

MITCHELL COUNTY, NORTH CAROLINA

Bakersville, North Carolina

Financial Statements

June 30, 2016

(with Independent Auditor's Report thereon)

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

MITCHELL COUNTY, NORTH CAROLINA

Table of Contents

June 30, 2016

<u>Exhibit</u>	<u>Pages</u>
FINANCIAL SECTION	
<i>Independent Auditor's Report</i>	4 - 7
<i>Management's Discussion and Analysis</i>	8 - 15
<i>Basic Financial Statements:</i>	
<i>Government-wide Financial Statements</i>	
"1" <i>Statement of Net Position</i>	16
"2" <i>Statement of Activities</i>	17
<i>Fund Financial Statements:</i>	
"3" <i>Balance Sheet - Governmental Funds</i>	18
"3" <i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</i>	18
"4" <i>Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</i>	19
"4" <i>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i>	20
"5" <i>Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund</i>	21
"6" <i>Statement of Fiduciary Net Position</i>	22
Notes to Financial Statements	23-46

Schedule

Required Supplemental Financial Data:

"A-1" <i>Law Enforcement Officers' Special Separation Allowance Required Supplemental Information - Schedule of Funding Progress and Notes to the Required Schedules</i>	47
"A-2" <i>Other Post Employment Benefits - Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to the Required Schedules</i>	48
"A-3" <i>Schedule of County's Proportionate Share of Net Pension Asset (LGERS)</i>	49
"A-3" <i>Schedule of County Contributions (LGERS)</i>	49
"A-4" <i>Schedule of County's Proportionate Share of Net Pension Asset (ROD)</i>	50
"A-4" <i>Schedule of County Contributions (ROD)</i>	50

Combining and Individual Fund Statements and Schedules:

MITCHELL COUNTY, NORTH CAROLINA

Table of Contents

June 30, 2016

"B-1"	<i>Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund -- Budget and Actual --</i>	51-56
"B-2"	<i>Statement of Revenues, Expenditures and Changes in Fund Balances - Revaluation Fund -- Budget and Actual --</i>	57
"B-3"	<i>Statement of Revenues, Expenditures and Changes in Fund Balances - Emergency Telephone System Fund</i>	58
"C-1"	<i>Combining Balance Sheet - Non-major Governmental Funds</i>	59
"C-2"	<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds</i>	60

Schedules

Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

"D-1"	<i>Fire District Fund</i>	61
"D-2"	<i>Statement of Changes in Fiduciary Net Assets</i>	62

OTHER SCHEDULES

"E-1"	<i>Schedule of Ad Valorem Taxes Receivable</i>	63
"E-2"	<i>Analysis of Current Tax Levy County-Wide Levy</i>	64

COMPLIANCE SECTION

<i>Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u></i>	65-66
--	--------------

<i>Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with the Uniform Guidance and the State Single Audit Implementation Act</i>	67-69
---	--------------

"F-1"	<i>Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings</i>	70-71
"F-2"	<i>Schedule of Expenditures of Federal and State Awards</i>	72-74



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, 2016, and the related notes to the financial statements, which collectively comprise Mitchell County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell County, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Emergency-911 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 and the Law Enforcement Officers' Special Separation Allowance 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 8-15 and 47-50, 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 introductory information, 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 21, 2016 on our consideration of Mitchell County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mitchell County's internal control over financial reporting and compliance.

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
September 21, 2016

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, 2016. 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 \$16,374,504.*
- *The government's total net position decreased by \$152,634 due in large part to increased costs for other post employment healthcare benefits. An actuarial study performed at the close of the fiscal year estimated these healthcare benefit costs would substantially increase.*
- *As of the close of the current fiscal year, Mitchell County's governmental funds reported combined ending fund balances of \$8,725,576 an increase of \$222,776 in comparison with the prior year. Approximately 72 percent of this total amount, or \$6,292,325 is available for spending at the government's discretion. Part of this amount has been reserved to balance the 2016-17 budget.*
- *At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,641,739 or 30 percent of total general fund expenditures and transfers to other funds for the fiscal year. In addition, \$650,586 of the General Fund balance has been appropriated for use in the 2016-17 budget year and has not been included in the preceding calculation.*
- *Mitchell County's tax collection rate increased, averaging 96.47% in the prior year and 96.24% in the current fiscal year.*

