorized equipment</i>	1,002,206	1,077,474	(75,268)
Total	\$ 13,855,725	\$ 12,096,850	\$ 1,758,875

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, 2020 Mitchell County had total debt outstanding of \$9,345,709. Of this, \$218,790 is compensated absences, \$428,571 is qualified zone academy bond financing, \$103,860 due for equipment purchased under capital lease, \$6,409,658 is accrued liability for other post-employment benefits such as health insurance and \$2,157,986 represents various pension obligations.*

Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

For the fiscal year ended June 30, 2021, budgeted expenditures in the General Fund are expected to slightly decrease to \$20,782,675. To cover costs included in the upcoming budget, management has appropriated \$1,245,072 of the available fund balance.

Mitchell County feels comfortable with this Fund Balance Appropriation considering its current fund balance of 25%. 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 97.29%.

During the fiscal year, the state and the nation were affected by the spread of a coronavirus. Mitchell County's initial response to the coronavirus included:

- *Meeting payroll expenses for public safety in order to mitigate and respond to the COVID-19 public health emergency.*
- *Purchase of outdoor tents for COVID-19 testing at different locations throughout the county.*
- *Purchase of additional radios to aid with communications between remote locations with COVID-19 testing and contact tracing measures between all public health resources.*
- *Purchase of PPE, mask, thermometers, and sanitizers for public areas to include county buildings such as courthouse and administrative offices to ensure safety for public and essential staff.*
- *Allocation of \$100,000.00 to the Toe River Health District, which is a sub-recipient of Mitchell County, to mitigate COVID-19 issues within the County*

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, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,242,775
Receivables (net)	1,102,413
Prepaid expenses	56,049
Due from other governments	1,564,853
Restricted cash and equivalents	182,728
Net pension asset - ROD	26,843
Capital assets:	
Land, improvements, and construction in progress	5,135,062
Other capital assets, net of depreciation	8,720,663
Total capital assets	<u>13,855,725</u>
Total assets	<u>25,031,386</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,198,587</u>
LIABILITIES	
Accounts payable and accrued expenses	1,056,825
Long-term liabilities:	
Net pension liability - LGERS	1,767,726
Total pension liability - LEO	390,260
Due within one year	213,406
Due in more than one year	6,947,474
Total liabilities	<u>10,375,691</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,002,613</u>
NET POSITION	
Net investment in capital assets	13,751,864
Restricted for:	
Stabilization by State statute	1,666,158
Register of Deeds	312
Unrestricted (deficit)	<u>(2,566,665)</u>
Total net position	<u>\$ 12,851,669</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, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
<i>Governmental Activities:</i>					
General government	\$ 3,019,816	\$ 159,638	\$ -	\$ -	\$ (2,860,178)
Public safety	5,685,529	205,286	44,271	39,692	(5,396,280)
Transportation	846,664	63,303	396,494	73,817	(313,050)
Environmental protection	1,497,594	322,980	44,108	-	(1,130,506)
Economic and physical development	919,694	-	-	268,971	(650,723)
Human services	4,743,288	-	2,899,113	-	(1,844,175)
Cultural and recreation	298,000	35,978	29,955	-	(232,067)
Education	3,655,264	-	-	-	(3,655,264)
Total governmental activities	\$ 20,665,849	\$ 787,185	\$ 3,413,941	\$ 382,480	\$ (16,082,243)
 <i>General revenues:</i>					
<i>Taxes:</i>					
Property taxes, levied for general purpose					11,804,725
Local option sales tax					3,880,111
Other taxes and licenses					236,433
Investment earnings, unrestricted					82,282
Miscellaneous, unrestricted					736,226
Total general revenues, special items, and transfers					16,739,777
Change in net position					657,534
Net position-beginning					12,194,135
Net position-ending					\$ 12,851,669

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

MITCHELL COUNTY, NORTH CAROLINA

Exhibit "3"

Balance Sheet

Governmental Funds

June 30, 2020

<i>Assets</i>	<u>General</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Assets:</i>			
Cash and investments	\$ 7,973,389	\$ 269,386	\$ 8,242,775
Restricted cash	182,728		182,728
Receivables (net)	843,833	94,632	938,465
Prepaid expenses	56,049	-	56,049
Due from other governments	1,406,556	158,297	1,564,853
Total assets	\$ 10,462,555	\$ 522,315	\$ 10,984,870
Liabilities, Deferred Inflows of Resources and Fund Balances			
<i>Liabilities:</i>			
Accounts payable	\$ 1,040,734	\$ 16,091	\$ 1,056,825
Total liabilities	1,040,734	16,091	1,056,825
<i>Deferred Inflows of Resources:</i>			
	1,317,632	94,632	1,412,264
<i>Fund balances:</i>			
<i>Nonspendable:</i>			
Prepaid expenses	56,049	-	56,049
<i>Restricted:</i>			
Stabilization by State statute	1,451,812	158,297	1,610,109
Register of Deeds	312	-	312
<i>Committed:</i>			
Tax revaluation	182,728	-	182,728
Emergency Telephone System	-	253,295	253,295
<i>Assigned:</i>			
Subsequent year's expenditures	1,245,072	-	1,245,072
<i>Unassigned:</i>			
	5,168,216	-	5,168,216
Total fund balances	8,104,189	411,592	8,515,781
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,462,555	\$ 522,315	

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.	13,855,725
Net pension liability	(1,767,726)
Net pension asset	26,843
Total pension liability	(390,260)
Contributions to OPEB are not current resources and therefore are deferred	
Deferred inflows of resources for prepaid taxes	893,209
Pension related deferrals	(1,284,971)
Healthcare plan liability	(6,409,658)
Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds	163,948
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.	<u>(751,222)</u>

Net position of governmental activities \$ 12,851,669

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, 2020

	General Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<i>Revenues:</i>			
<i>Ad valorem taxes</i>	\$ 10,726,841	\$ 1,049,524	\$ 11,776,365
<i>Local option sales tax</i>	3,880,111	-	3,880,111
<i>Other taxes</i>	198,667	-	198,667
<i>Unrestricted intergovernmental</i>	57,608	-	57,608
<i>Restricted intergovernmental</i>	3,028,175	625,514	3,653,689
<i>Licenses and permits</i>	161,618	-	161,618
<i>Sales and services</i>	1,066,400	-	1,066,400
<i>Investment earnings</i>	93,814	1,041	94,855
<i>Miscellaneous</i>	418,174	-	418,174
<i>Total revenues</i>	<u>19,631,408</u>	<u>1,676,079</u>	<u>21,307,487</u>
<i>Expenditures:</i>			
<i>Current:</i>			
<i>General government</i>	2,772,649	-	2,772,649
<i>Public safety</i>	4,135,876	1,151,304	5,287,180
<i>Public transportation</i>	720,448	-	720,448
<i>Environmental protection</i>	1,423,714	-	1,423,714
<i>Economic and physical development</i>	909,225	10,410	919,635
<i>Human services</i>	4,531,240	-	4,531,240
<i>Cultural and recreational</i>	276,977	-	276,977
<i>Education</i>	3,655,264	-	3,655,264
<i>Capital outlay</i>	1,342,954	1,022,276	2,365,230
<i>Debt service:</i>			
<i>Principal retirement</i>	248,767	-	248,767
<i>Interest and fees</i>	11,236	-	11,236
<i>Total expenditures</i>	<u>20,028,350</u>	<u>2,183,990</u>	<u>22,212,340</u>
<i>Excess of revenues over expenditures</i>	(396,942)	(507,911)	(904,853)
<i>Net change in fund balances</i>	(396,942)	(507,911)	(904,853)
<i>Fund balances - beginning of year</i>	<u>8,501,131</u>	<u>919,503</u>	<u>9,420,634</u>
<i>Fund balances - end of year</i>	<u>\$ 8,104,189</u>	<u>\$ 411,592</u>	<u>\$ 8,515,781</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ (904,853)
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.	1,758,875
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	15,893
Contributions to the pension plan in the current year are not included on the Statement of Activities	46,305
Changes in pension deferrals	(500,759)
Changes in pension liabilities	59,327
Contributions to the healthcare plan in the current year are not included on the Statement of Activities	(61,631)
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.	248,767
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>(4,390)</u>
Total changes in net position of governmental activities	<u>\$ 657,534</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, 2020**

