

MITCHELL COUNTY, NORTH CAROLINA

Bakersville, North Carolina

Financial Statements

June 30, 2021

(with Independent Auditor's Report thereon)

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MITCHELL COUNTY, NORTH CAROLINA

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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, 2021, 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

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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, 2021, 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, 2021 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, 2021

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

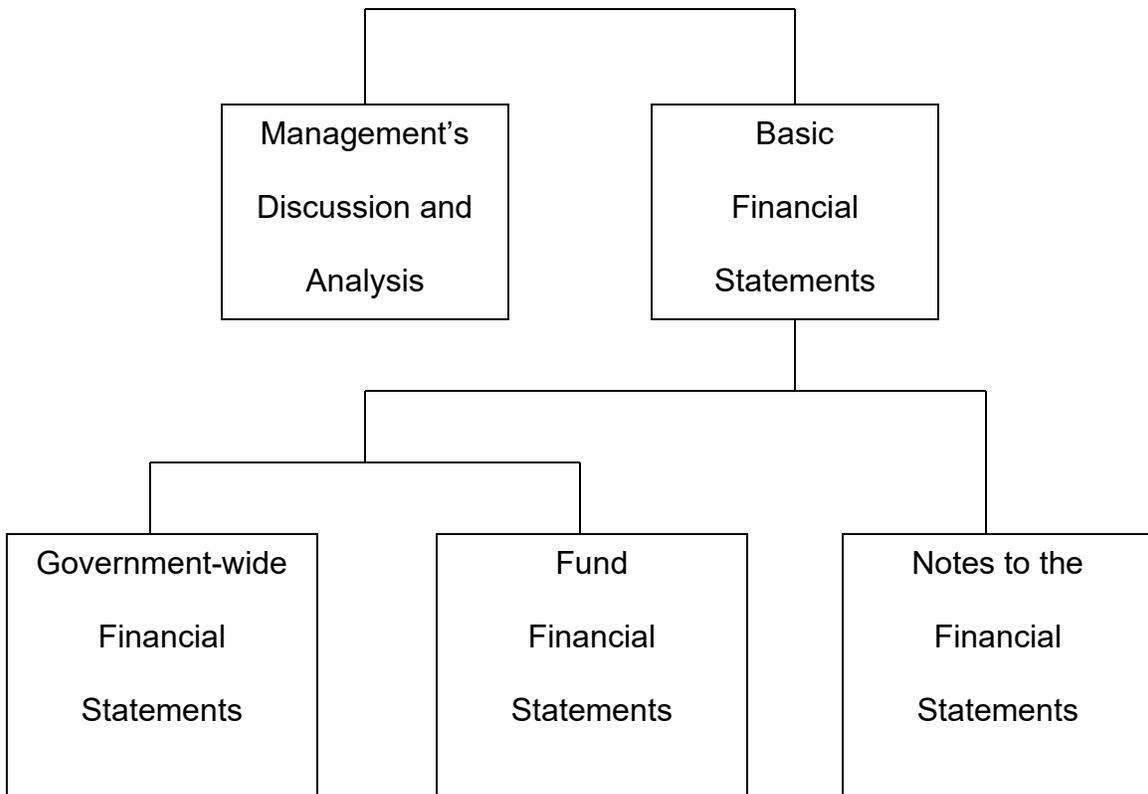
- *The assets of Mitchell County exceeded its liabilities at the close of the fiscal year by \$13,491,844.*
- *The government's total net position increased by \$533,450 for the current year.*
- *As of the close of the current fiscal year, Mitchell County's governmental funds reported combined ending fund balances of \$9,268,222, an increase of \$645,717 in comparison with the prior year. Approximately 72 percent of this total amount, or \$6,701,110 is available for spending at the government's discretion. Part of this amount (\$1,642,348) has been reserved to balance the 2021-22 budget.*
- *At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,058,762 or 23 percent of total general fund expenditures and transfers to other funds for the fiscal year. Again keep in mind that \$1,642,348 of the General Fund balance has been appropriated for use in the 2021-22 budget year and has not been included in the preceding calculation of 23% availability of fund balance.*
- *Mitchell County's tax collection rate remained consistent, averaging 96.81% in the current fiscal year and 96.56% 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>2021</u>	<u>2020</u>	<u>Difference</u>
<i>Current and other assets</i>	\$ 12,178,965	\$ 11,175,661	\$ 1,003,304
<i>Capital assets</i>	14,067,121	13,855,725	211,396
<i>Deferred outflows</i>	3,540,241	1,198,587	2,341,654
<i>Total assets and deferred outflows</i>	<u>\$ 29,786,327</u>	<u>\$ 26,229,973</u>	<u>\$ 3,556,354</u>
<i>Long-term liabilities outstanding</i>	\$ 9,465,766	\$ 9,105,460	\$ 360,306
<i>Other liabilities</i>	4,722,005	1,763,700	2,958,305
<i>Total liabilities</i>	<u>14,187,771</u>	<u>10,869,160</u>	<u>3,318,611</u>
<i>Deferred Inflows</i>	2,106,712	2,509,144	(402,432)
<i>Net position:</i>			
<i>Net investment in capital assets</i>	14,033,810	13,751,864	281,946
<i>Restricted</i>	2,088,943	1,666,470	422,473
<i>Unrestricted</i>	(2,630,909)	(2,566,665)	(64,244)
<i>Total net position</i>	<u>\$ 13,491,844</u>	<u>\$ 12,851,669</u>	<u>\$ 640,175</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 \$13,491,844 as of June 30, 2021. 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, \$2,088,943 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$2,630,909) 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 and changes in pension and healthcare liabilities and deferrals. Current liability increases in accounts payable arose primarily due to sales taxes for capital improvement payable to the Board of Education.

Management's Discussion and Analysis

Figure 3

	Governmental Activities	
	2021	2020
<i>Revenues:</i>		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 1,264,494	\$ 787,185
<i>Operating grants and contributions</i>	3,621,502	3,413,941
<i>Capital grants and contributions</i>	995,341	382,480
<i>General revenues:</i>		
<i>Property taxes</i>	12,008,712	11,804,725
<i>Other taxes</i>	4,692,774	4,116,544
<i>Investment earnings</i>	18,541	82,282
<i>Other</i>	1,424,137	736,226
<i>Total revenues</i>	24,025,501	21,323,383
<i>Expenses:</i>		
<i>General government</i>	2,917,005	3,019,816
<i>Public safety</i>	6,791,089	5,685,529
<i>Transportation</i>	744,409	846,664
<i>Environmental protection</i>	1,561,686	1,497,594
<i>Economic and physical development</i>	1,877,424	919,694
<i>Human services</i>	5,639,815	4,743,288
<i>Cultural and recreation</i>	327,841	298,000
<i>Education</i>	3,632,782	3,655,264
<i>Total expenses</i>	23,492,051	20,665,849
<i>Increase (decrease) in net position</i>	533,450	657,534
<i>Net position, beginning</i>	12,851,669	12,194,135
<i>Restatement</i>	106,725	-
<i>Net position, beginning as restated</i>	12,958,394	12,194,135
<i>Net position, ending</i>	\$ 13,491,844	\$ 12,851,669

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 \$6,701,110 while total general fund balance reached \$8,769,259. The Governing Body of Mitchell County has

Management's Discussion and Analysis

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 needs of the County. The County currently has an available fund balance of 23% of general fund expenditures, while total fund balance represents 41% of that same amount.

At June 30, 2021, the governmental funds of Mitchell County reported a combined fund balance of \$9,268,222 an 8 percent increase over last year.

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 \$1,010,472.

Capital Asset and Debt Administration

Capital assets. *Mitchell County's capital assets for its governmental activities as of June 30, 2021, total \$14,067,121 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.*

Major capital asset transactions during the year include:

- *Purchase of elections software*
- *Transportation and public safety vehicles*
- *Completion of E-911 Regional Backup Center*

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		
	2021	2020	Difference
<i>Land</i>	\$ 1,580,059	\$ 1,580,059	\$ -
<i>Construction and other assets in progress</i>	-	3,555,003	(3,555,003)
<i>Buildings</i>	9,291,735	5,773,654	3,518,081
<i>Improvements other than buildings</i>	1,498,545	1,541,427	(42,882)
<i>Machinery and equipment</i>	474,476	403,376	71,100
<i>Vehicles and motorized equipment</i>	1,222,306	1,002,206	220,100
<i>Total</i>	\$ 14,067,121	\$ 13,855,725	\$ 211,396

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, 2021 Mitchell County had total debt outstanding of \$12,479,042. Of this, \$275,746 is compensated absences, \$285,714 is qualified zone academy bond financing, \$33,311 due for equipment purchased under capital lease, \$9,047,663 is accrued liability for other post-employment benefits such as health insurance and \$2,837,108 represents various pension obligations.*

Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

For the fiscal year ended June 30, 2022, budgeted expenditures in the General Fund are expected to slightly decrease to \$21,163,102. To cover costs included in the upcoming budget, management has appropriated \$1,642,348 of the available fund balance.