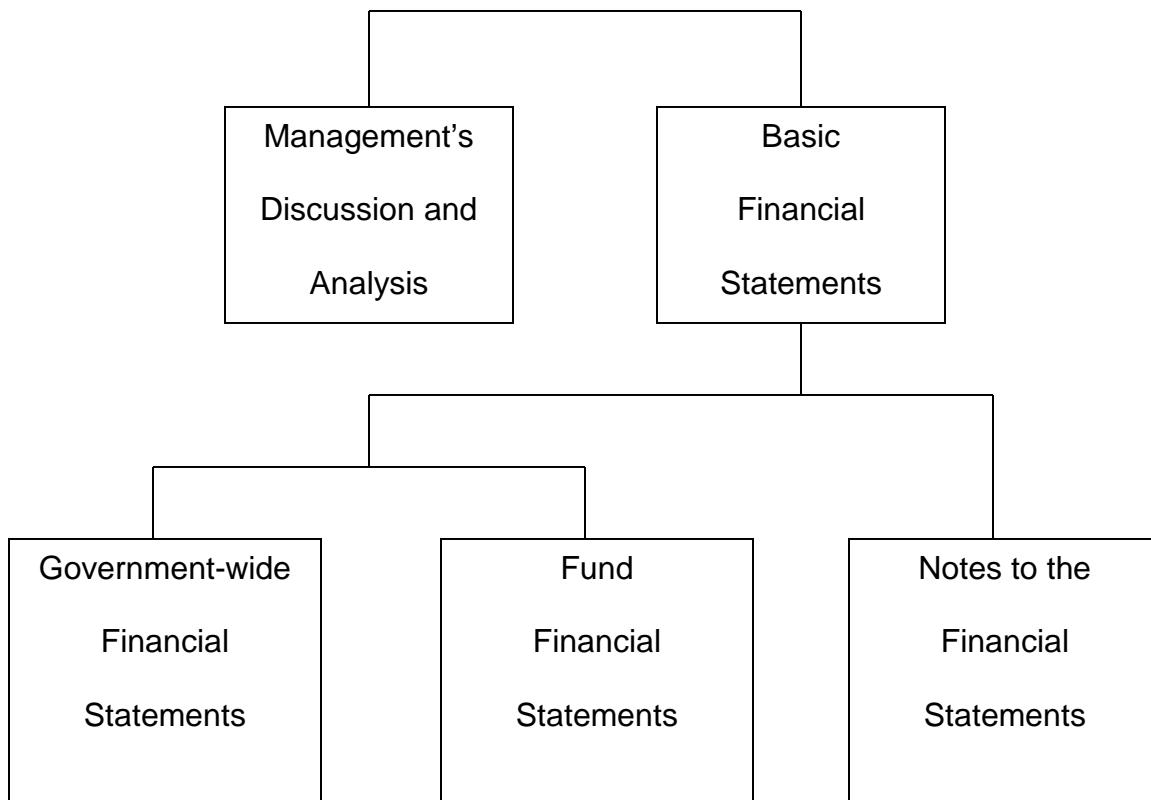
Overview of the Financial Statements

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.

Management's Discussion and Analysis

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 gage 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 four fiduciary funds, of which all are agency funds.

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

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 Activities</i>		
	<i>2016</i>	<i>2015</i>	<i>Difference</i>
<i>Current and other assets</i>	\$ 10,175,839	\$ 10,538,867	\$ (363,028)
<i>Capital assets</i>	10,384,594	10,441,112	(56,518)
<i>Deferred outflows</i>	370,456	300,275	
<i>Total assets and deferred outflows</i>	<u>\$ 20,930,889</u>	<u>\$ 21,280,254</u>	<u>\$ (349,365)</u>
<i>Long-term liabilities outstanding</i>	\$ 3,506,965	\$ 3,272,808	\$ 234,157
<i>Other liabilities</i>	500,235	391,644	108,591
<i>Total liabilities</i>	<u>4,007,200</u>	<u>4,753,116</u>	<u>(745,916)</u>
<i>Deferred Inflows</i>	203,658	1,088,664	(885,006)
<i>Net position:</i>			
<i>Net investment in capital assets</i>	10,198,750	9,298,255	900,495
<i>Restricted</i>	1,081,798	1,293,963	(212,165)
<i>Unrestricted</i>	5,093,956	5,934,920	(840,964)
<i>Total net position</i>	<u>\$ 16,374,504</u>	<u>\$ 16,527,138</u>	<u>\$ (152,634)</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 \$16,374,504 as of June 30, 2016. One of the largest portions of net position reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Mitchell County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Mitchell County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Mitchell County's net position, \$1,081,798 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,093,956 is unrestricted.

Several aspects of the County's financial operations influenced the total unrestricted governmental net position resulting in a current year decrease. One primary reason was due to increased other post employment healthcare benefit costs. An actuarial study performed at the close of the fiscal year estimated these healthcare benefit costs would substantially increase. The liability for this estimated increase was booked on the government wide financial statements and decreased net position.

Management's Discussion and Analysis

Figure 3

	Governmental Activities	
	2016	2015
Revenues:		
<i>Program revenues:</i>		
Charges for services	\$ 766,245	\$ 920,151
Operating grants and contributions	5,196,452	4,709,888
Capital grants and contributions	181,773	122,607
<i>General revenues:</i>		
Property taxes	10,219,400	10,177,850
Other taxes	3,231,394	3,173,569
Investment earnings	24,844	36,567
Other	90,186	81,244
<i>Total revenues</i>	19,710,294	19,221,876
Expenses:		
General government	2,266,757	2,174,313
Public safety	5,388,197	4,650,172
Transportation	696,799	682,383
Environmental protection	1,255,981	1,490,394
Economic and physical development	453,457	384,805
Human services	6,370,117	5,672,914
Cultural and recreation	229,231	203,089
Education	3,202,389	3,064,889
<i>Total expenses</i>	19,862,928	18,322,959
<i>Increase (decrease) in net position</i>	(152,634)	898,917
Net position, beginning	16,527,138	16,157,728
Restatement	-	(529,507)
Net position, ending	\$ 16,374,504	\$ 16,527,138

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 \$5,641,739, while total fund balance reached \$8,725,576. The Governing Body of Mitchell County has determined that the county should maintain an available fund balance of 8% of general fund expenditures in case

Management's Discussion and Analysis

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 30 % of general fund expenditures, while total fund balance represents 40% of that same amount.