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
<i>Ad valorem taxes</i>	\$ 10,600,515	10,677,198	10,726,841	\$ 49,643
<i>Local option sales taxes</i>	3,759,333	3,776,176	3,880,111	103,935
<i>Other taxes and licenses</i>	191,434	197,434	198,667	1,233
<i>Unrestricted intergovernmental</i>	27,712	55,162	57,608	2,446
<i>Restricted intergovernmental</i>	3,085,895	3,446,189	3,028,175	(418,014)
<i>Licenses and permits</i>	162,632	159,338	161,618	2,280
<i>Sales and services</i>	835,972	1,102,254	1,066,400	(35,854)
<i>Investment earnings</i>	127,950	102,950	93,709	(9,241)
<i>Miscellaneous</i>	-	404,270	418,174	13,904
<i>Total revenues</i>	<u>18,791,443</u>	<u>19,920,971</u>	<u>19,631,303</u>	<u>(289,668)</u>
Expenditures:				
<i>Current:</i>				
<i>General government</i>	2,413,413	3,605,997	3,306,760	299,237
<i>Public safety</i>	4,803,266	4,866,500	4,816,703	49,797
<i>Public transportation</i>	608,271	878,096	796,744	81,352
<i>Environmental protection</i>	1,539,049	1,580,910	1,452,064	128,846
<i>Economic and physical development</i>	646,838	1,052,473	909,225	143,248
<i>Human services</i>	5,033,649	4,600,721	4,531,240	69,481
<i>Cultural and recreational</i>	280,648	288,848	285,176	3,672
<i>Intergovernmental:</i>				
<i>Education</i>	3,734,784	3,758,670	3,655,264	103,406
<i>Debt service:</i>				
<i>Principal retirement</i>	142,858	248,767	248,767	-
<i>Interest and fees</i>	-	11,237	11,236	1
<i>Total expenditures</i>	<u>19,202,776</u>	<u>20,892,219</u>	<u>20,013,179</u>	<u>879,040</u>
<i>Revenues over (under) expenditures</i>	<u>(411,333)</u>	<u>(971,248)</u>	<u>(381,876)</u>	<u>589,372</u>
Other financing sources (uses):				
<i>Debt issue proceeds</i>	-	-	-	-
<i>Operating transfers from (to) other funds</i>	(100,000)	(100,000)	(100,000)	-
<i>Appropriated fund balance</i>	511,333	1,071,248	-	(1,071,248)
<i>Total other financing sources (uses)</i>	<u>411,333</u>	<u>971,248</u>	<u>(100,000)</u>	<u>(1,071,248)</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(481,876)</u>	<u>\$ (481,876)</u>
Fund balances:				
<i>Beginning of year</i>			<u>8,403,101</u>	
<i>End of year</i>			<u>\$ 7,921,225</u>	
<i>A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes.</i>				
<i>Interest earnings</i>			105	
<i>Transfers in from general fund</i>			100,000	
<i>Expenditures</i>			(15,171)	
<i>Beginning Fund Balance - Revaluation</i>			<u>98,030</u>	
<i>Ending Fund Balance - Exhibit 4</i>			<u>\$ 8,104,189</u>	

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	<u>Agency Funds</u>	<u>Pension Trust Funds</u>
<i>Assets:</i>		
<i>Cash and investments</i>	\$ 106,725	\$ 195,439
<i>Total assets</i>	<u>\$ 106,725</u>	<u>\$ 195,439</u>
 <i>Liabilities:</i>		
<i>Miscellaneous liabilities</i>	\$ 106,725	\$ 195,439
<i>Total liabilities</i>	<u>\$ 106,725</u>	<u>\$ 195,439</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Pension Trust Fund</u>
<i>Additions:</i>	
<i>Employer contributions</i>	\$ 150
<i>Investment income</i>	<u>7,639</u>
<i>Total additions</i>	<u>7,789</u>
 <i>Deductions:</i>	
<i>Withdrawals and transfers out</i>	5,320
<i>Administrative expense</i>	<u>292</u>
<i>Total deductions</i>	<u>5,612</u>
 <i>Change in net position</i>	 2,177
 <i>Net position, beginning</i>	 <u>193,262</u>
<i>Net position, ending</i>	<u>\$ <u>195,439</u></u>

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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.

The County reports the following non-major funds:

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

Emergency Telephone Fund: To account for E-911 operations

The County reports the following fund types:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2020

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, 2020

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, 2019.

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, 2020

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

	<u>Years</u>
Buildings	39
Improvements	10-39
Furniture and equipment	5-7
Vehicles	5
Computer equipment	5

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 four items that meet the criterion for this category – unearned revenues, 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, 2020

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, 2020

- *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 \$ 4,335,888 consists of several elements as follows:

MITCHELL COUNTY, NORTH CAROLINA
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

<u>Description</u>	
<i>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)</i>	\$ 20,561,337
<i>Less Accumulated Depreciation</i>	<u>(6,705,612)</u>
<i>Net capital assets</i>	<u>13,855,725</u>
<i>Net pension asset</i>	26,843
<i>Net pension liability</i>	(1,767,726)
<i>Total pension liability</i>	(390,260)
<i>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</i>	163,948
<i>Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide</i>	893,209
<i>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:</i>	
<i>Pension related deferrals</i>	(1,284,971)
<i>Healthcare related deferrals</i>	(6,409,658)
<i>Compensated absences</i>	(218,790)
<i>Bonds, leases, and installment financing</i>	(532,432)
<i>Total adjustment</i>	<u>\$ 4,335,888</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 \$1,562,384 as follows:

MITCHELL COUNTY, NORTH CAROLINA
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

<u>Description</u>	
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,365,230
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	(606,356)
Contributions to the pension plan in the current year are not reported on the Statement of Activities	46,305
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	248,767
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	(4,393)
Change in pension obligation	(441,432)
Change in other post employment benefits	(61,631)
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	(12,467)
Decrease in deferred revenue from taxes receivable at 07/01/18	28,361
Total adjustment	\$ <u>1,562,384</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 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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

At June 30, 2020, the County's deposits had a carrying value of \$1,465,583 and a bank balance of \$1,828,733. The carrying value includes fiduciary funds of \$302,164. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,578,733 was covered by collateral held under the Pooling Method.