Mitchell County feels comfortable with this Fund Balance Appropriation considering its current fund balance of 23%. 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 96.99%.

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, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,955,995
Receivables (net)	1,114,422
Prepaid expenses	59,959
Due from other governments	1,900,291
Restricted cash and equivalents	117,911
Net pension asset - ROD	30,387
Capital assets:	
Land, improvements, and construction in progress	1,580,059
Other capital assets, net of depreciation	12,487,062
Total capital assets	<u>14,067,121</u>
Total assets	<u>26,246,086</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,540,241</u>
LIABILITIES	
Accounts payable and accrued expenses	1,739,117
Long-term liabilities:	
Net pension liability - LGERS	2,249,829
Total pension liability - LEO	556,891
Due within one year	176,168
Due in more than one year	9,465,766
Total liabilities	<u>14,187,771</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,106,712</u>
NET POSITION	
Net investment in capital assets	14,033,810
Restricted for:	
Stabilization by State statute	2,088,631
Register of Deeds	312
Unrestricted (deficit)	<u>(2,630,909)</u>
Total net position	<u>\$ 13,491,844</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, 2021

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	\$ 2,917,005	\$ 205,427	\$ -	\$ -	\$ (2,711,578)
Public safety	6,791,089	243,810	45,333	243,119	(6,258,827)
Transportation	744,409	23,962	438,277	255,437	(26,733)
Environmental protection	1,561,686	407,743	43,929	-	(1,110,014)
Economic and physical development	1,877,424	-	-	496,785	(1,380,639)
Human services	5,639,815	331,135	3,088,413	-	(2,220,267)
Cultural and recreation	327,841	52,417	5,550	-	(269,874)
Education	3,632,782	-	-	-	(3,632,782)
Total governmental activities	\$ 23,492,051	\$ 1,264,494	\$ 3,621,502	\$ 995,341	\$ (17,610,714)

General revenues:

Taxes:

Property taxes, levied for general purpose	12,008,712
Local option sales tax	4,360,599
Other taxes and licenses	332,175
Investment earnings, unrestricted	18,541
Miscellaneous, unrestricted	1,424,137
Total general revenues, special items, and transfers	18,144,164
Change in net position	533,450
Net position - beginning as previously reported	12,851,669
Restatement - change in accounting principle	106,725
Net position-beginning	12,958,394
Net position-ending	\$ 13,491,844

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

MITCHELL COUNTY, NORTH CAROLINA

Exhibit "3"

**Balance Sheet
Governmental Funds
June 30, 2021**

<i>Assets</i>	<i>General</i>	<i>Other Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Assets:</i>			
<i>Cash and investments</i>	\$ 8,470,400	\$ 485,595	\$ 8,955,995
<i>Restricted cash</i>	117,911	-	117,911
<i>Receivables (net)</i>	840,444	94,683	935,127
<i>Prepaid expenses</i>	59,959	-	59,959
<i>Due from other governments</i>	1,889,967	10,324	1,900,291
 <i>Total assets</i>	 <u>\$ 11,378,681</u>	 <u>\$ 590,602</u>	 <u>\$ 11,969,283</u>

Liabilities, Deferred Inflows of Resources and Fund Balances

<i>Liabilities:</i>			
<i>Accounts payable</i>	\$ 1,739,117	\$ -	\$ 1,739,117
<i>Total liabilities</i>	<u>1,739,117</u>	<u>-</u>	<u>1,739,117</u>
 <i>Deferred Inflows of Resources:</i>			
	<u>870,305</u>	<u>91,639</u>	<u>961,944</u>
 <i>Fund balances:</i>			
<i>Nonspendable:</i>			
<i>Prepaid expenses</i>	59,959	-	59,959
<i>Restricted:</i>			
<i>Stabilization by State statute</i>	1,889,967	19,369	1,909,336
<i>Health services</i>		59,831	59,831
<i>Register of Deeds</i>	312	-	312
<i>Committed:</i>			
<i>Tax revaluation</i>	117,911	-	117,911
<i>Emergency Telephone System</i>	-	419,763	419,763
<i>Assigned:</i>			
<i>Subsequent year's expenditures</i>	1,642,348	-	1,642,348
<i>Unassigned:</i>			
	<u>5,058,762</u>	<u>-</u>	<u>5,058,762</u>
<i>Total fund balances</i>	<u>8,769,259</u>	<u>498,963</u>	<u>9,268,222</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 11,378,681</u>	 <u>\$ 590,602</u>	

*Amounts reported for governmental activities in the statement of net position
(Exhibit 1) are different because:*

<i>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</i>	14,067,121
<i>Net pension liability</i>	(2,249,829)
<i>Net pension asset</i>	30,387
<i>Total pension liability</i>	(556,891)
<i>Contributions to OPEB are not current resources and therefore are deferred</i>	
<i>Deferred inflows of resources for prepaid taxes</i>	932,083
<i>Pension related deferrals</i>	1,463,419
<i>Healthcare plan liability</i>	(9,047,692)
<i>Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds</i>	179,295
<i>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.</i>	<u>(594,271)</u>

Net position of governmental activities \$ 13,491,844

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, 2021

	General Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<i>Revenues:</i>			
<i>Ad valorem taxes</i>	\$ 10,918,344	\$ 1,051,494	\$ 11,969,838
<i>Local option sales tax</i>	4,360,598	-	4,360,598
<i>Other taxes</i>	310,909	-	310,909
<i>Unrestricted intergovernmental</i>	55,968	-	55,968
<i>Restricted intergovernmental</i>	4,883,722	1,082,575	5,966,297
<i>Licenses and permits</i>	186,849	-	186,849
<i>Sales and services</i>	877,165	-	877,165
<i>Investment earnings</i>	3,335	15	3,350
<i>Miscellaneous</i>	246,221	-	246,221
<i>Total revenues</i>	<u>21,843,111</u>	<u>2,134,084</u>	<u>23,977,195</u>
<i>Expenditures:</i>			
<i>Current:</i>			
<i>General government</i>	2,497,071	35,408	2,532,479
<i>Public safety</i>	5,120,056	1,132,498	6,252,554
<i>Public transportation</i>	628,085	-	628,085
<i>Environmental protection</i>	1,499,241	-	1,499,241
<i>Economic and physical development</i>	1,379,135	496,785	1,875,920
<i>Human services</i>	5,069,738	378,029	5,447,767
<i>Cultural and recreational</i>	307,721	-	307,721
<i>Education</i>	3,632,782	-	3,632,782
<i>Capital outlay</i>	825,368	110,718	936,086
<i>Debt service:</i>			
<i>Principal retirement</i>	213,406	-	213,406
<i>Interest and fees</i>	5,437	-	5,437
<i>Total expenditures</i>	<u>21,178,040</u>	<u>2,153,438</u>	<u>23,331,478</u>
<i>Excess of revenues over expenditures</i>	665,071	(19,354)	645,717
<i>Fund balances - beginning of year</i>	8,104,188	411,592	8,515,780
<i>Prior period restatement - change in accounting principle</i>	-	106,725	106,725
	<u>8,104,188</u>	<u>518,317</u>	<u>8,622,505</u>
<i>Fund balances - end of year</i>	<u>\$ 8,769,259</u>	<u>\$ 498,963</u>	<u>\$ 9,268,222</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, 2021

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

Net changes in fund balances - total governmental funds	\$ 645,717
<i>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.</i>	217,311
<i>Gain (loss) on disposal of fixed assets</i>	(5,915)
<i>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</i>	54,221
<i>Contributions to the pension plan in the current year are not included on the Statement of Activities</i>	45,169
<i>Changes in pension deferrals</i>	320,574
<i>Changes in pension liabilities</i>	(690,359)
<i>Contributions to the healthcare plan in the current year are not included on the Statement of Activities</i>	(210,219)
<i>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.</i>	213,407
<i>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.</i>	<u>(56,456)</u>
<i>Total changes in net position of governmental activities</i>	<u>\$ 533,450</u>