At June 30, 2016, the governmental funds of Mitchell County reported a combined fund balance of \$8,725,576, a 2 percent increase over last year. The primary reason for this increase is a slight increase in sales and other tax revenues and also an increase in past due property tax collections.

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 decreased the original budgeted expenditures by \$915,647.

Capital Asset and Debt Administration

Capital assets. Mitchell County's capital assets for its governmental activities as of June 30, 2016, total \$10,384,594 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- *Building improvements for Courthouse and Historic Courthouse*
- *Purchase of vehicles for Transportation and Public Safety functions*

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

Management's Discussion and Analysis

Mitchell County's Capital Assets

(net of depreciation)

Figure 4

	Governmental Activities	Governmental Activities	Difference
	2016	2015	
<i>Land</i>	\$ 1,084,083	\$ 1,084,083	-
<i>Buildings</i>	5,495,412	5,558,910	(63,498)
<i>Improvements other than buildings</i>	1,601,610	1,567,618	33,992
<i>Machinery and equipment</i>	1,049,726	1,250,850	(201,124)
<i>Vehicles and motorized equipment</i>	1,153,763	979,651	174,112
Total	\$ 10,384,594	\$ 10,441,112	\$ (56,518)

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, 2016, Mitchell County had total debt outstanding of \$3,730,216. Of this, \$198,607 is compensated absences, \$1,000,000 is qualified zone academy bond financing, \$185,843 due for equipment purchased under capital lease, \$2,139,519 is accrued liability for other post-employment benefits such as health insurance and \$206,247 is a pension obligation.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities:

For the fiscal year ended June 30, 2017, budgeted expenditures in the General Fund are expected to slightly increase to \$18,984,094. To cover costs included in the upcoming budget, management has appropriated \$650,586 of the available fund balance.

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, 2016

	<i>Governmental Activities</i>
ASSETS	
<i>Cash and cash equivalents</i>	\$ 7,604,147
<i>Receivables (net)</i>	1,144,102
<i>Prepaid expenses</i>	45,163
<i>Due from other governments</i>	1,069,885
<i>Restricted cash and equivalents</i>	276,022
<i>Net pension asset - ROD</i>	36,520
<i>Capital assets:</i>	
<i>Land, improvements, and construction in progress</i>	1,084,083
<i>Other capital assets, net of depreciation</i>	9,300,511
<i>Total capital assets</i>	10,384,594
<i>Total assets</i>	20,560,433
 DEFERRED OUTFLOWS OF RESOURCES	370,456
 LIABILITIES	
<i>Accounts payable and accrued expenses</i>	276,984
<i>Long-term liabilities:</i>	
<i>Net pension liability - LGERS</i>	345,527
<i>Due within one year</i>	223,251
<i>Due in more than one year</i>	3,506,965
<i>Total liabilities</i>	4,352,727
 DEFERRED INFLOWS OF RESOURCES	203,658
 NET POSITION	
<i>Net investment in capital assets</i>	10,198,750
<i>Restricted for:</i>	
<i>Stabilization by State statute</i>	1,081,486
<i>Register of Deeds</i>	312
<i>Unrestricted (deficit)</i>	5,093,956
<i>Total net position</i>	\$ 16,374,504

Mitchell County, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

<i>Functions/Programs</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>		
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Government</i>	
<i>Primary government:</i>						
<i>Governmental Activities:</i>						
General government	\$ 2,266,757	\$ 159,809	\$ -	\$ -	\$ (2,106,948)	
Public safety	5,388,197	170,956	272,097	32,869	(4,912,275)	
Transportation	696,799	21,939	246,785	133,155	(294,920)	
Environmental protection	1,255,981	368,016	154,519	15,749	(717,697)	
Economic and physical development	453,457	-	11,257	-	(442,200)	
Human services	6,370,117	-	4,511,794	-	(1,858,323)	
Cultural and recreation	229,231	45,525	-	-	(183,706)	
Education	3,202,389	-	-	-	(3,202,389)	
<i>Total governmental activities</i>	<u>\$ 19,862,928</u>	<u>\$ 766,245</u>	<u>\$ 5,196,452</u>	<u>\$ 181,773</u>	<u>\$ (13,718,458)</u>	
<i>General revenues:</i>						
<i>Taxes:</i>						
Property taxes, levied for general purpose					10,219,400	
Local option sales tax					3,015,565	
Other taxes and licenses					215,829	
Investment earnings, unrestricted					24,844	
Miscellaneous, unrestricted					90,186	
<i>Total general revenues, special items, and transfers</i>					<u>13,565,824</u>	
<i>Change in net position</i>					<u>(152,634)</u>	
<i>Net position - beginning as previously reported</i>					<u>16,527,138</u>	
<i>Restatement</i>						
<i>Net position-beginning, as restated</i>					<u>16,527,138</u>	
<i>Net position-ending</i>					<u>\$ 16,374,504</u>	