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

2. Investments

At June 30, 2020, the County's investments consisted of the following:

Investment Type	Valuation Measurement Method	Fair Value - Level 1	Less Than 6 Months	6-12 Months
NC Capital Management Trust-Government Portfolio	Amortized Cost	7,261,084	7,261,084	N/A

* As of June 30, 2020, 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, 2020.

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, 2020 were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 45,356	\$ 1,102,525	\$ 1,448,246	\$ 2,596,127
Other Governmental	-	95,532	116,607	212,139
Total receivables	45,356	1,198,057	1,564,853	2,808,266
Allowance for doubtful accounts	-	(141,000)	-	(141,000)
Total - Governmental activities	\$ 45,356	\$ 1,057,057	\$ 1,564,853	\$ 2,667,266

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

MITCHELL COUNTY, NORTH CAROLINA
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

Local option sales tax and hold harmless funds	\$	653,277
NC DOT operating subsidy and capital grants		63,527
NC DHHS operating funds		363,376
NC DMV Motor Vehicle tax		78,797
Senior Services		25,447
White Goods and Tire Disposal		8,594
NC PSAP payment		105,095
NC sales tax refund receivable		104,532
Other		162,208
	\$	<u><u>1,564,853</u></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, 2020:

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

4. Capital Assets

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	1,084,084	495,976	-	1,580,060
Construction in progress	2,532,726	1,022,276	-	3,555,002
	<u>\$ 3,616,810</u>	<u>\$ 1,518,252</u>	<u>\$ -</u>	<u>\$ 5,135,062</u>
Capital assets being depreciated:				
Buildings	6,757,516	532,236	-	7,289,752
Other improvements	2,216,213	53,306	(72,034)	2,197,485
Equipment	2,681,863	64,245	55,294	2,801,402
Vehicles and motor equipment	3,105,343	197,191	(164,898)	3,137,636
Total capital assets being depreciated	<u>14,760,935</u>	<u>846,978</u>	<u>(181,638)</u>	<u>15,426,275</u>
Less accumulated depreciation for:				
Buildings	1,452,597	63,498	-	1,516,095
Other improvements	598,107	57,151	-	655,258
Equipment	2,195,724	213,247	(10,145)	2,398,826
Vehicles and motor equipment	2,034,467	272,459	(171,493)	2,135,433
Total accumulated depreciation	<u>6,280,895</u>	<u>606,355</u>	<u>(181,638)</u>	<u>6,705,612</u>
Total capital assets being depreciated, net	<u>8,480,040</u>			<u>8,720,663</u>
Governmental activity capital assets, net	<u>\$ 12,096,850</u>			<u>\$ 13,855,725</u>

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

General government	\$	102,877
Public safety		305,647
Transportation		97,346
Environmental protection		41,934
Economic and physical development		59
Human services		46,261
Cultural and recreational		12,232
Total depreciation expense	\$	<u>606,356</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 state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days 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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 8.95% 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 \$419,777 for the year ended June 30, 2020.

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

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

At June 30, 2020, the County reported a liability of \$1,767,726 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension 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, 2020, the County's proportion was .06473%, which was a decrease of .01501 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the County recognized pension expense of \$786,922. At June 30, 2020, 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, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 302,679	\$ -
Changes of assumptions	288,110	
Net difference between projected and actual earnings on pension plan investments	43,117	-
Changes in proportion and differences between County contributions and proportionate share of contributions	36,198	96,675
County contributions subsequent to the measurement date	419,778	-
Total	<u>\$ 1,089,882</u>	<u>\$ 96,675</u>

\$419,778 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ 304,775
2022	87,608
2023	155,974
2024	25,073
2025	-
Thereafter	-
	<u>\$ 573,430</u>

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

Inflation	3.0 percent
Salary increases	3.5 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, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

Sensitivity of the County's proportionate share of the net pension 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:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 4,043,112	\$ 1,767,726	\$ 123,581

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, 2019, the Separation Allowance's membership consisted of:

<i>Retirees receiving benefits</i>	<i>1</i>
<i>Terminated plan members entitled to but not yet receiving benefits</i>	<i>0</i>
<i>Active plan members</i>	<i>19</i>
<i>Total</i>	<u><i>20</i></u>

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

Inflation *2.50 percent*

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

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 \$46,305 as benefits came due for the reporting period.

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

At June 30, 2020, the County reported a total pension liability of \$390,260. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$38,023.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,131	\$ 19,377
Changes of assumptions	15,947	11,890
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	22,806	-
County contributions subsequent to the measurement date	46,305	-
Total	\$ 107,189	\$ 31,267

\$46,305 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

2021	\$	1,879
2022		1,879
2023		2,535
2024		2,075
2025		5,039
Thereafter		263
	\$	<u>13,670</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 3.26 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
County's proportionate share of the net pension liability (asset)	\$ 426,358	\$ 390,260	\$ 357,204

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

Total Pension Liability as of December 31, 2018	\$ 324,369
Changes for the year:	
Service Cost at End of Year	24,513
Interest	11,631
Change in benefit terms	0
Difference between expected and actuarial	
Experience	26,522
Changes of assumptions and other inputs	12,915
Benefit payments	(9,690)
Other	<u>0</u>
Net changes	\$65,891
Total Pension Liability as of December 31, 2019	\$390,260

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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.64 percent at June 30, 2018 to 3.26 percent at June 30, 2019.

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, 2020 were \$43,305 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

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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,867 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$26,843 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2020, the County's proportion was .13597%, which was a decrease of .01862% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the County recognized pension expense of \$5,798. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,294
Changes of assumptions	-	
Net difference between projected and actual earnings on pension plan investments	275	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,705	512
County contributions subsequent to the measurement date	4,867	-
Total	<u>\$ 7,847</u>	<u>\$ 1,806</u>

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

\$4,867 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	(132)
2021		1,168
2022		668
2023		(530)
2024		-
Thereafter		-
	\$	<u>1,174</u>

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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, 2020 is 1.4%:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (1,808)	\$ 26,843	\$ (1,192)

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

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 1,767,726	\$ (26,843)	\$ 390,260	\$ 2,131,143
Proportion of the Net Pension Liability (Asset)	0.11470%	.15459	n/a	
Total Pension Liability	-	-	\$ -	\$ -

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 302,679	\$ -	\$ 22,131	\$ 324,810
Changes of assumptions	288,110	-	22,806	310,916
Net difference between projected and actual earnings on pension plan investments	43,117	275	-	43,392
Changes in proportion and differences between County contributions and proportionate share of contributions	36,198	2,705	-	38,903
County contributions (LGERS,ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	419,778	4,867	46,305	470,950
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ -	\$ 1,294	\$ 19,377	\$ 20,671
Changes of assumptions	96,675	-	11,890	108,565
Changes in proportion and differences between County contributions and proportionate share of contributions	-	512	-	512

(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 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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2020, the HCB Plan membership consisted of the following:

	2020
Inactive plan members or beneficiaries currently receiving benefit payments	27
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	102
	129

Total OPEB Liability

The County's total OPEB liability of \$6,409,658 was measured as of June 30, 2019 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, 2018 and December 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 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	7.00 percent for 2019 decreasing to an ultimate rate of 4.50% by 2026