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

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, 2021

	<u>General Fund</u>			Variance With Final Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<i>Revenues:</i>				
Ad valorem taxes	\$ 10,671,123	10,809,560	10,918,344	\$ 108,784
Local option sales taxes	3,776,172	4,296,957	4,360,598	63,641
Other taxes and licenses	178,958	301,372	310,909	9,537
Unrestricted intergovernmental	55,000	55,175	55,968	793
Restricted intergovernmental	3,765,784	4,950,031	4,883,722	(66,309)
Licenses and permits	157,708	171,398	186,849	15,451
Sales and services	834,123	864,949	877,165	12,216
Investment earnings	98,735	3,790	3,194	(596)
Miscellaneous	-	234,339	246,221	11,882
Total revenues	<u>19,537,603</u>	<u>21,687,571</u>	<u>21,842,970</u>	<u>155,399</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	3,203,101	2,724,775	2,616,882	107,893
Public safety	5,299,657	5,495,340	5,344,434	150,906
Public transportation	765,642	1,208,063	915,341	292,722
Environmental protection	1,492,309	1,536,433	1,528,143	8,290
Economic and physical development	655,020	1,461,736	1,379,135	82,601
Human services	5,257,056	5,227,577	5,069,738	157,839
Cultural and recreational	303,191	308,691	307,721	970
<i>Intergovernmental:</i>				
Education	3,737,675	3,685,523	3,632,782	52,741
<i>Debt service:</i>				
Principal retirement	142,858	213,406	213,406	-
Interest and fees	-	5,437	5,437	-
Total expenditures	<u>20,856,509</u>	<u>21,866,981</u>	<u>21,013,019</u>	<u>853,962</u>
Revenues over (under) expenditures	<u>(1,318,906)</u>	<u>(179,410)</u>	<u>829,951</u>	<u>1,009,361</u>
<i>Other financing sources (uses):</i>				
Debt issue proceeds	-	-	-	-
Operating transfers from (to) other funds	(100,000)	(100,000)	(100,000)	-
Appropriated fund balance	1,418,906	279,410	-	(279,410)
Total other financing sources (uses)	<u>1,318,906</u>	<u>179,410</u>	<u>(100,000)</u>	<u>(279,410)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>729,951</u>	<u>\$ 729,951</u>
<i>Fund balances:</i>				
Beginning of year			7,921,224	
End of year			<u>\$ 8,651,175</u>	

A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes.

Interest earnings	141
Transfers in from general fund	100,000
Expenditures	(165,021)
Beginning Fund Balance - Revaluation	182,964
Ending Fund Balance - Exhibit 4	<u>\$ 8,769,259</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2021

	<i>Pension Trust</i>
	<u><i>Funds</i></u>
<i>Assets:</i>	
<i>Cash and investments</i>	\$ <u>190,130</u>
<i>Total assets</i>	\$ <u><u>190,130</u></u>
 <i>Liabilities:</i>	
<i>Miscellaneous liabilities</i>	\$ <u>190,130</u>
<i>Total liabilities</i>	\$ <u><u>190,130</u></u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
<i>Additions:</i>		
Employer contributions	\$ -	\$ -
Investment income	18,039	-
Ad valorem taxes collected for other governments	-	131,610
Total additions	<u>18,039</u>	<u>131,610</u>
<i>Deductions:</i>		
Withdrawals and transfers out	23,348	-
Tax distributions to other governments	-	131,610
Total deductions	<u>23,348</u>	<u>131,610</u>
Change in net position	(5,309)	-
Net position, beginning	195,439	-
Net position, ending	<u>\$ 190,130</u>	<u>\$ -</u>

See the accompanying independent Auditor's report.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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:

The county maintains five legally budgeted funds; the Fire District Fund, the Emergency Telephone Fund, the Representative Payee Fund, the Deed of Trust Fee Fund and the Fines and Forfeitures Fund.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

The County reports the following fund types:

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.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial fund: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County,

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.

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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 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).

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

The majority of the County's investments are carried at fair value. Non-participating interest earning investment contracts are reported at cost. Funds are invested with the North Carolina Capital Management Trust (NCCMT), which consists of two SEC registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a7 fund which invests in treasuries and government agencies and is rated AAAM by S&P and AAmf by Moody Investor Services. The Government Portfolio is reported at fair value

2. Cash and Cash Equivalents

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

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, 2020.

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.

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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 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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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.

- 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, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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 \$ 4,223,622 consists of several elements as follows:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

<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>	\$ 21,334,040
<i>Less Accumulated Depreciation</i>	<u>(7,266,919)</u>
<i>Net capital assets</i>	<u>14,067,121</u>
<i>Net pension asset</i>	30,387
<i>Net pension liability</i>	(2,249,829)
<i>Total pension liability</i>	(556,891)
<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>	179,295
<i>Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide</i>	932,083
<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>	1,463,419
<i> Healthcare related deferrals</i>	(9,047,692)
<i> Compensated absences</i>	(275,246)
<i> Bonds, leases, and installment financing</i>	(319,025)
<i> Total adjustment</i>	<u>\$ 4,223,622</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 \$112,267 as follows:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

<u>Description</u>	
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 936,086
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	(718,775)
Contributions to the pension plan in the current year are not reported on the Statement of Activities	45,169
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	213,407
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	
Loss on the sale of assets	(5,915)
Change in compensated absences	(56,456)
Change in pension obligation	(369,712)
Change in other post employment benefits	(210,219)
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 06/30/21	15,374
Decrease in deferred revenue from taxes receivable at 07/01/20	38,774
Total adjustment	\$ <u>(112,267)</u>

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the County's Special Revenue Funds exceeded the authorized appropriations made by the governing board for the Deed of Trust fund, Fines and Forfeitures Fund, and Payee Representative Fund. The approved budget did not include a provision for these new fund types that arose upon implementation of GASB 84. The net effect of this departure from the budget process was immaterial to the financial statements. Management and the board will implement processes to ensure compliance in future years.

III. 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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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.

At June 30, 2021, the County's deposits had a carrying value of \$1,122,204 and a bank balance of \$1,200,985. The carrying value includes fiduciary funds of \$190,130 and \$950,985 was covered by collateral held under the Pooling Method.

The County maintains cash on hand of \$1,300.

2. Investments

At June 30, 2021, 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	8,140,532	8,140,532	N/A

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.

All investments of the County are measured using the market approach; using prices and other information generated by market transactions involving identical or comparable assets or groups of assets.

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, 2021.

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.

MITCHELL COUNTY, NORTH CAROLINA
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

3. Receivables

Receivables – Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2021 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	\$ 45,317	\$ 1,114,422	\$ 1,897,247	\$ 3,056,986
Other Governmental	-	95,683	3,044	98,727
Total receivables	<u>45,317</u>	<u>1,210,105</u>	<u>1,900,291</u>	<u>3,155,713</u>
Allowance for doubtful accounts	-	(141,000)	-	(141,000)
Total - Governmental activities	<u>\$ 45,317</u>	<u>\$ 1,069,105</u>	<u>\$ 1,900,291</u>	<u>\$ 3,014,713</u>

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

Local option sales tax and hold harmless funds	\$ 761,245
NC DOT operating subsidy and capital grants	193,103
NC DHHS operating funds	417,580
NC DMV Motor Vehicle tax	95,781
Senior Services	17,192
White Goods and Tire Disposal	9,503
NC sales tax refund receivable	168,886
Other	237,001
	<u>\$ 1,900,291</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, 2021:

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

MITCHELL COUNTY, NORTH CAROLINA
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

4.

Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	1,580,060	-	-	1,580,060
Construction in progress	3,555,002	-	(3,555,002)	-
	<u>\$ 5,135,062</u>	<u>\$ -</u>	<u>\$ (3,555,002)</u>	<u>\$ 1,580,060</u>
<i>Capital assets being depreciated:</i>				
Buildings	7,289,752	3,665,721	-	10,955,473
Other improvements	2,197,485	17,739	-	2,215,224
Equipment	2,801,402	323,115	(66,967)	3,057,550
Vehicles and motor equipment	3,137,636	484,512	(96,415)	3,525,733
Total capital assets being depreciated	<u>15,426,275</u>	<u>4,491,087</u>	<u>(163,382)</u>	<u>19,753,980</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,516,095	147,640	-	1,663,735
Other improvements	655,258	60,621	-	715,879
Equipment	2,398,826	246,099	(61,052)	2,583,873
Vehicles and motor equipment	2,135,433	264,414	(96,415)	2,303,432
Total accumulated depreciation	<u>6,705,612</u>	<u>718,774</u>	<u>(157,467)</u>	<u>7,266,919</u>
Total capital assets being depreciated, net	<u>8,720,663</u>			<u>12,487,061</u>
Governmental activity capital assets, net	<u>\$ 13,855,725</u>			<u>\$ 14,067,121</u>

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

General government	\$ 134,832
Public safety	390,655
Transportation	91,361
Environmental protection	42,272
Economic and physical development	1,504
Human services	45,918
Cultural and recreational	12,232
Total depreciation expense	<u>\$ 718,774</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'

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2021, was 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 \$541,594 for the year ended June 30, 2021.