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

MITCHELL COUNTY, NORTH CAROLINA

Exhibit "3"

Balance Sheet

Governmental Funds

June 30, 2016

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	E-911 Fund	Fire District Fund	
Assets				
<i>Assets:</i>				
Cash and investments	\$ 6,547,922	\$ 1,056,225	\$ -	\$ 7,604,147
Restricted cash	276,022	-	-	276,022
Receivables (net)	861,692	-	98,179	959,871
Prepaid expenses	45,163	-	-	45,163
Due from other governments	1,050,679	19,206	-	1,069,885
<i>Total assets</i>	<u>\$ 8,781,478</u>	<u>\$ 1,075,431</u>	<u>\$ 98,179</u>	<u>\$ 9,955,088</u>
<i>Liabilities, Deferred Inflows of Resources and Fund Balances</i>				
<i>Liabilities:</i>				
Accounts payable	\$ 276,984	\$ -	\$ -	\$ 276,984
<i>Total liabilities</i>	<u>\$ 276,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,984</u>
<i>Deferred Inflows of Resources:</i>	<u>854,349</u>	<u>-</u>	<u>98,179</u>	<u>952,528</u>
<i>Fund balances:</i>				
<i>Restricted:</i>				
Stabilization by State statute	1,081,486	19,206	-	1,100,692
Register of Deeds	312	-	-	312
<i>Committed:</i>				
Tax revaluation	276,022	-	-	276,022
Emergency Telephone System	-	1,056,225	-	1,056,225
<i>Assigned:</i>				
Subsequent year's expenditures	650,586	-	-	650,586
<i>Unassigned:</i>				
5,641,739	-	-	-	5,641,739
<i>Total fund balances</i>	<u>7,650,145</u>	<u>1,075,431</u>	<u>-</u>	<u>8,725,576</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 8,781,478</u>	<u>\$ 1,075,431</u>	<u>\$ 98,179</u>	
<i>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.				10,384,594
Net pension liability				(309,007)
Contributions to pension plans are not current resources and therefore are deferred outflows of resources				370,456
Deferred inflows of resources for prepaid taxes				929,064
Pension related deferrals				(180,194)
Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds				184,231
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.				<u>(3,730,216)</u>
<i>Net position of governmental activities</i>				<u>\$ 16,374,504</u>

See the accompanying Independent Auditor's Report..

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, 2016

	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	E-911 Fund	Fire District Fund	
<i>Revenues:</i>				
Ad valorem taxes	\$ 9,445,640	\$ -	\$ 952,524	\$ 10,398,164
Local option sales tax	3,015,566	-	-	3,015,566
Other taxes	214,818	-	-	214,818
Unrestricted intergovernmental	55,664	-	-	55,664
Restricted intergovernmental	3,709,213	221,976	-	3,931,189
Licenses and permits	131,712	-	-	131,712
Sales and services	2,128,385	-	-	2,128,385
Investment earnings	24,888	168	-	25,056
Miscellaneous	33,247	-	-	33,247
<i>Total revenues</i>	<u>18,759,133</u>	<u>222,144</u>	<u>952,524</u>	<u>19,933,801</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	2,155,625	-	-	2,155,625
Public safety	3,964,733	141,130	952,524	5,058,387
Public transportation	577,819	-	-	577,819
Environmental protection	1,198,243	-	-	1,198,243
Economic and physical development	462,681	-	-	462,681
Human services	6,286,387	-	-	6,286,387
Cultural and recreational	216,730	-	-	216,730
Education	3,202,389	-	-	3,202,389
Capital outlay	593,491	-	-	593,491
<i>Debt service:</i>				
Principal retirement	234,053	-	-	234,053
Total expenditures	<u>18,892,151</u>	<u>141,130</u>	<u>952,524</u>	<u>19,985,805</u>
<i>Excess of revenues over expenditures</i>	(133,018)	81,014	-	(52,004)
<i>Other financing sources (uses):</i>				
Proceeds from debt issue	274,780	-	-	274,780
Transfers - in (out)	(3,226)	3,226	-	-
Total other financing sources (uses)	<u>271,554</u>	<u>3,226</u>	<u>-</u>	<u>274,780</u>
<i>Net change in fund balances</i>	138,536	84,240	-	222,776
<i>Fund balances - beginning of year</i>	<u>7,511,609</u>	<u>991,191</u>	<u>-</u>	<u>8,502,800</u>
<i>Fund balances - end of year</i>	<u>\$ 7,650,145</u>	<u>\$ 1,075,431</u>	<u>\$ -</u>	<u>\$ 8,725,576</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, 2016***

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

<i>Net changes in fund balances - total governmental funds</i>	\$ 222,776
--	------------

<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>	(11,773)
--	----------

<i>Loss on disposal of fixed assets</i>	(44,743)
<i>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</i>	(178,764)

<i>Contributions to the pension plan in the current year are not included on the Statement of Activities</i>	70,181
--	--------