Total OPEB liabilities were rolled forward to June 30, 2019 and June 30, 2020 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 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, 2018 and December 31, 2019 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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

(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, 2020 was 3.50 percent which was a change from the discount rate of 3.87 percent at June 30, 2019. 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, 2020, the S&P Municipal Bond 20 Year High Grade rate was 2.98 percent.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1/2019	7,602,065
Changes for the year	
Service cost	315,297
Interest	293,175
Changes of benefit terms	-
Differences between expected and actual experience	(1,569,617)
Changes in assumptions or other inputs	(99,144)
Benefit payments	(132,118)
Net changes	<u>(1,192,407)</u>
Balance at 6/30/2020	<u>6,409,658</u>

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

The actuarial assumptions used in the June 30, 2019 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 7,770,564	\$ 6,409,658	\$ 5,363,221

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:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

	<u>1% Decrease</u>		<u>Current</u>		<u>1% Increase</u>
Total OPEB liability	\$ 5,285,205	# \$	6,409,658	\$	7,900,059

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

For the year ended June 30, 2020, the County recognized OPEB expense of \$193,749. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,616	\$ 1,352,176
Changes of assumptions	-	1,001,634
Benefit payments and administrative costs made subsequent to the measurement date	-	
Total	<u>\$ 9,616</u>	<u>\$ 2,353,810</u>

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

Year ended June 30:

2020	\$ (414,723)
2021	(414,723)
2022	(414,723)
2023	(414,723)
2024	(376,072)
Thereafter	(309,230)

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Pensions - difference between expected and actual experience</i>		
<i>LGERS</i>	\$ 302,679	\$ -
<i>Register of Deeds</i>	-	-
<i>LEO</i>	22,131	19,377
<i>Changes of assumptions</i>	310,916	11,890
<i>Opeb - Changes of assumptions</i>	-	1,001,634
<i>Opeb - difference between projected and actual investment earnings</i>	9,616	1,353,470
<i>Opeb contributions to plan in 2019-20 fiscal year</i>	-	
<i>Pensions - difference between projected and actual investment earnings</i>	43,392	
<i>Pensions - change in proportion and difference between employer contributions and proportionate share of contributions</i>	38,903	96,675
<i>Contributions to pension plan in 2019-2020 fiscal year</i>	470,950	512
<i>Unearned grant revenues related to COVID 19 expenditures</i>		493,469
<i>Prepaid taxes not yet earned (General)</i>	-	25,586
<i>Total</i>	<u>\$ 1,198,587</u>	<u>\$ 3,002,613</u>

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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.

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.

					<i>Principal</i>
<i>General Long-Term Debt:</i>					
				2021	142,857
				2022	142,857
				2023	142,858
				\$	<u>428,572</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, 2017 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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2020, the County leased vehicles and equipment valued at:

<i>Classes of Property</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
<i>Vehicles and motorized equipment</i>	405,250	152,000	253,250
<i>Total</i>	<u>\$ 405,250</u>	<u>\$ 152,000</u>	<u>\$ 253,250</u>

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, 2020 were as follows:

<i>Year Ending June 30</i>	
2021	75,986
2022	34,893
<i>Total minimum lease payments</i>	<u>110,879</u>
<i>Less: amount representing interest</i>	<u>7,019</u>
<i>Present value of the minimum lease payments</i>	<u>\$ 103,860</u>

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, 2020:

	<i>Balance June 30, 2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2020</i>	<i>Current Portion of Balance</i>
<i>Governmental activities:</i>					
<i>QZAB payable</i>	\$ 571,429	\$ -	\$ 142,857	\$ 428,572	\$ 142,857
<i>Leases payable</i>	209,775	-	105,914	103,861	70,549
<i>LGERS Net pension liability</i>	1,891,706	-	123,980	1,767,726	-
<i>Compensated absences</i>	214,397	4,393	-	218,790	-
<i>Net pension obligation</i>	324,369	65,891	-	390,260	-
<i>Net health care plan obligation</i>	7,602,065	-	1,192,407	6,409,658	-
	<u>\$ 10,268,416</u>	<u>\$ 70,284</u>	<u>\$ 1,565,158</u>	<u>\$ 9,318,867</u>	<u>\$ 213,406</u>

At June 30, 2020, the County had a legal debt margin of \$146,659,768.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

7. Claims and Judgments

At June 30, 2020, 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, 2020 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, 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, 2020, Mitchell County's portion of shared costs was \$181,814.

(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	\$8,104,189
Less:	
Stabilization by State Statute	1,507,161
Prepaid expenses	56,049
Appropriated Fund Balance in 2020 budget	1,245,072
Committed to Tax Revaluation Register of Deeds	182,728 312
Remaining Fund Balance	\$5,112,167

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2020. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$86,211 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. 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, 2020. 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, 2020. 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 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 \$7,832 to the Council during the fiscal year ending June 30, 2020.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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 30, 2020, 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, 2020

	2020	2019	2018	2017
Beginning balance	\$ 324,369	\$ 332,924	\$ 319,971	\$ 321,039
Service Cost	24,513	24,358	19,933	19,090
Interest on the total pension liability	11,631	10,290	11,879	11,025
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	26,522	(14,877)	(18,188)	-
Changes of assumptions or other inputs	12,915	(13,715)	23,783	(6,729)
Benefit payments	(9,690)	(14,611)	(24,454)	(24,454)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 390,260</u>	<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, 2020

	2020	2019	2018	2017
Total pension liability	\$ 390,260	\$ 324,369	\$ 332,924	\$ 319,971
Covered payroll	940,753	862,581	812,168	724,261
Total pension liability as a percentage of covered payroll	41.48%	37.60%	40.99%	44.18%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 315,297	\$ 338,122	\$ 389,787
Interest	293,175	268,601	238,458
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,569,617)	13,008	(3,929)
Changes of assumptions	(99,144)	(502,838)	(894,540)
Benefit payments	(132,118)	(118,572)	(95,735)
Net change in total OPEB liability	<u>(1,192,407)</u>	<u>(1,679)</u>	<u>(365,959)</u>
Total OPEB liability - beginning	<u>7,602,065</u>	<u>7,603,744</u>	<u>7,969,703</u>
Total OPEB liability - ending	<u><u>6,409,658</u></u>	<u><u>7,602,065</u></u>	<u><u>7,603,744</u></u>
 Plan fiduciary net position			
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expense	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
 County's net OPEB liability - ending	 <u><u>\$ 6,409,658</u></u>	 <u><u>\$ 7,602,065</u></u>	 <u><u>\$ 7,603,744</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%	 0.00%
Covered payroll	3,991,015	4,047,753	4,047,753
County's net OPEB liability as a percentage of covered payroll	160.60%	187.81%	187.85%

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

Local Government Employees Retirement System

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.064730	0.079740	0.076750	0.075860	0.076990	0.074390	0.072600
County's proportion of the net pension liability (asset) (\$)	1,767,726	1,891,706	1,172,527	1,610,033	345,527	(438,712)	875,109
County's covered-employee payroll	4,832,714	5,294,152	3,915,053	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	0.366	0.357	0.299	0.411	0.092	(0.121)	0.24
Plan fiduciary net position as a percentage of the total pension liability	92.0000	94.1800	91.4700	98.0900	98.7900	102.6400	94.3500