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

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

At June 30, 2021, the County reported a liability of \$2,249,829 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension 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, 2021, the County's proportion was .06296%, which was a decrease of .00177 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the County recognized pension expense of \$761,113. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 284,114	\$ -
Changes of assumptions	167,431	
Net difference between projected and actual earnings on pension plan investments	316,603	-
Changes in proportion and differences between County contributions and proportionate share of contributions	22,354	76,328
County contributions subsequent to the measurement date	541,594	-
Total	<u>\$ 1,332,096</u>	<u>\$ 76,328</u>

\$541,594 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ 205,110
2023	271,461
2024	143,906
2025	93,698
2026	-
Thereafter	-
	<u>\$ 714,175</u>

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's proportionate share of the net pension liability (asset)	\$ 4,564,658	\$ 2,249,829	\$ 326,043

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, 2020, the Separation Allowance's membership consisted of:

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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, 2019 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per annum
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$45,169 as benefits came due for the reporting period.

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

At June 30, 2021, the County reported a total pension liability of \$556,891. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$61,575.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,740	\$ 51,216
Changes of assumptions	160,870	8,668
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions County contributions subsequent to the measurement date	-	-
Total	<u>\$ 178,610</u>	<u>\$ 59,884</u>

\$-0- 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:

Year ended June 30:

2022	\$ 22,683
2023	23,339
2024	22,879
2025	25,843
2026	21,067
Thereafter	2,915
	<u>\$ 118,726</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 1.93 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
County's proportionate share of the net pension liability (asset)	\$ 608,178	\$ 556,891	\$ 509,830

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

Total Pension Liability as of December 31, 2019	\$ 390,260
Changes for the year:	
Service Cost at End of Year	26,170
Interest	12,722
Change in benefit terms	0
Difference between expected and actuarial	
Experience	(44,420)
Changes of assumptions and other inputs	172,159
Benefit payments	0
Other	0
Net changes	\$166,631
Total Pension Liability as of December 31, 2020	\$556,891

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.26 percent at June 30, 2019 to 1.93 percent at June 30, 2020.

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, 2021 were \$45,169 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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

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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.

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 \$6,321 for the year ended June 30, 2021.

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

At June 30, 2021, the County reported an asset of \$30,387 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2021, the County's proportion was .13259%, which was a decrease of .00338% from its proportion measured as of June 30, 2020.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

For the year ended June 30, 2021, the County recognized pension expense of \$3,485. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 619
Changes of assumptions	-	
Net difference between projected and actual earnings on pension plan investments	-	2,600
Changes in proportion and differences between County contributions and proportionate share of contributions	2,231	-
County contributions subsequent to the measurement date	6,321	-
Total	<u>\$ 8,552</u>	<u>\$ 3,219</u>

\$6,321 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 664
2022	176
2023	(1,173)
2024	(655)
2025	-
Thereafter	-
	<u>\$ (988)</u>

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

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 35

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

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

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

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ 25,810	\$ 30,387	\$ 34,260

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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, 2020, 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, 2020, with an actuarial valuation date of December 31, 2019. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	ROD	LEOSSA	Total
Proportionate Share of Net Pension Liability (Asset)	\$ 2,249,829	\$ (30,387)	\$ 556,891	\$ 2,776,333
Proportion of the Net Pension Liability (Asset)	0.10530%	.13597	n/a	
Total Pension Liability	-	-	\$ -	\$ -

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

	LGERS	ROD	LEOSSA	Total
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 284,144	\$ -	\$ 17,740	\$ 301,884
Changes of assumptions	167,431	-	160,870	328,301
Net difference between projected and actual earnings on pension plan investments	316,603	-	-	316,603
Changes in proportion and differences between County contributions and proportionate share of contributions	22,354	2,231	-	24,585
County contributions (LGERS,ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	541,594	6,621	-	548,215
<u>Deferred Inflows of Resources</u>				-
Differences between expected and actual experience	\$ -	\$ 619	\$ 51,216	\$ 51,835
Changes of assumptions	76,328	-	8,668	84,996
Changes in proportion and differences between County contributions and proportionate share of contributions	-	2,600	-	2,600

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

(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.

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, 2021, the HCB Plan membership consisted of the following:

	2021
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 \$9,047,663 was measured as of June 30, 2020 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, 2019 and December 31, 2020 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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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, 2020 and June 30, 2021 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, 2019 and December 31, 2020 valuations were based on the results of an actuarial experience study for the period 2010-2014.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.21 percent which was a change from the discount rate of 3.50 percent at June 30, 2020. 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 7.34 percent at June 30, 2020 per the S&P Municipal Bond 20 Year High Grade Rate Index. As of June 30, 2021, the S&P Municipal Bond 20 Year High Grade rate was 1.56 percent.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1/2019	6,409,658
Changes for the year	
Service cost	206,201
Interest	229,156
Changes of benefit terms	-
Differences between expected and actual experience	10,273
Changes in assumptions or other inputs	2,330,651
Benefit payments	(138,276)
Net changes	2,638,005
Balance at 6/30/2020	9,047,663

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 2015 through December 2019 adopted by the LGERS.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 11,186,610	\$ 9,047,663	\$ 7,431,363

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 7,217,495	\$ 9,047,663	\$ 11,546,630

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

For the year ended June 30, 2021, the County recognized OPEB expense of \$348,495. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,754	\$ 1,131,830
Changes of assumptions	2,004,229	805,561
Benefit payments and administrative costs made subsequent to the measurement date	-	
Total	\$ 2,020,983	\$ 1,937,391

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

Year ended June 30:	
2022	\$ (86,862)
2023	(86,862)
2024	(86,862)
2025	(48,211)
2026	51,352
Thereafter	341,037

OTHER EMPLOYMENT BENEFITS

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Pensions - difference between expected and actual experience</i>		
<i>LGERS</i>	\$ 284,114	\$ -
<i>Register of Deeds</i>	-	-
<i>LEO</i>	17,740	51,216
<i>Changes of assumptions</i>	328,301	11,268
<i>Opeb - Changes of assumptions</i>	2,004,229	1,131,830
<i>Opeb - difference between projected and actual investment earnings</i>	16,754	805,561
<i>Opeb contributions to plan in 2019-20 fiscal year</i>	-	
<i>Pensions - difference between projected and actual investment earnings</i>	316,603	619
<i>Pensions - change in proportion and difference between employer contributions and proportionate share of contributions</i>	24,585	76,328
<i>Contributions to pension plan in 2020-2021 fiscal year</i>	548,215	-
<i>Prepaid taxes not yet earned (General)</i>	-	29,890
Total	\$ 3,540,541	\$ 2,106,712

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

5. Risk Management

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

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

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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

<i>General Long-Term Debt:</i>	<u>Principal</u>
2022	142,857
2023	142,858
	<u>\$ 285,715</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 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, 2021, 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>	283,976	168,933	115,043
<i>Total</i>	<u>\$ 283,976</u>	<u>\$ 168,933</u>	<u>\$ 115,043</u>

For Mitchell County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30</u>	
2022	<u>34,893</u>
Total minimum lease payments	34,893
Less: amount representing interest	<u>1,582</u>
Present value of the minimum lease payments	<u>\$ 33,311</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, 2021:

MITCHELL COUNTY, NORTH CAROLINA
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>Balance</u> <u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<i>Governmental activities:</i>					
<i>Direct placement installment 1</i> \$	428,572	\$ -	\$ 142,857	\$ 285,715	\$ 142,857
<i>Leases payable</i>	103,861	-	70,550	33,311	33,311
<i>LGERS Net pension liability</i>	1,767,726	482,103		2,249,829	-
<i>Compensated absences</i>	218,790	56,456	-	275,246	-
<i>Net pension obligation</i>	390,260	166,631	-	556,891	-
<i>Net health care plan obligation</i>	6,409,658	2,638,005		9,047,663	-
	<u>\$ 9,318,867</u>	<u>\$ 3,343,195</u>	<u>\$ 213,407</u>	<u>\$ 12,448,655</u>	<u>\$ 176,168</u>

At June 30, 2021, the County had a legal debt margin of \$150,149,704.

7. Claims and Judgments

At June 30, 2021, 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, 2021 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, 2021, Mitchell County's portion of shared costs was \$120,361.

(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:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

Total fund balance-General Fund	\$8,769,259
Less:	
Stabilization by State Statute	1,889,967
Prepaid expenses	59,959
Appropriated Fund Balance in 2022 budget	1,642,348
Committed to Tax Revaluation	117,911
Register of Deeds	312
Remaining Fund Balance	\$5,058,762

IV. 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, 2021. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,334 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 \$357,387 and \$25,000 to the College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2021. 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, 2021. 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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

V. 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 \$10,183 to the Council during the fiscal year ending June 30, 2021.