<i>Changes in pension deferrals</i>	104,242
-------------------------------------	---------

<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>	(40,727)
---	----------

<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>(273,826)</u>
---	------------------

<i>Total changes in net position of governmental activities</i>	<u>\$ (152,634)</u>
---	---------------------

MITCHELL COUNTY, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund and Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2016**

	General Fund			Variance With Final Positive (Negative)	Emergency Telephone System Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual		Original Budget	Final Budget	Actual	
Revenues:								
Ad valorem taxes	\$ 9,092,140	9,367,906	9,445,640	\$ 77,734	\$ -	-	-	\$ -
Local option sales taxes	3,094,059	2,980,317	3,015,566	35,249	-	-	-	-
Other taxes and licenses	151,330	224,863	214,818	(10,045)	-	-	-	-
Unrestricted intergovernmental	27,750	27,750	55,664	27,914	-	-	-	-
Restricted intergovernmental	3,223,648	3,859,074	3,709,213	(149,861)	221,977	221,977	221,976	(1)
Licenses and permits	163,460	134,905	131,712	(3,193)	-	-	-	-
Sales and services	2,036,138	2,018,548	2,128,385	109,837	-	-	-	-
Investment earnings	-	22,549	24,676	2,127	8	8	168	160
Miscellaneous	-	19,666	33,247	13,581	-	-	-	-
Total revenues	17,788,525	18,655,578	18,758,921	103,343	221,985	221,985	222,144	159
Expenditures:								
Current:								
General government	2,219,962	2,338,638	2,210,715	127,923	-	-	-	-
Public safety	4,008,954	4,128,664	4,246,920	(118,256)	221,985	221,985	141,130	80,855
Public transportation	582,965	806,010	725,998	80,012	-	-	-	-
Environmental protection	1,426,943	1,303,224	1,258,206	45,018	-	-	-	-
Economic and physical development	537,180	464,900	462,681	2,219	-	-	-	-
Human services	5,920,760	6,408,047	6,306,987	101,060	-	-	-	-
Cultural and recreational	209,591	224,849	216,730	8,119	-	-	-	-
Intergovernmental:								
Education	3,171,920	3,228,395	3,202,389	26,006	-	-	-	-
Debt service:								
Principal retirement	142,858	234,053	234,053	-	-	-	-	-
Total expenditures	18,221,133	19,136,780	18,864,679	272,101	221,985	221,985	141,130	80,855
Revenues over (under) expenditures	(432,608)	(481,202)	(105,758)	375,444	-	-	81,014	81,014
Other financing sources (uses):								
Debt issue proceeds	-	-	274,780	(274,780)	-	-	-	-
Operating transfers from (to) other funds	(145,000)	(103,326)	(103,226)	100	-	-	3,226	3,226
Appropriated fund balance	577,608	584,528	-	(584,528)	-	-	-	-
Total other financing sources (uses)	432,608	481,202	171,554	(584,428)	-	-	3,226	3,226
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	65,796	\$ (208,984)	\$ -	\$ -	84,240	\$ 84,240
Fund balances:								
Beginning of year			7,308,273				991,191	
End of year			\$ 7,374,069				\$ 1,075,431	

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

Interest earnings	212
Transfers in from general fund	100,000
Expenditures	(27,472)

Beginning Fund Balance - Revaluation	203,336
Ending Fund Balance - Exhibit 4	\$ 7,650,145

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

Agency Funds

Assets:

<i>Cash and investments</i>	\$ 29,217
<i>Total assets</i>	\$ <u>29,217</u>

Liabilities:

<i>Miscellaneous liabilities</i>	\$ 29,217
<i>Total liabilities</i>	\$ <u>29,217</u>

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mitchell County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

(A) Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10.

(B) Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the County). These statements include the financial activity of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, as presented in these statements, generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

The County reports the following major governmental funds:

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

Emergency Telephone Fund: To account for E-911 operations

The County reports the following non-major funds:

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

The County reports the following fund types:

Trust Funds: 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. The Other Postemployment Benefits Fund accounts for the County's contributions for healthcare coverage provided to qualified retirees. The LEO Special Separation Allowance Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. The resources in the LEO Special Separation Allowance Fund have been set aside to pay future obligations of the LEO Special Separation Allowance but are not held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

Measurement Focus, Basis of Accounting

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

Government-wide and Fiduciary Fund Financial Statements: The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

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

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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).

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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, 2014.

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:

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meet this criterion: pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only two items that meets the criterion for this category - prepaid taxes 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.

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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.

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

- **Restricted for Stabilization of State Statute**-portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
- **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.

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

11. Defined Benefit Pension 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"). 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.