* 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 Seven Fiscal Years

Local Government Employees Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	419,778	383,914	408,171	373,121	266,616	266,955	255,587
Contributions in relation to the contractually required contribution	419,778	383,914	408,171	373,121	266,616	266,955	255,587
County's covered-employee payroll	3,659,160	4,832,714	5,294,152	4,222,472	3,915,053	3,770,887	3,615,087
Contributions as a percentage of covered-employee payroll	0.1147	0.0794	0.0771	0.0884	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 Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.135970	0.154590	0.147490	0.157830	0.157590	0.164542	0.169462
County's proportion of the net pension liability (asset) (\$)	26,843	25,605	25,175	(29,508)	(36,520)	(37,295)	(36,197)
County's covered-employee payroll	52,173	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	0.514	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	153.3100	160.1700	197.2900	193.8800	190.5000	188.7500

* 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 Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	4,867	4,090	3,904	4,012	3,389	3,483	3,406
Contributions in relation to the contractually required contribution	4,867	4,090	3,904	4,012	3,389	3,483	3,406
County's covered-employee payroll	53,655	52,173	51,301	54,287	49,761	49,265	48,177
Contributions as a percentage of covered-employee payroll	0.0907	0.0784	0.0761	0.0739	0.0681	0.0707	0.0707

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
<i>Ad valorem taxes:</i>				
Taxes	\$	\$ 10,617,440	\$	\$ 10,420,160
Penalties and interest		109,401		131,565
Total		<u>10,677,198</u>		<u>10,551,725</u>
<i>Local option sales taxes:</i>				
Article 39 one percent		1,729,713		1,588,641
Article 40 one-half of one percent		1,026,072		1,003,728
Article 42 one-half of one percent		859,470		797,424
Article 44 one-half of one percent		264,856		248,175
Total		<u>3,776,176</u>		<u>3,637,968</u>
<i>Other taxes and licenses:</i>				
Real estate transfer tax		61,119		78,337
Adm cost excise tax		1,470		1,566
Occupancy tax		70,053		66,332
Scrap tire disposal tax		20,701		21,209
Solid waste disposal tax		11,941		11,702
Other		33,383		34,775
Total		<u>197,434</u>		<u>213,921</u>
<i>Unrestricted intergovernmental:</i>				
Payments in lieu of taxes		57,608		55,110
Total		<u>55,162</u>		<u>55,110</u>
<i>Restricted intergovernmental:</i>				
State and federal grants		3,010,726		3,396,585
Court facilities fees		12,810		14,444
ABC Board		4,639		4,251
Total		<u>3,446,189</u>		<u>3,415,280</u>
<i>Licenses and permits:</i>				
Inspection fees and building permits		106,646		98,619
Register of deeds		49,932		49,492
Marriage licenses		5,040		6,120
Total		<u>159,338</u>		<u>154,231</u>
<i>Sales and services:</i>				
Officer and jail fees		53,190		67,491
CAP/DA claims		-		486,235
Rent		73,118		69,519
Cable and telephone fees		46,183		54,227
Recycling waste revenue		35,053		55,141
Tipping fees		277,289		327,122
Transportation fees		216,871		250,708
Recreation fees		35,978		51,791

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Other fees		328,718		67,853
Total	1,102,254	1,066,400	(35,854)	1,430,087
Investment earnings	102,950	93,709	(9,241)	146,455
Miscellaneous:				
Contributions		120,327		120,589
Nongovernmental grants		232,110		-
Sales of fixed assets		6,479		2,239
Insurance refunds		42,888		16,188
Other		16,370		16,610
Total	404,270	418,174	13,904	155,626
Total revenues	19,920,971	19,631,303	(289,668)	19,760,403
Expenditures:				
General government -				
Administration:				
Salaries and employee benefits		323,239		308,161
Other operating expenditures		418,314		346,315
Capital outlay		495,976		-
Total	1,256,150	1,237,529	18,621	654,476
Elections:				
Salaries and employee benefits		107,421		101,785
Other operating expenditures		61,125		39,164
Total	176,266	168,546	7,720	140,949
Finance:				
Salaries and employee benefits		173,870		136,628
Other operating expenditures		13,493		12,955
Total	190,144	187,363	2,781	149,583
Tax listing and supervisor:				
Salaries and employee benefits		140,046		135,414
Other operating expenditures		28,917		36,968
Total	189,867	168,963	20,904	172,382
Tax collections:				
Salaries and employee benefits		107,514		107,691
Other operating expenditures		19,838		22,310
Total	131,047	127,352	3,695	130,001
Mapping/GIS:				
Salaries and employee benefits		53,090		51,493
Other operating expenditures		3,150		1,538

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Total	57,457	56,240	1,217	53,031
Register of Deeds:				
Salaries and employee benefits		160,775		157,338
Other operating expenditures		66,474		59,734
Total	230,342	227,249	3,093	217,072
Public Buildings:				
Salaries and employee benefits		88,502		108,335
Other operating expenditures		377,997		342,306
Capital outlay		532,236		18,604
Total	1,214,852	998,735	216,117	469,245
Legal and auditing:				
Contracted services	124,202	100,817	23,385	94,715
Facilities fees:				
Other operating expenditures	35,670	33,966	1,704	32,621
Total general government	3,605,997	3,306,760	299,237	2,114,075
Public safety -				
Sheriff's Department:				
Salaries and employee benefits		1,352,661		1,296,927
Other operating expenditures		326,805		301,898
Capital outlay		200,503		116,380
Total	1,931,740	1,879,969	51,771	1,715,205
Jail:				
Contracted services		702,352		681,080
Other operating expenditures		48,531		72,114
Total	707,240	750,883	(43,643)	753,194
Fire protection:				
Contracted services	-	60,740		54,706
Total	76,608	60,740	15,868	54,706
Building inspection:				
Salaries and employee benefits		165,105		167,860
Other operating expenditures		21,532		25,008
Total	190,011	186,637	3,374	192,868
Emergency management:				
Salaries and employee benefits		36,010		30,990
Other operating expenditures		56,311		23,228

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Capital outlay		16,109		21,609
Total	111,721	108,430	3,291	75,827
Animal Rescue:				
Operating expenditures	100,328	100,328	-	105,328
Emergency communications:				
Salaries and employee benefits		529,558		501,096
Other operating expenditures		44,255		35,495
Total	584,079	573,813	10,266	536,591
Medical Examiner:				
Professional services	15,000	7,850	7,150	12,550
Emergency medical services:				
Operating expenditures	1,141,273	1,141,273	-	1,141,273
Protective service agencies:				
Other operating expenditures	8,500	6,780	1,720	8,640
Total public safety	4,866,500	4,816,703	49,797	4,596,182
Public transportation:				
Streets and highways:				
Salaries and employee benefits		446,888		477,279
Other operating expenditures		245,210		146,566
Capital outlay		104,646		84,014
Total public transportation	878,096	796,744	81,352	707,859
Environmental protection -				
Sanitation:				
Salaries and employee benefits		342,346		319,196
Contracted services		867,411		800,170
Tire disposal		49,352		50,615
Other operating expenditures		110,244		110,234
Capital outlay		-		27,554
Total	1,498,199	1,369,353	128,846	1,307,769
Soil conservation service:				
Contracted services	82,711	82,711	-	80,043
Total environmental protection	1,580,910	1,452,064	128,846	1,387,812
Economic and physical development -				
Agricultural extension agent:				