VI. 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.

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VII. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2021, the date which the financial statements were available to be issued.

VIII. CHANGE IN ACCOUNTING PRINCIPLE

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

- \$106,725 increase to reflect cash account balance in Representative Payer Fund, a nonmajor special revenue fund.

Mitchell County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 390,260	\$ 324,369	\$ 332,924	\$ 319,971	\$ 321,039
Service Cost	26,170	24,513	24,358	19,933	19,090
Interest on the total pension liability	12,722	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	(44,420)	26,522	(14,877)	(18,188)	-
Changes of assumptions or other inputs	172,159	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>\$ 556,891</u>	<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, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 556,891	\$ 390,260	\$ 324,369	\$ 332,924	\$ 319,971
Covered payroll	959,756	940,753	862,581	812,168	724,261
Total pension liability as a percentage of covered payroll	58.02%	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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 206,201	\$ 315,297	\$ 338,122	\$ 389,787
Interest	229,156	293,175	268,601	238,458
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	10,273	(1,569,617)	13,008	(3,929)
Changes of assumptions	2,330,651	(99,144)	(502,838)	(894,540)
Benefit payments	(138,276)	(132,118)	(118,572)	(95,735)
Net change in total OPEB liability	2,638,005	(1,192,407)	(1,679)	(365,959)
Total OPEB liability - beginning	6,409,658	7,602,065	7,603,744	7,969,703
Total OPEB liability - ending	9,047,663	6,409,658	7,602,065	7,603,744
Plan fiduciary net position				
Contributions - employer	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	-	-	-	-
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-
County's net OPEB liability - ending	\$ 9,047,663	\$ 6,409,658	\$ 7,602,065	\$ 7,603,744
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	3,991,015	3,991,015	4,047,753	4,047,753
County's net OPEB liability as a percentage of covered payroll	226.70%	160.60%	187.81%	187.85%

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

Local Government Employees Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.062960	0.064730	0.079740	0.076750	0.075860	0.076990	0.074390	0.072600
County's proportion of the net pension liability (asset) (\$)	2,249,829	1,767,726	1,891,706	1,172,527	1,610,033	345,527	(438,712)	875,109
County's covered-employee payroll	3,659,160	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 payr	0.615	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	98.2200

* 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 Eight Fiscal Years

Local Government Employees Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	541,594	419,778	383,914	408,171	373,121	266,616	266,955	255,587
Contributions in relation to the contractually required contribution	541,594	419,778	383,914	408,171	373,121	266,616	266,955	255,587
County's covered-employee payroll	5,144,284	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	0.1053	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 Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.132590	0.135970	0.154590	0.147490	0.157830	0.157590	0.164542	0.169462
County's proportion of the net pension liability (asset) (\$)	30,387	26,843	25,605	25,175	(29,508)	(36,520)	(37,295)	(36,197)
County's covered-employee payroll	53,655	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	0.566	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	153.7700	160.1700	197.2900	193.8800	190.5000	188.7500	189.5600

* 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 Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	6,321	4,867	4,090	3,904	4,012	3,389	3,483	3,406
Contributions in relation to the contractually required contribution	6,321	4,867	4,090	3,904	4,012	3,389	3,483	3,406
County's covered-employee payroll	61,603	53,655	52,173	51,301	54,287	49,761	49,265	48,177
Contributions as a percentage of covered-employee payroll	0.1026	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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
Revenues:				
<i>Ad valorem taxes:</i>				
Taxes	\$	\$ 10,819,456	\$	\$ 10,617,440
Penalties and interest		98,888		109,401
Total		<u>10,809,560</u>		<u>10,726,841</u>
<i>Local option sales taxes:</i>				
Article 39 one percent		1,950,990		1,729,713
Article 40 one-half of one percent		1,159,210		1,026,072
Article 42 one-half of one percent		977,958		859,470
Article 44 one-half of one percent		272,440		264,856
Total		<u>4,296,957</u>		<u>3,880,111</u>
<i>Other taxes and licenses:</i>				
Real estate transfer tax		109,509		61,119
Adm cost excise tax		2,188		1,470
Occupancy tax		120,091		70,053
Scrap tire disposal tax		21,890		20,701
Solid waste disposal tax		21,384		11,941
Other		35,847		33,383
Total		<u>301,372</u>		<u>198,667</u>
<i>Unrestricted intergovernmental:</i>				
Payments in lieu of taxes		55,968		57,608
Total		<u>55,175</u>		<u>57,608</u>
<i>Restricted intergovernmental:</i>				
State and federal grants		4,865,207		3,010,726
Court facilities fees		13,211		12,810
ABC Board		5,304		4,639
Total		<u>4,950,031</u>		<u>3,028,175</u>
<i>Licenses and permits:</i>				
Inspection fees and building permits		116,966		106,646
Register of deeds		65,143		49,932
Marriage licenses		4,740		5,040
Total		<u>171,398</u>		<u>161,618</u>
<i>Sales and services:</i>				
Officer and jail fees		48,702		53,190
Rent		74,318		73,118
Cable and telephone fees		44,418		46,183
Recycling waste revenue		58,002		35,053
Tipping fees		331,374		277,289

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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
Transportation fees		174,984		216,871
Recreation fees		52,417		35,978
Other fees		92,950		328,718
Total	864,949	877,165	12,216	1,066,400
Investment earnings	3,790	3,194	(596)	93,709
Miscellaneous:				
Contributions		86,585		120,327
Nongovernmental grants		83,500		232,110
Sales of fixed assets		6,264		6,479
Insurance refunds		65,004		42,888
Other		4,868		16,370
Total	234,339	246,221	11,882	418,174
Total revenues	21,687,571	21,842,970	155,399	19,631,303
Expenditures:				
General government -				
Administration:				
Salaries and employee benefits		457,362		323,239
Other operating expenditures		491,602		418,314
Capital outlay		-		495,976
Total	975,450	948,964	26,486	1,237,529
Elections:				
Salaries and employee benefits		128,287		107,421
Other operating expenditures		71,614		61,125
Total	219,889	199,901	19,988	168,546
Finance:				
Salaries and employee benefits		242,144		173,870
Other operating expenditures		14,638		13,493
Total	260,264	256,782	3,482	187,363
Tax listing and supervisor:				
Salaries and employee benefits		153,038		140,046
Other operating expenditures		25,606		28,917
Total	191,993	178,644	13,349	168,963
Tax collections:				
Salaries and employee benefits		117,065		107,514
Other operating expenditures		19,093		19,838

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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
Total	141,817	136,158	5,659	127,352
Mapping/GIS:				
Salaries and employee benefits		61,565		53,090
Other operating expenditures		2,675		3,150
Total	65,091	64,240	851	56,240
Register of Deeds:				
Salaries and employee benefits		183,936		160,775
Other operating expenditures		64,586		66,474
Total	250,676	248,522	2,154	227,249
Public Buildings:				
Salaries and employee benefits		119,779		88,502
Other operating expenditures		312,307		377,997
Capital outlay		11,429		532,236
Total	466,777	443,515	23,262	998,735
Legal and auditing:				
Contracted services	119,318	109,579	9,739	100,817
Facilities fees:				
Other operating expenditures	33,500	30,577	2,923	33,966
Total general government	2,724,775	2,616,882	107,893	3,306,760
Public safety -				
Sheriff's Department:				
Salaries and employee benefits		1,462,832		1,352,661
Other operating expenditures		338,174		326,805
Capital outlay		378,072		200,503
Total	2,213,074	2,179,078	33,996	1,879,969
Jail:				
Contracted services		636,370		702,352
Other operating expenditures		28,032		48,531
Total	721,167	664,402	56,765	750,883
Fire protection:				
Contracted services	-	35,719		60,740
Total	68,498	35,719	32,779	60,740