(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 \$ 7,648,928 consists of several elements as follows:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

<i>Description</i>	
<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>	\$ 15,373,011
<i>Less Accumulated Depreciation</i>	<i>(4,988,417)</i>
<i>Net capital assets</i>	<i>10,384,594</i>
 <i>Net pension liability</i>	 (309,007)
 <i>Contributions to pension in current year</i>	 370,456
 <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>	 184,231
 <i>Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide</i>	 929,064
 <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>	<i>(180,194)</i>
<i>Pension benefit obligation</i>	<i>(206,247)</i>
<i>Other post employment benefits</i>	<i>(2,139,519)</i>
<i>Compensated absences</i>	<i>(198,607)</i>
<i>Bonds, leases, and installment financing</i>	<i>(1,185,843)</i>
<i>Total adjustment</i>	<i>\$ 7,648,928</i>

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 \$375,410 as

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

follows:

	Description	
<i>Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities</i>		\$ 593,491
<i>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</i>		(605,264)
<i>Contributions to the pension plan in the current year are not reported on the Statement of Activities</i>		174,423
<i>Proceeds from capital leases are not reported as revenues on the government-wide financial statements</i>		(274,780)
<i>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</i>		234,053
<i>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</i>		
<i>Loss on the sale of assets</i>		(47,007)
<i>Change in compensated absences</i>		(3,708)
<i>Change in pension obligation</i>		(5,126)
<i>Change in other post employment benefits</i>		(262,728)
<i>Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)</i>		-
<i>Counties' portion of collective pension expense</i>		-
<i>Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements</i>		
<i>Decrease in interest receivable for the year ended 06/30/16</i>		(44,035)
<i>Decrease in deferred revenue from taxes receivable at 07/01/15</i>		(134,729)
<i>Total adjustment</i>		\$ <u><u>(375,410)</u></u>

II. DETAIL NOTES ON ALL FUNDS

(A) Assets

1. Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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, 2016, the County's deposits had a carrying value of \$1,267,017 and a bank balance of \$1,787,084. The carrying value includes fiduciary funds of \$29,217. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,537,084 was covered by collateral held under the Pooling Method.

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

2. Investments

At June 30, 2016, the County's investments consisted of the following:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months
NC Capital Management Trust-Cash Portfolio	Amortized Cost	6,641,369	N/A	N/A

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 Cash Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2016.

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

3. Receivables

Receivables – Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2016 were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General	\$ 30,807	\$ 1,115,098	\$ 1,050,679	\$ 2,196,584
Other Governmental	-	99,197	19,206	118,403
Notes Receivable - General Fund	-	-	-	-
Total receivables	30,807	1,214,295	1,069,885	2,314,987
Allowance for doubtful accounts	-	(101,000)	-	(101,000)
Total - Governmental activities	\$ 30,807	\$ 1,113,295	\$ 1,069,885	\$ 2,213,987

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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

<i>Local option sales tax and hold harmless funds</i>	\$ 531,367
<i>NC DOT operating subsidy and capital grants</i>	65,715
<i>NC DHHS operating funds</i>	315,678
<i>NC DMV Motor Vehicle tax</i>	64,655
<i>White Goods and Tire Disposal</i>	17,256
<i>NC PSAP payment</i>	18,498
<i>NC sales tax refund receivable</i>	33,353
<i>Other</i>	23,363
	\$ 1,069,885

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, 2016:

General Fund:

<i>Property taxes</i>	\$ 100,000
<i>Special Revenue Fund:</i>	1,000
<i>Total</i>	\$ 101,000

4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<i>Ending Balances</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balances</i>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
<i>Land</i>	<i>1,084,084</i>	-	-	<i>1,084,084</i>
	<i>\$ 1,084,084</i>	\$ -	\$ -	<i>\$ 1,084,084</i>
<i>Capital assets being depreciated:</i>				
<i>Buildings</i>	<i>6,757,516</i>	-	-	<i>6,757,516</i>
<i>Other improvements</i>	<i>1,952,874</i>	<i>82,562</i>	-	<i>2,035,436</i>
<i>Equipment</i>	<i>2,701,691</i>	<i>11,774</i>	<i>(67,768)</i>	<i>2,645,697</i>
<i>Vehicles and motor equipment</i>	<i>2,609,400</i>	<i>499,157</i>	<i>(258,277)</i>	<i>2,850,280</i>
<i>Total capital assets being depreciated</i>	<i>14,021,483</i>	<i>593,493</i>	<i>(326,045)</i>	<i>14,288,929</i>
<i>Less accumulated depreciation for:</i>				
<i>Buildings</i>	<i>1,198,605</i>	<i>63,498</i>	-	<i>1,262,103</i>
<i>Other improvements</i>	<i>385,259</i>	<i>48,568</i>	-	<i>433,827</i>
<i>Equipment</i>	<i>1,450,840</i>	<i>212,898</i>	<i>(67,768)</i>	<i>1,595,970</i>
<i>Vehicles and motor equipment</i>	<i>1,629,751</i>	<i>280,300</i>	<i>(213,532)</i>	<i>1,696,519</i>
<i>Total accumulated depreciation</i>	<i>4,664,455</i>	<i>605,264</i>	<i>(281,300)</i>	<i>4,988,419</i>
<i>Total capital assets being depreciated, net</i>	<i>9,357,028</i>			<i>9,300,510</i>
<i>Governmental activity capital assets, net</i>	<i>\$ 10,441,112</i>			<i>\$ 10,384,594</i>

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

<i>General government</i>	\$ 95,113
<i>Public safety</i>	295,178
<i>Transportation</i>	114,434
<i>Environmental protection</i>	50,229
<i>Economic and physical development</i>	439
<i>Human services</i>	39,279
<i>Cultural and recreational</i>	10,592
<i>Total depreciation expense</i>	\$ 605,264

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

(B) Liabilities

(1) Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have 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, 2016, was 7.15% of compensation for law enforcement officers and 6.81% 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 \$317,356 for the year ended June 30, 2016.