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Other operating expenditures		183,331		166,092
Total	209,954	183,331	26,623	166,092
Regional economic development:				
Other operating expenditures		33,884		28,831
Development council dues and fees		7,832		7,840
Occupancy tax distribution		70,053		66,332
Total	115,067	111,769	3,298	103,003
Community Based Alternatives				
Operating expenditures	67,104	66,703	401	55,315
Economic Development Commission:				
Other operating expenditures		547,422		228,286
Total	660,348	547,422	112,926	228,286
Total economic and physical development	1,052,473	909,225	143,248	552,696
Human services -				
Public Health:				
Contracted services		39,908		282,782
Total	39,897	39,908	(11)	282,782
Veteran's Service Officer -				
Salaries and employee benefits		23,747		22,455
Other operating expenditures		1,173		714
Total	27,143	24,920	2,223	23,169
Social Services:				
Salaries and employee benefits		2,237,707		2,650,746
Other operating expenditures		273,499		347,781
Capital outlay		80,280		-
Total	2,568,152	2,591,486	(23,334)	2,998,527
County participation:				
Special assistance		125,785		151,921
Foster care		914,393		894,569
Crisis intervention		68,507		69,828
Adoption assistance		98,652		101,133
Other		130,887		239,366
Total	1,390,966	1,338,224	52,742	1,456,817
Senior Citizens:				
Salaries and employee benefits		312,812		329,935
Other operating expenditures		223,890		256,496

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Total	574,563	536,702	37,861	586,431
Day Care and Child Development:				
Contracted services	-	-	-	686
Total human services	4,600,721	4,531,240	69,481	5,348,412
Cultural and recreational -				
Community service:				
Agency assistance	1,500	1,500	-	1,500
Library:				
Contracted services		86,211		82,987
	86,211	86,211	-	82,987
Recreation:				
Salaries and employee benefits		103,515		101,129
Other operating expenditures		85,751		87,753
Capital outlay		8,199		-
Total	201,137	197,465	3,672	188,882
Total cultural and recreational	288,848	285,176	3,672	273,369
Education -				
Public schools - current expense		2,172,622		2,172,622
Public schools - special grant - forest timber		21,917		236,153
Public schools - capital outlay		1,080,885		969,400
Community College - current expense		354,640		354,640
Community College - capital outlay		25,200		25,200
Total education	3,758,670	3,655,264	103,406	3,783,215
Debt service -				
Principal retirement		248,767		270,309
Interest and fees		11,236		11,287
Total debt service	260,004	260,003	1	281,596
Total expenditures	20,892,219	20,013,179	879,040	19,045,216
Revenue over (under) expenditures	(971,248)	(381,876)	589,372	715,187
Other financing sources (uses):				
Appropriated Fund Balance	1,071,248	-	(1,071,248)	-
Proceeds from debt issue			-	116,380
Transfers in (out):				
Revaluation Fund	(100,000)	(100,000)	-	(50,000)
Total other financing sources (uses)	971,248	(100,000)	(1,071,248)	66,380

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-
For the Fiscal Year Ended June 30, 2020***(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)*

	<u>2020</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2019</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ <u>-</u>	(481,876)	\$ (481,876)	781,567
<i>Fund balances - beginning of year</i>		<u>8,377,900</u>		<u>7,596,333</u>
<i>Fund balances - end of year</i>		\$ <u>7,896,024</u>		\$ <u>8,377,900</u>

MITCHELL COUNTY, NORTH CAROLINA**Revaluation Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Investment earnings</i>	\$ 80	105		82
<i>Total revenues</i>	80	105	25	82
<i>Expenditures:</i>				
<i>Tax Listing:</i>				
<i>Contracted services</i>		32,789		32,789
	196,317	32,789	163,528	32,789
<i>Total expenditures</i>	196,317	32,789	163,528	32,789
<i>Revenues over (under) expenditures</i>	(196,237)	(32,684)	163,553	(32,707)
<i>Other financing sources (uses):</i>				
<i>Appropriated fund balance</i>	96,237	-	96,237	
<i>Operating transfer in (out) from General Fund</i>	100,000	100,000	-	100,000
<i>Total other financing sources (uses)</i>	196,237	100,000	96,237	100,000
<i>Excess of revenues and other sources over (under) expenditures</i>	\$ -	67,316	\$ 67,316	67,293
<i>Fund balances - beginning of year</i>		226,542		159,249
<i>Fund balances - end of year</i>	\$	293,858	\$	226,542

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**Combining Balance Sheet****Non-major Governmental Funds****June 30, 2020**

<i>Assets</i>	<i>Fire District Fund</i>	<i>Emergency Telephone System Fund</i>	<i>Total Non-major Special Revenue Funds</i>
<i>Current assets:</i>			
<i>Cash and investments</i>	\$ -	269,386	\$ 269,386
<i>Accounts receivable</i>	-	116,207	116,207
<i>Taxes receivable - net</i>	94,632	-	94,632
<i>Due from other governments</i>	-	42,090	42,090
<i>Total assets</i>	<u>\$ 94,632</u>	<u>427,683</u>	<u>\$ 522,315</u>
<i>Liabilities and Fund Balances</i>			
<i>Liabilities:</i>			
<i>Accounts payable and accrued liabilities</i>	\$ -	16,091	\$ 16,091
<i>Deferred revenue</i>	94,632	-	94,632
<i>Total liabilities</i>	<u>94,632</u>	<u>16,091</u>	<u>110,723</u>
<i>Fund balances:</i>			
<i>Restricted</i>			
<i>Stabilization by State statute</i>	-	158,297	-
<i>Committed:</i>			
<i>Emergency Telephone System</i>	-	253,295	-
	<u>-</u>	<u>411,592</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 94,632</u>	<u>427,683</u>	<u>\$ 110,723</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2020