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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
<i>Building inspection:</i>				
<i>Salaries and employee benefits</i>		165,724		165,105
<i>Other operating expenditures</i>		19,638		21,532
<i>Total</i>	<u>188,022</u>	<u>185,362</u>	<u>2,660</u>	<u>186,637</u>
<i>Emergency management:</i>				
<i>Salaries and employee benefits</i>		34,119		36,010
<i>Other operating expenditures</i>		103,436		56,311
<i>Capital outlay</i>		6,310		16,109
<i>Total</i>	<u>153,035</u>	<u>143,865</u>	<u>9,170</u>	<u>108,430</u>
<i>Animal Rescue:</i>				
<i>Operating expenditures</i>	<u>102,808</u>	<u>102,808</u>	<u>-</u>	<u>100,328</u>
<i>Emergency communications:</i>				
<i>Salaries and employee benefits</i>		606,084		529,558
<i>Other operating expenditures</i>		43,392		44,255
<i>Total</i>	<u>663,076</u>	<u>649,476</u>	<u>13,600</u>	<u>573,813</u>
<i>Medical Examiner:</i>				
<i>Professional services</i>	<u>20,000</u>	<u>19,600</u>	<u>400</u>	<u>7,850</u>
<i>Emergency medical services:</i>				
<i>Operating expenditures</i>	<u>1,358,000</u>	<u>1,358,000</u>	<u>-</u>	<u>1,141,273</u>
<i>Protective service agencies:</i>				
<i>Other operating expenditures</i>	<u>7,660</u>	<u>6,124</u>	<u>1,536</u>	<u>6,780</u>
<i>Total public safety</i>	<u>5,495,340</u>	<u>5,344,434</u>	<u>150,906</u>	<u>4,816,703</u>
<i>Public transportation:</i>				
<i>Streets and highways:</i>				
<i>Salaries and employee benefits</i>		424,634		446,888
<i>Other operating expenditures</i>		174,549		245,210
<i>Capital outlay</i>		316,158		104,646
<i>Total public transportation</i>	<u>1,208,063</u>	<u>915,341</u>	<u>292,722</u>	<u>796,744</u>
<i>Environmental protection -</i>				
<i>Sanitation:</i>				
<i>Salaries and employee benefits</i>		421,794		342,346
<i>Contracted services</i>		851,380		867,411
<i>Tire disposal</i>		49,352		49,352

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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
Other operating expenditures		120,769		110,244
Capital outlay		-		-
Total	1,451,585	1,443,295	8,290	1,369,353
Soil conservation service:				
Contracted services	84,848	84,848	-	82,711
Total environmental protection	1,536,433	1,528,143	8,290	1,452,064
Economic and physical development -				
Agricultural extension agent:				
Other operating expenditures		152,314		183,331
Total	180,218	152,314	27,904	183,331
Regional economic development:				
Other operating expenditures		259,197		33,884
Development council dues and fees		10,183		7,832
Occupancy tax distribution		120,091		70,053
COVID 19 recovery distributions		295,973		-
	740,137	685,444	54,693	111,769
Community Based Alternatives				
Operating expenditures	70,482	70,482	-	66,703
Economic Development Commission:				
Article 44 distribution		272,609		-
Other operating expenditures		198,286		547,422
Total	470,899	470,895	4	547,422
Total economic and physical development	1,461,736	1,379,135	82,601	909,225
Human services -				
Public Health:				
Contracted services		472,138		39,908
Total	472,085	472,138	(53)	39,908
Veteran's Service Officer -				
Salaries and employee benefits		25,709		23,747
Other operating expenditures		333		1,173
Total	33,297	26,042	7,255	24,920
Social Services:				

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, 2021***(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)*

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
Salaries and employee benefits		2,588,793		2,237,707
Other operating expenditures		209,907		273,499
Capital outlay		24,657		80,280
Total	2,857,892	2,823,357	34,535	2,591,486
County participation:				
Special assistance		107,197		125,785
Foster care		722,492		914,393
Crisis intervention		70,319		68,507
Adoption assistance		88,242		98,652
Other		190,216		130,887
Total	1,179,109	1,178,466	643	1,338,224
Senior Citizens:				
Salaries and employee benefits		367,237		312,812
Other operating expenditures		202,498		223,890
Total	685,194	569,735	115,459	536,702
Total human services	5,227,577	5,069,738	157,839	4,531,240
Cultural and recreational -				
Community service:				
Agency assistance	1,500	1,500	-	1,500
Library:				
Contracted services	93,334	93,334	-	86,211
Recreation:				
Salaries and employee benefits		122,239		103,515
Other operating expenditures		90,648		85,751
Capital outlay		-		8,199
Total	213,857	212,887	970	197,465
Total cultural and recreational	308,691	307,721	970	285,176
Education -				
Public schools - current expense		2,172,622		2,172,622
Public schools - special grant - forest timber		23,298		21,917
Public schools - capital outlay		1,054,475		1,080,885
Community College - current expense		357,387		354,640
Community College - capital outlay		25,000		25,200
Total education	3,685,523	3,632,782	52,741	3,655,264

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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
<i>Debt service -</i>				
<i>Principal retirement</i>		213,406		248,767
<i>Interest and fees</i>		5,437		11,236
<i>Total debt service</i>	218,843	218,843	-	260,003
<i>Total expenditures</i>	21,866,981	21,013,019	853,962	20,013,179
<i>Revenue over (under) expenditures</i>	(179,410)	829,951	1,009,361	(381,876)
Other financing sources (uses):				
<i>Appropriated Fund Balance</i>	279,410	-	(279,410)	-
<i>Proceeds from debt issue</i>			-	
<i>Transfers in (out):</i>				
<i>Revaluation Fund</i>	(100,000)	(100,000)	-	(100,000)
<i>Total other financing sources (uses)</i>	179,410	(100,000)	(279,410)	(100,000)
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ -	729,951	\$ 729,951	(481,876)
<i>Fund balances - beginning of year</i>		7,921,224		8,403,100
<i>Fund balances - end of year</i>		\$ 8,651,175		\$ 7,921,224

See the accompanying Independent Auditor's Report.

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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Investment earnings</i>	\$ 85	141		105
<i>Total revenues</i>	85	141	56	105
<i>Expenditures:</i>				
<i>Tax Listing:</i>				
<i>Contracted services</i>		165,021		15,171
	282,789	165,021	117,768	15,171
<i>Total expenditures</i>	282,789	165,021	117,768	15,171
<i>Revenues over (under) expenditures</i>	(282,704)	(164,880)	117,824	(15,066)
<i>Other financing sources (uses):</i>				
<i>Appropriated fund balance</i>	182,704	-	182,704	
<i>Operating transfer in (out) from General Fund</i>	100,000	100,000	-	100,000
<i>Total other financing sources (uses)</i>	282,704	100,000	182,704	100,000
<i>Excess of revenues and other sources over (under) expenditures</i>	\$ -	(64,880)	\$ (64,880)	84,934
<i>Fund balances - beginning of year</i>		182,964		98,030
<i>Fund balances - end of year</i>		\$ 118,084		\$ 182,964

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**Combining Balance Sheet****Non-major Governmental Funds****June 30, 2021**

<i>Assets</i>	<i>Fire District Fund</i>	<i>Emergency Telephone System Fund</i>	<i>Representative Payee Fund</i>	<i>Total Non-major Special Revenue Funds</i>
<i>Current assets:</i>				
<i>Cash and investments</i>	\$ -	425,764	59,831	\$ 485,595
<i>Accounts receivable</i>	-	3,044	-	3,044
<i>Taxes receivable - net</i>	91,639	-	-	91,639
<i>Due from other governments</i>	-	10,324	-	10,324
<i>Total assets</i>	<u>\$ 91,639</u>	<u>439,132</u>	<u>59,831</u>	<u>\$ 590,602</u>
<i>Liabilities and Fund Balances</i>				
<i>Liabilities:</i>				
<i>Accounts payable and accrued liabilities</i>	\$ -	-	-	\$ -
<i>Deferred revenue</i>	91,639	-	-	91,639
<i>Total liabilities</i>	<u>91,639</u>	<u>-</u>	<u>-</u>	<u>91,639</u>
<i>Fund balances:</i>				
<i>Restricted</i>				
<i>Stabilization by State statute</i>	-	19,369	-	19,369
<i>Health services</i>	-	-	59,831	59,831
<i>Committed:</i>				
<i>Emergency Telephone System</i>	-	419,763	-	419,763
	<u>-</u>	<u>439,132</u>	<u>59,831</u>	<u>498,963</u>
<i>Total liabilities and fund balances</i>	<u>\$ 91,639</u>	<u>439,132</u>	<u>59,831</u>	<u>\$ 590,602</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, 2021**