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.

MICHELL COUNTY, NORTH CAROLINA**Notes to Financial Statements****For the Fiscal Year Ended June 30, 2016****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the County reported a liability of \$345,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2016, the County's proportion was .07699%, which was an increase of .0026% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the County recognized pension expense of \$170,877. At June 30, 2016, 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	\$ -	\$ 81,219
Net difference between projected and actual earnings on pension plan investments	- -	98,370
Changes in proportion and differences between County contributions and proportionate share of contributions	44,146	- -
County contributions subsequent to the measurement date	320,744	- -
Total	\$ 364,890	\$ 179,589

\$320,744 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (101,495)
2018	(101,495)
2019	(101,443)
2020	168,991
2021	- -
Thereafter	- -

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

MITCHELL COUNTY, NORTH CAROLINA**Notes to Financial Statements****For the Fiscal Year Ended June 30, 2016**

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 2,409,408	\$ 345,527	\$ (1,393,247)

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. The Separation Allowance is equal to .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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance membership consisted of:

<i>Retirees receiving benefits</i>	2
<i>Terminated plan members entitled to but not yet receiving benefits</i>	0
<i>Active plan members</i>	<u>17</u>
<i>Total</i>	<u><u>19</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.*

Method Used to Value Investments. *No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.*

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$24,454. 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.

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25- 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

<i>Annual required contribution</i>	\$ 37,198
<i>Interest on net pension obligation</i>	10,056
<i>Adjustment to annual required contribution</i>	(17,674)
<i>Annual pension cost</i>	<u>29,580</u>
<i>Contribution made</i>	(24,454)
<i>Increase (decrease) in net pension obligation</i>	<u>5,126</u>
<i>Net pension obligation beginning of year</i>	<u>201,121</u>
 <i>Net pension obligation end of year</i>	 <u>\$ 206,247</u>

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
6/30/2014	\$ 26,760	91.38%	\$ 194,924
6/30/2015	\$ 30,651	79.78%	\$ 201,121
6/30/2016	\$ 29,580	82.67%	\$ 206,247

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, 2016 were \$35,482, all of which was contributed by the County.

d. Deferred Compensation Plan

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

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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 \$3,389 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$36,520 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2016, the County's proportion was .15759%, which was a decrease of .0069% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the County recognized pension expense of \$33. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179	\$ 605
Net difference between projected and actual earnings on pension plan investments	1,811	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,477	-
County contributions subsequent to the measurement date	2,099	-
Total	\$ 5,566	\$ 605

\$2,099 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 1,137
2018	753
2019	484
2020	489
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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, 2014 is 2.2%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. 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 5.75 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1%		
	Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (32,949)	\$ (36,520)	\$ (39,593)

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.

(2) Other Post Employment Benefits

HEALTHCARE BENEFITS

Plan Description. 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.

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

<i>General Employees:</i>	92
<i>Law Enforcement Officers:</i>	17
<i>Retirees and dependents receiving benefits:</i>	<u>18</u>
<i>Total:</i>	128

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a resolution that can be amended by Board of Commissioners. The County has chosen to fund the healthcare benefits on a “pay as you go” basis. The current ARC rate is 8.75% of annual covered payroll. For the current year, the County made contributions of \$76,221 to the retirees receiving benefits. The County’s obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation for the healthcare benefits:

Annual required contribution \$ 353,131
Interest on net OPEB obligation: 4% per annum compounded annually
Contributions made: \$90,403
Net OPEB obligation, end of year \$ 2,139,519

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 305,961	22%	\$ 1,621,028
2015	\$ 331,984	23%	\$ 1,876,791
2016	\$ 353,131	26%	\$ 2,139,519

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$5,327,432. The covered payroll (annual payroll of active employees covered by the plan) was \$3,870,793 and the ratio of the UAAL to the covered payroll was 137.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent pre-medicare annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over an 8 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

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:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Pensions - difference between expected and actual experience		
LGERS	\$ -	\$ 81,219
Register of Deeds	179	605
Pensions - difference between projected and actual investment earnings	1,811	98,370
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	45,623	-
Contributions to pension plan in 2015-2016 fiscal year	322,843	-
Prepaid taxes not yet earned (General)	-	23,464
Total	\$ 370,456	\$ 203,658

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

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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. 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.

	<u>Principal</u>
<i>General Long-Term Debt:</i>	
2017	142,857
2018	142,857
2019	142,857
2020	142,857
2021-2022	428,572
	<hr/>
	\$ 1,000,000

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 October 19, 2015 for the lease of public safety vehicles and requires annual payments of \$69,596.90 for three consecutive years. The second agreement was executed on December 9, 2015 for the lease of vehicles and requires annual payments of \$21,609.05 for four consecutive years. Under the terms of both agreements, title passes to the County at the end of the lease term.