	<u>Fire District Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Grant Project Fund</u>	<u>Total Non-major Governmental Funds</u>
<i>Revenues:</i>				
<i>Ad valorem taxes (net)</i>	\$ 1,049,524	\$ -	\$ -	\$ 1,049,524
<i>Restricted intergovernmental</i>	-	615,104	10,410	625,514
<i>Other taxes and licenses</i>	-	-	-	-
<i>Investment earnings</i>	-	1,041	-	1,041
<i>Total revenues</i>	<u>1,049,524</u>	<u>616,145</u>	<u>10,410</u>	<u>1,676,079</u>
<i>Expenditures:</i>				
<i>Public safety</i>	1,049,524	101,780	-	1,151,304
<i>Economic and physical development</i>	-	-	10,410	10,410
<i>Capital outlay</i>	-	1,022,276	-	1,022,276
	<u>1,049,524</u>	<u>1,124,056</u>	<u>10,410</u>	<u>2,183,990</u>
<i>Total expenditures</i>	<u>1,049,524</u>	<u>1,124,056</u>	<u>10,410</u>	<u>2,183,990</u>
<i>Excess of revenues and other sources over expenditures</i>	-	(507,911)	-	(507,911)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>919,503</u>	<u>-</u>	<u>919,503</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 411,592</u>	<u>\$ -</u>	<u>\$ 411,592</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**Fire District Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Ad valorem taxes:</i>				
Current and prior years	\$ 1,077,500	\$ 1,049,524	\$ (27,976)	\$ 1,047,310
Total revenues	<u>1,077,500</u>	<u>1,049,524</u>	<u>(27,976)</u>	<u>1,047,310</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
Bakersville Fire District		163,100		161,480
Ledger Fire District		126,304		130,365
Parkway Fire District		319,299		317,909
Buladean Fire District		67,412		69,200
Fork Mountain Fire District		93,753		93,027
Bradshaw Fire District		109,726		105,990
Spruce Pine Fire District		169,930		169,339
Total expenditures	<u>1,077,500</u>	<u>1,049,524</u>	<u>27,976</u>	<u>1,047,310</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ <u>-</u>	-	\$ <u>-</u>	-
<i>Fund balances - beginning of year</i>		-		-
<i>Fund balances - end of year</i>		\$ <u>-</u>		\$ <u>-</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**Emergency Telephone System Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2020****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
<i>Revenues:</i>				
NC PSAP payment	\$ 133,346	133,346	\$	\$ 134,036
Intergovernmental revenues	1,123,511	481,758		2,271,850
Investment earnings	1,000	1,041		1,658
Total revenues	<u>1,257,857</u>	<u>616,145</u>	<u>(641,712)</u>	<u>2,407,544</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
Contracted services		61,427		69,247
Other operating expense		40,353		33,326
Capital outlay		1,022,276		2,271,850
Total expenditures	<u>1,857,857</u>	<u>1,124,056</u>	<u>733,801</u>	<u>2,374,423</u>
Revenues over (under) expenditures	(600,000)	(507,911)	92,089	33,121
<i>Other financing sources (uses):</i>				
Appropriated fund balance	600,000		600,000	
Operating transfer in (out) from General Fund	-	-	-	-
Total other financing sources (uses)	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	\$ <u>-</u>	<u>(507,911)</u>	\$ <u>(507,911)</u>	<u>33,121</u>
Fund balances - beginning of year		919,503		886,382
Fund balances - end of year		\$ <u><u>411,592</u></u>		\$ <u><u>919,503</u></u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Grant Project Fund - CDBG Grant 10-C-2169
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues:</i>					
<i>CDBG Grant</i>	\$ 750,000	\$ -	\$ 10,410	\$ 10,410	\$ (739,590)
<i>Expenditures - Economic and physical development:</i>					
<i>Rehabilitation</i>	675,000	-	-	-	(675,000)
<i>Administration</i>	75,000	-	10,410	10,410	64,590
<i>Total expenditures</i>	750,000	-	10,410	10,410	(610,410)
<i>Revenues and other sources over (under) expenditures</i>	\$ -	\$ -	-	\$ -	\$ (1,350,000)
<i>Fund balance:</i>					
<i>Beginning of year</i>			-		
<i>End of year</i>			\$ -		

Mitchell County, North Carolina
Schedule of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	<i>Balance June 30, 2019</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2020</i>
Social Services -				
<i>Assets:</i>				
Cash and investments	\$ 55,055	\$ 387,470	\$ (335,800)	\$ 106,725
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 55,055	\$ 387,470	\$ (335,800)	\$ 106,725
Motor Vehicle Tax -				
<i>Assets:</i>				
Taxes receivable	\$ -	\$ 105,067	\$ (105,067)	\$ -
<i>Liabilities:</i>				
Intergovernmental payables	\$ -	\$ 105,067	\$ (105,067)	\$ -
Fines and Forfeitures -				
<i>Assets:</i>				
Cash and investments	\$ -	\$ 68,923	\$ (68,923)	\$ -
<i>Liabilities:</i>				
Intergovernmental payables - Board of Education	\$ -	\$ 68,923	\$ (68,923)	\$ -
Total intergovernmental payables	\$ -	\$ 68,923	\$ (68,923)	\$ -
Deed of Trust Fee Fund-				
<i>Assets:</i>				
Cash and investments	\$ -	\$ 2,227	\$ (2,227)	\$ -
<i>Liabilities:</i>				
Intergovernmental payable - State of North Carolina	\$ -	\$ 2,227	\$ (2,227)	\$ -
Totals - All Agency Funds				
<i>Assets:</i>				
Cash and investments	\$ 55,055	\$ 458,620	\$ (406,950)	\$ 106,725
Taxes receivable	-	105,067	(105,067)	-
Total assets	\$ 55,055	\$ 563,687	\$ (512,017)	\$ 106,725
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 55,055	\$ 387,470	\$ (335,800)	\$ 106,725
Intergovernmental payables - Town Motor Vehicles	-	105,067	(105,067)	-
Intergovernmental payables - Board of Education	-	68,923	(68,923)	-
Intergovernmental payables - State of North Carolina	-	2,227	(2,227)	-
Total liabilities	\$ 55,055	\$ 563,687	\$ (512,017)	\$ 106,725

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

	<i>Uncollected Balance June 30, 2019</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2020</i>
2019 - 2020	\$	\$ 10,671,434	\$ 10,304,219	\$ 367,215
2018 - 2019	367,190		176,562	190,628
2017 - 2018	184,536	-	65,424	119,112
2016 - 2017	103,997	-	25,610	78,387
2015 - 2016	71,789	-	17,499	54,290
2014 - 2015	45,929	-	10,761	35,168
2013 - 2014	38,422	-	7,052	31,370
2012 - 2013	35,054	-	7,563	27,491
2011 - 2012	26,712	-	6,830	19,882
2010 - 2011	18,617	-	3,583	15,034
2009 - 2010	13,493	-	13,493	-
	<u>\$ 905,739</u>	<u>\$ 10,671,434</u>	<u>\$ 10,638,596</u>	938,577
<i>Less: allowance for uncollectible accounts:</i>				
General Fund				<u>140,000</u>
<i>Ad valorem taxes receivable - net</i>				
General Fund				<u>\$ 798,577</u>
Reconciliation with revenues:				
<i>Ad valorem taxes - General Fund</i>				\$ 10,617,440
<i>Reconciling items:</i>				
Taxes written off				13,493
Discounts and abatements				<u>7,663</u>
Total reconciling items				<u>21,156</u>
<i>Total collections and credits</i>				<u>\$ 10,638,596</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, 2020**

	<i>County-wide</i>			<i>Total Levy</i>	
	<i>Property</i>	<i>Rate</i>	<i>Amount</i>	<i>Property</i>	<i>Registered</i>
	<i>Valuation</i>		<i>of Levy</i>	<i>excluding</i>	<i>Motor</i>
			<i>Registered</i>	<i>Motor</i>	<i>Vehicles</i>
<i>Original levy:</i>					
<i>Property taxed at current</i>					
<i>year's rate</i>	\$ 1,837,690,889	.58	10,658,607	\$ 9,823,260	\$ 835,347
<i>Total</i>	<u>1,837,690,889</u>		<u>10,658,607</u>	<u>9,823,260</u>	<u>835,347</u>
 <i>Discoveries:</i>					
<i>Current year taxes</i>	2,211,603		12,827	12,827	-
<i>Total</i>	<u>2,211,603</u>		<u>12,827</u>	<u>12,827</u>	<u>-</u>
 <i>Total property valuations</i>	\$ <u>1,839,902,492</u>				
 <i>Net levy</i>			10,671,434	9,836,087	835,347
 <i>Uncollected taxes at June 30, 2020</i>			<u>367,215</u>	<u>367,215</u>	<u>-</u>
 <i>Current year's taxes collected</i>			\$ <u>10,304,219</u>	\$ <u>9,468,872</u>	\$ <u>835,347</u>
 <i>Current year's collection percentage</i>			<u>96.56%</u>	<u>96.27%</u>	<u>100.00%</u>

See the accompanying Independent Auditor's Report.