	<u>Fire District Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Grant Project Fund</u>	<u>Representative Payee Fund</u>	<u>Deed of Trust Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Total Non-major Governmental Funds</u>
<i>Revenues:</i>							
<i>Ad valorem taxes (net)</i>	\$ 1,051,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,051,494
<i>Restricted intergovernmental</i>	-	219,247	496,785	331,135	2,598	32,810	1,082,575
<i>Other taxes and licenses</i>	-	-	-	-	-	-	-
<i>Investment earnings</i>	-	15	-	-	-	-	15
<i>Total revenues</i>	<u>1,051,494</u>	<u>219,262</u>	<u>496,785</u>	<u>331,135</u>	<u>2,598</u>	<u>32,810</u>	<u>2,134,084</u>
<i>Expenditures:</i>							
<i>General government</i>	-	-	-	378,029	2,598	32,810	413,437
<i>Public safety</i>	1,051,494	81,004	-	-	-	-	1,132,498
<i>Economic and physical development</i>	-	-	496,785	-	-	-	496,785
<i>Capital outlay</i>	-	110,718	-	-	-	-	110,718
<i>Total expenditures</i>	<u>1,051,494</u>	<u>191,722</u>	<u>496,785</u>	<u>378,029</u>	<u>2,598</u>	<u>32,810</u>	<u>2,153,438</u>
<i>Excess of revenues and other sources over expenditures</i>	-	27,540	-	(46,894)	-	-	(19,354)
<i>Fund balances - beginning of year</i>	-	411,592	-	-	-	-	411,592
<i>Prior period restatement - change in accounting princ</i>	-	-	-	106,725	-	-	106,725
<i>Fund balances - beginning of year as restated</i>	-	411,592	-	106,725	-	-	518,317
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 439,132</u>	<u>\$ -</u>	<u>\$ 59,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,963</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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Ad valorem taxes:</i>				
Current and prior years	\$ 1,160,600	\$ 1,051,494	\$ (109,106)	\$ 1,049,524
Total revenues	<u>1,160,600</u>	<u>1,051,494</u>	<u>(109,106)</u>	<u>1,049,524</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
Bakersville Fire District		164,441		163,100
Ledger Fire District		124,980		126,304
Parkway Fire District		327,708		319,299
Buladean Fire District		67,318		67,412
Fork Mountain Fire District		93,106		93,753
Bradshaw Fire District		107,384		109,726
Spruce Pine Fire District		166,557		169,930
Total expenditures	<u>1,160,600</u>	<u>1,051,494</u>	<u>109,106</u>	<u>1,049,524</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, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Favorable (Unfavorable)	2020
	Budget	Actual		Actual
<i>Revenues:</i>				
NC PSAP payment	\$ 108,529	108,529	\$	\$ 133,346
Intergovernmental revenues	373,818	110,718		481,758
Investment earnings	1,000	15		1,041
Total revenues	483,347	219,262	(264,085)	616,145
<i>Expenditures:</i>				
<i>Public safety:</i>				
Contracted services		58,069		61,427
Other operating expense		22,935		40,353
Capital outlay		110,718		1,022,276
Total expenditures	630,204	191,722	438,482	1,124,056
Revenues over (under) expenditures	(146,857)	27,540	174,397	(507,911)
<i>Other financing sources (uses):</i>				
Appropriated fund balance	146,857	-	146,857	
Operating transfer in (out) from General Fund	-	-	-	-
Total other financing sources (uses)	146,857	-	146,857	-
Excess of revenues and other sources over (under) expenditures	\$ -	27,540	\$ 27,540	(507,911)
Fund balances - beginning of year		411,592		919,503
Fund balances - end of year		\$ 439,132		\$ 411,592

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, 2021

	<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>	\$ <u>750,000</u>	\$ <u>10,410</u>	\$ <u>496,785</u>	\$ <u>507,195</u>	\$ <u>(242,805)</u>
<i>Expenditures - Economic and physical development:</i>					
<i>Rehabilitation</i>	675,000	-	484,040	484,040	190,960
<i>Administration</i>	<u>75,000</u>	<u>10,410</u>	<u>12,745</u>	<u>23,155</u>	<u>51,845</u>
<i>Total expenditures</i>	<u>750,000</u>	<u>10,410</u>	<u>496,785</u>	<u>507,195</u>	<u>242,805</u>
<i>Revenues and other sources over (under) expenditures:</i>	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
<i>Fund balance:</i>					
<i>Beginning of year</i>			<u>-</u>		
<i>End of year</i>			<u>\$ -</u>		

MITCHELL COUNTY, NORTH CAROLINA**Representative Payee Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2021**

	2021		Variance Favorable (Unfavorable)
	Budget	Actual	
<i>Revenues:</i>			
<i>Restricted intergovernmental</i>			
<i>Penalties, fines, forfeitures</i>	\$ -	331,135	\$
<i>Total revenues</i>	-	331,135	331,135
<i>Expenditures:</i>			
<i>Current</i>			
<i>Human Services</i>			
<i>to Mitchell Board of Education</i>		378,029	
<i>Total expenditures</i>	-	378,029	(378,029)
<i>Excess of revenues and other</i>			
<i>sources over (under) expenditures</i>	\$ -	(46,894)	\$ (46,894)
<i>Fund balances - beginning of year</i>		-	
<i>Prior period restatement- change in accounting principle</i>		106,725	
<i>Fund balances - beginning of year as restated</i>		106,725	
<i>Fund balances - end of year</i>		\$ 59,831	

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**Deed of Trust Fee Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2021**

	2021		Variance Favorable (Unfavorable)
	Budget	Actual	
<i>Revenues:</i>			
<i>Permits and fees</i>			
Register of Deeds	\$ -	\$ 2,598	\$ -
Total revenues	<u>-</u>	<u>2,598</u>	<u>2,598</u>
<i>Expenditures:</i>			
<i>Current</i>			
<i>General government</i>			
Payment of fees collected to State of North Carolina		2,598	
Total expenditures	<u>-</u>	<u>2,598</u>	<u>(2,598)</u>
<i>Excess of revenues and other sources over (under) expenditures</i>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<i>Fund balances - beginning of year</i>		<u>-</u>	
<i>Fund balances - end of year</i>		<u>\$ -</u>	

See the accompanying Independent Auditor's Report.

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

	2021		Variance Favorable (Unfavorable)
	Budget	Actual	
<i>Revenues:</i>			
<i>Sales and services</i>			
<i>Penalties, fines, forfeitures</i>	\$ -	32,810	\$ -
<i>Total revenues</i>	<u>-</u>	<u>32,810</u>	<u>32,810</u>
<i>Expenditures:</i>			
<i>Current</i>			
<i>General government</i>			
<i>Payments of penalties, fines and forfeitures to Mitchell Board of Education</i>		32,810	
<i>Total expenditures</i>	<u>-</u>	<u>32,810</u>	<u>(32,810)</u>
<i>Excess of revenues and other sources over (under) expenditures</i>	<u>\$ -</u>	-	<u>\$ -</u>
<i>Fund balances - beginning of year</i>		-	
<i>Fund balances - end of year</i>		<u>\$ -</u>	

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

	<i>Uncollected Balance June 30, 2020</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2021</i>
2020 - 2021	\$	\$ 10,908,983	\$ 10,561,163	\$ 347,820
2019 - 2020	367,215		161,384	205,831
2018 - 2019	190,628	-	58,434	132,194
2017 - 2018	119,112	-	28,342	90,770
2016 - 2017	78,387	-	16,924	61,463
2015 - 2016	54,290	-	11,670	42,620
2014 - 2015	35,168	-	3,495	31,673
2013 - 2014	31,370	-	5,113	26,257
2012 - 2013	27,491	-	3,539	23,952
2011 - 2012	19,882	-	1,999	17,883
2010 - 2011	15,034		15,034	-
	<u>\$ 938,577</u>	<u>\$ 10,908,983</u>	<u>\$ 10,867,097</u>	980,463
<i>Less: allowance for uncollectible accounts:</i>				
General Fund				<u>140,000</u>
<i>Ad valorem taxes receivable - net</i>				
General Fund			\$	<u>840,463</u>
Reconciliation with revenues:				
<i>Ad valorem taxes - General Fund</i>			\$	10,819,456
<i>Reconciling items:</i>				
Taxes written off				15,034
Discounts and abatements				<u>32,607</u>
Total reconciling items				<u>47,641</u>
<i>Total collections and credits</i>			\$	<u>10,867,097</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, 2021*

	<i>County-wide</i>			<i>Total Levy</i>	
	<i>Property Valuation</i>	<i>Rate</i>	<i>Amount of Levy</i>	<i>Property excluding Registered Motor Vehicles</i>	<i>Registered Motor Vehicles</i>
<i>Original levy:</i>					
<i>Property taxed at current year's rate</i>	\$ 1,868,138,590	.58	10,835,204	\$ 9,870,040	\$ 965,163
<i>Total</i>	<u>1,868,138,590</u>		<u>10,835,204</u>	<u>9,870,040</u>	<u>965,163</u>
<i>Discoveries:</i>					
<i>Current year taxes</i>	12,720,527		73,779	7,379	-
<i>Total</i>	<u>12,720,527</u>		<u>73,779</u>	<u>7,379</u>	<u>-</u>
<i>Total property valuations</i>	\$ <u>1,880,859,117</u>				
<i>Net levy</i>			10,908,983	9,877,419	965,163
<i>Uncollected taxes at June 30, 2020</i>			<u>347,820</u>	<u>347,820</u>	<u>-</u>
<i>Current year's taxes collected</i>			\$ <u>10,561,163</u>	\$ <u>9,529,599</u>	\$ <u>965,163</u>
<i>Current year's collection percentage</i>			<u>96.81%</u>	<u>96.48%</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, 2021, 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 30, 2021.