S. Gillespie, P.A.

Certified Public Accountant

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, 2020, 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 20, 2020.

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.

S. Gillespie, P.A.
Spruce Pine, North Carolina
September 30, 2020



S. Gillespie, P.A.

Certified Public Accountant

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, 2020. 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

215 OAK AVE., P.O. BOX 725, SPRUCE PINE, NC 28777 • (828) 765-6444 • FAX: (828) 765-0538

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2020.

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.

S Gillespie, P.A

Spruce Pine, North Carolina
September 30, 2020



S. Gillespie, P.A.

Certified Public Accountant

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, 2020. 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, 2020.

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.

S. Gillespie, P.A.

Spruce Pine, North Carolina

September 30, 2020

MITCHELL COUNTY, NORTH CAROLINA
Schedule of Findings and Responses
For the Year Ended June 30, 2020

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, 2020 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, 2020 are:

E-911 Mitchell County Regional Backup Center Grant
Public School Building Lottery Funds
Public School Building Capital Funds

- 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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Provided to Subrecipients</u>	<u>Local Expenditures</u>
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Health & Human Services</u>						
Passed-through Region D Council of Governments:						
Special Programs for the Aging-Title III B						
Grants for Supportive Services and Senior Centers						
	93.044		\$ 18,231	1,072	\$ -	\$ 2,145
Special Programs for the Aging-Title III C						
Nutrition Services						
	93.045		134,726	7,925	-	15,950
Congregate Nutrition						
	93.053		24,868	-	-	-
Passed through N.C. Dept. of Health & Human Services						
Division of Social Services:						
Administration:						
Special Children Adoption						
	93.558		4,404	-	-	768
Temporary Assistance to Needy Families - Work First Admin						
	93.558		25,235	-	-	31,247
Temporary Assistance to Needy Families - Work First Svc						
	93.558		84,240	-	-	132,705
Child Support Enforcement						
	93.563		96,326	-	-	49,967
Low-Income Energy Admin and Assistance						
	93.568		80,467	-	-	-
Crisis Intervention Payments						
	93.568		68,621	-	-	-
Family Preservation						
	93.556		35,245	13,128	-	-
Child Welfare Services - Permanency Planning						
	93.645		9,223	-	-	-
Title IV-E Foster Care - CPS						
	93.658		144,286	-	-	165,965
Title IV-E Foster Care - Training						
	93.658		19,041	3,841	-	1,285
Title IV-E Optional Adoption - Training						
	93.659		8,340	-	-	7,397
Chafee Foster Care Independent Living						
	93.674		15,996	3,999	-	-
Other Services and Training - Social Services Block Grant						
	93.667		103,393	-	-	33,213
State Children's Insurance Program -NC Health Choice						
	93.767		29,204	907	-	2,018
Division of Medical Assistance:						
Administration:						
Medical Assistance						
	93.778		566,198	-	-	195,702
Medical Transportation Service						
	93.778		21,375	-	-	22,403
MAC						
	93.778		5,023	-	-	5,386
Adult Care Case Management						
	93.778		2,277	1,137	-	1,198
State County Special Assistance						
	93.778		23,976	-	-	7,726
Subsidized Child Care Cluster:						
Division of Social Services						
Child Care Development Fund - Adm.						
	93.596		76,800	-	-	-
Total Child Care Fund Cluster						
			76,800	-	-	-
Total Subsidized Child Care Cluster						
			76,800	-	-	-
Total U.S. Department of Health & Human Services						
			1,597,495	32,009	-	675,075
<u>U.S. Department of Agriculture</u>						
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		183,754	-	-	185,239
Food and Nutrition Services Recovery						
	10.561		17,316	-	-	14,751
Total U.S. Department of Agriculture						
			201,070	-	-	199,990
<u>U.S. Department of Transportation</u>						
Passed through N.C. Dept. of Transportation						
Formula Grants for Rural Areas						
CARES Act						
	20.509		33,610	-	-	-
Transit Developmental Programs						
	20.509	DOT-11	129,049	8,096	-	19,732
Rural Capital Program						
	20.509	DOT-14	65,616	8,201	-	82,013
Total U.S. Department of Transportation						
			228,275	16,297	-	101,745
<u>U.S. Department of Homeland Security</u>						
Passed through N.C. Dept. of Public Safety						
Control and Public Safety:						
Emergency Management						
	97.042		38,904	-	-	-

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Provided to Subrecipients</u>	<u>Local Expenditures</u>
Total U.S. Department of Justice			38,904	-	-	-
<u>U.S. Department of Housing and Urban Development</u>						
Passed through N.C. Dept. of Commerce:						
Community Development Block Grant CDBG	14.228		10,410	226,061	-	-
Total U.S. Department of Housing and Urban Development			10,410	226,061	-	-
Total federal cash assistance			2,065,744	274,367	-	976,810
STATE GRANTS						
Cash Programs:						
<u>N.C. Department of Health & Human Services</u>						
Passed-through Region D Council of Governments:						
Senior Center General Purpose			-	3,524	-	-
Division of Social Services:						
Direct Benefit Payment:						
Extended FC Max Non IV-E			-	64,880	-	21,626
FC At Risk Maximization			-	41,780	-	-
SFHF Maximization			-	167,311	-	166,833
State Foster Care Home			-	69,271	-	69,271
Total Direct Benefit Payments:			-	346,766	-	257,730
Energy Assistance Private Grants						
ST Child Welfare CPS CS LD			-	3,331	-	-
Total N.C. Department of Human Resources			-	9,657	-	-
			-	359,754	-	257,730
<u>N.C. Department of Transportation:</u>						
Elderly & Disabled TAP		ROAP	-	62,580	-	-
ROAP Employment		ROAP	-	6,896	-	-
Rural General Public Transportation		ROAP	-	60,608	-	-
Total N.C. Department of Transportation			-	130,084	-	-
<u>N.C. Department of Information Technology</u>						
North Carolina E-911 Board						
E 911 Regional Backup Center Grant			-	481,758	-	-
<u>N.C. Department of Public Safety</u>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention			-	81,259	-	-
<u>N.C. Department of Public Instruction:</u>						
Public School Building Capital Fund			-	350,225	350,225	-
Public School Building Capital Fund - Lottery Funds			-	243,820	243,820	-
			-	594,045	594,045	-
Total State cash assistance			-	1,646,900	594,045	257,730
Total assistance			\$ 2,065,744	\$ 1,921,267	\$ 594,045	\$ 1,234,540

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, 2020. 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.