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

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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, 2021



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, 2021. The County of Mitchell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Mitchell's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements

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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, 2021.

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, 2021



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, 2021. 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

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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, 2021.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, 2021

MITCHELL COUNTY, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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, 2021 are:

<u>Program Name</u>	<u>CFDA #</u>
<i>Medical Assistance</i>	
<i>Coronavirus Relief</i>	93.778
<i>Fund</i>	21.019

- H. Major State programs for Mitchell County for the fiscal year ended June 30, 2021 are:

E-911 Mitchell County Regional Backup Center Grant
NC DOT Cares Act Funding
NC DOT Transit Development Programs
NC DOT Rural Capital Program
DHHS Foster Care:
State Foster Care home
SFHF Maximization

- 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, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Provided to Subrecipients
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Health & Human Services</u>					
<i>Passed-through Region D Council of Governments:</i>					
Cares C-1	93.045		\$ 31,329	- \$	-
Special Programs for the Aging-Title III B Grants for Supportive Services and Senior Centers	93.044		10,743	632	-
Special Programs for the Aging-Title III C Nutrition Services	93.045		150,780	8,869	-
Congregate Nutrition	93.045		24,300	-	-
<i>Passed through N.C. Dept. of Health & Human Services</i>					
<i>Division of Social Services:</i>					
<i>Administration:</i>					
Temporary Assistance to Needy Families - Work First Adm	93.558		34,903	-	-
Temporary Assistance to Needy Families - Work First Svc	93.558		104,416	-	-
Child Support Enforcement	93.563		117,012	55	-
Low-Income Energy Admin and Assistance	93.568		93,510	-	-
Covid 19 Low Income Energy Assistance Program	93.568		51,493	-	-
Covid 19 Low Income Energy Assistance Program Adm	93.568		4,047	-	-
Crisis Intervention Payments	93.568		70,319	-	-
Family Preservation	93.556		20,002	-	-
Child Welfare Services - Permanency Planning	93.645		-	-	-
Title IV-E Foster Care - CPS	93.658		307,843	68,222	-
Title IV-E Foster Care - Training	93.658		150,598	-	-
Title IV-E Optional Adoption - Training	93.659		13,392	-	-
Chafee Foster Care Independent Living	93.674		13,218	3,304	-
Adult Protective Service	93.667		13,105	-	-
Other Services and Training - Social Services Block Grant	93.667		102,996	-	-
State Children's Insurance Program -NC Health Choice	93.767		20,814	-	-
<i>Division of Medical Assistance:</i>					
<i>Administration:</i>					
Medical Assistance	93.778		539,768	-	-
Medical Transportation Service	93.778		19,602	-	-
MAC	93.778		4,565	-	-
Adult Care Case Management	93.778		4,636	1,853	-
State County Special Assistance	93.778		16,661	-	-
<i>Subsidized Child Care Cluster:</i>					
<i>Division of Social Services</i>					
Child Care Development Fund - Adm.	93.596		49,426	-	-
Total Subsidized Child Care Cluster			<u>49,426</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health & Human Services			<u>1,969,478</u>	<u>82,935</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>					
<i>Passed through N.C. Dept. of Health & Human Services</i>					
<i>Division of Social Services:</i>					
<i>Administration:</i>					
<i>Supplemental Nutrition Assistance Program Cluster:</i>					
State Administrative Matching Grants for the Supplemental Assistance Nutrition Program	10.561		179,638	-	-
Food and Nutrition Services Recovery	10.561		20,872	-	-
Total U.S. Department of Agriculture			<u>200,510</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Transportation</u>					

MITCHELL COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Provided to Subrecipients
<i>Passed through N.C. Dept. of Transportation</i>					
<i>Formula Grants for Rural Areas</i>					
<i>CARES Act</i>	20.509		318,326	96,859	-
<i>Transit Developmental Programs</i>	20.509	DOT-11	121,191	7,572	-
<i>Rural Capital Program</i>	20.509	DOT-14	231,216	21,566	-
<i>Total U.S. Department of Transportation</i>			<u>670,733</u>	<u>125,997</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
<i>Passed through N.C. Dept. of Public Safety</i>					
<i>Control and Public Safety:</i>					
<i>Byrne Justice Assistance</i>	16.738		14,050	-	-
<i>FEMA Disaster Covid 19</i>	97.036		36,614	-	-
<i>Hazard Mitigation</i>	97.039		193,788	48,952	-
<i>Emergency Management</i>	97.042		52,073	-	-
<i>Total U.S. Department of Justice</i>			<u>296,525</u>	<u>48,952</u>	<u>-</u>
<u>U.S. Department of the Treasury</u>					
<i>Passed through N.C. Office of State Budget and Management</i>					
<i>NC Pandemic Recovery Office</i>					
<i>Coronavirus Relief Fund (Note 4)</i>	21.019		<u>783,890</u>	<u>-</u>	<u>295,973</u>
<u>NC State Board of Elections</u>					
<i>HAVA Election Security Grants</i>	90.404		<u>162,140</u>	<u>24,669</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>					
<i>Passed through N.C. Dept. of Commerce:</i>					
<i>Community Development Block Grant</i>					
<i>CDBG</i>	14.228		<u>496,785</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>496,785</u>	<u>-</u>	<u>-</u>
<i>Total federal cash assistance</i>			<u>4,580,061</u>	<u>282,553</u>	<u>295,973</u>
STATE GRANTS					
Cash Programs:					
<u>N.C. Department of Health & Human Services</u>					
<i>Passed-through Region D Council of Governments:</i>					
<i>Senior Center General Purpose</i>			-	3,524	-
<i>Division of Social Services:</i>					
<i>Direct Benefit Payment:</i>					
<i>Extended FC Max Non IV-E</i>			-	49,496	-
<i>Extended FC >20 Stipend</i>			-	1,000	-
<i>FC Stipend</i>			-	26,600	-
<i>SAA/SAD HB 1043/1105</i>			-	76,113	-
<i>SFHF Maximization</i>			-	73,304	-
<i>State Foster Care Home</i>			-	49,390	-
<i>Total Direct Benefit Payments:</i>			<u>-</u>	<u>279,427</u>	<u>-</u>
<i>Total N.C. Department of Human Resources</i>			<u>-</u>	<u>279,427</u>	<u>-</u>
<u>N.C. Department of Information Technology</u>					
<i>North Carolina E-911 Board</i>					
<i>E 911 Regional Backup Center Grant</i>			<u>-</u>	<u>110,718</u>	<u>-</u>
<u>N.C. Department of Correction:</u>					
<i>Governors Crime Commission - COVID 19</i>					
			<u>-</u>	<u>14,050</u>	<u>-</u>
<u>N.C. Department of Public Safety</u>					
<i>Division of Juvenile Justice and Delinquency Prevention</i>					

MITCHELL COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Provided to Subrecipients
Juvenile Crime Prevention			-	84,134	
<u>N.C. Department of Public Instruction:</u>					
Public School Building Capital Fund - Lottery Funds			-	8,161	-
			-	8,161	-
<u>N.C. Department of Administration:</u>					
CARES Supplemental Funding			-	4,500	-
Veterans Service Office			-	2,083	-
Total NC Department of Administration			-	6,583	-
Total State cash assistance			-	503,073	-
Total assistance			\$ 4,580,061	\$ 785,626	\$ 295,973

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, 2021. 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.

3 Benefit Payments Issued by the State

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

Program Title	CFDA No.	Federal	State
Supplemental Nutrition Assistance Prog	10.551	5,725,256	-
Special Supplemental Nutrition for WIC	10.557	261,762	-
Temporary Assistance for Needy Families	93.558	42,824	-
Adoption Assistance	93.659	311,415	56,126
Medical Assistance Program	93.778	22,997,125	8,962,588
Children's Health Insurance Program	93.767	274,414	49,377
Child Welfare Services Adoption		-	61,342
State / County Special Assistance program		-	181,906

4 Provided to Subrecipients

The amount listed as provided to subrecipients includes \$100,000 in funding passed directly to Toe River Health District, the Town of Spruce Pine \$163,749 and the Town of Bakersville \$32,224.