At June 30, 2016, the County leased vehicles and equipment valued at:

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

<i>Classes of Property</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
<i>Vehicles and motorized equipment</i>	<i>282,187</i>	<i>37,486</i>	<i>244,701</i>
<i>Total</i>	<i>\$ 282,187</i>	<i>\$ 37,486</i>	<i>\$ 244,701</i>

Year Ending June 30

For Mitchell County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<i>Year Ending June 30</i>	
<i>2017</i>	<i>91,196</i>
<i>2018</i>	<i>91,196</i>
<i>2019</i>	<i>21,609</i>
<i>Total minimum lease payments</i>	<i>204,001</i>
<i>Less: amount representing interest</i>	<i>18,157</i>
<i>Present value of the minimum lease payments</i>	<i>\$ 185,844</i>

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, 2016:

	<i>Balance June 30, 2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2016</i>	<i>Current Portion of Balance</i>
<i>Governmental activities:</i>					
<i>QZAB payable</i>	\$ 1,142,857	\$ -	\$ 142,857	\$ 1,000,000	\$ 142,857
<i>Leases payable</i>	-	277,039	91,195	185,844	80,394
<i>LGERS Net pension liability</i>	(476,007)	821,534		345,527	-
<i>Compensated absences</i>	194,899	3,708	-	198,607	-
<i>Net pension obligation</i>	201,122	5,128	-	206,250	-
<i>Net health care plan obligation</i>	1,876,791	262,728	-	2,139,519	-
	\$ 3,415,669	\$ 1,370,137	\$ 234,052	\$ 4,075,747	\$ 223,251

At June 30, 2016, the County had a legal debt margin of \$138,992,181.

7. Claims and Judgments

At June 30, 2016, 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, 2016 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,

MITCHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

the two counties will only be required to monitor the Landfill at shared costs. For the fiscal year ended June 30, 2016, Mitchell County's portion of shared costs was \$87,490.

(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:

<i>Total fund balance-General Fund</i>	<i>\$7,650,145</i>
<i>Less:</i>	
<i>Stabilization by State Statute</i>	<i>1,081,486</i>
<i>Appropriated Fund Balance in 2016 budget</i>	<i>650,586</i>
<i>Committed to Tax Revaluation</i>	<i>276,022</i>
<i>Register of Deeds</i>	<i>312</i>
<i>Remaining Fund Balance</i>	<i>\$5,641,739</i>

III. JOINT VENTURES

The County participates in a joint venture to operate Avery-Mitchell-Yancey Regional Library with three other local governments. Each participating government appoints three members to the twelve-member board of the library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$67,693 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 \$313,808 and \$20,000 to the College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2016. 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, 2016. Complete financial statements for Mayland Community College may be obtained from the College's administrative offices at 200 Mayland Tech Road, Spruce Pine, North Carolina 28777.

The County participates in a joint venture to operate the Toe River Health District with two other local governments. Each participating government appoints one member to the twelve-member board of directors of

MICHELL COUNTY, NORTH CAROLINA

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

the Health District. The County has an ongoing financial responsibility for the joint venture because the Health District's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health District, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$304,971 to the Health District to supplement its activities. Complete financial statements can be obtained from the Toe River Health District's offices at Greenwood Avenue, Spruce Pine, North Carolina 28777.

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

IV. JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$7,680 to the Council during the fiscal year ending June 30, 2016.

V. 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 which do not appear in the financial statements because they are not revenues and expenditures of the County.

<i>Temporary Assistance for Needy Families</i>	<i>16,596</i>	-
<i>Title IV-E Foster Care Assistance</i>	<i>206,755</i>	<i>52,791</i>
<i>Title IV-E Adoption Assistance</i>	<i>137,890</i>	<i>35,351</i>
<i>SFHF Maximization</i>	<i>-</i>	<i>158,470</i>
<i>CWS Adoption Subsidy and Vendor</i>	<i>-</i>	<i>63,599</i>
<i>SC/SA Domiciliary Care Payment</i>	<i>-</i>	<i>127,466</i>
<i>State Foster Home</i>	<i>-</i>	<i>69,589</i>
<i>NC Health Choice</i>	<i>359,760</i>	<i>26,500</i>

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.

VII. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2016, the date which the financial statements were available to be issued.

MITCHELL COUNTY, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued		Unfunded (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b -a)/c)
	Actuarial Value Assets (a)	Liability (AAL) -Projected Unit Credit (b)				
12/31/2006	0	120,443	120,443	0%	426,261	28.26%
12/31/2007	0	163,982	163,982	0%	486,950	33.68%
12/31/2008	0	192,601	192,601	0%	566,921	33.97%
12/31/2009	0	205,876	205,876	0%	555,648	37.05%
12/31/2010	0	315,238	315,238	0%	521,178	60.49%
12/31/2011	0	318,361	318,361	0%	549,730	57.91%
12/31/2012	0	317,008	317,008	0%	590,657	53.67%
12/31/2013	0	293,522	293,522	0%	655,119	44.80%
12/31/2014	0	278,443	278,443	0%	679,912	40.95%
12/31/2015	0	321,039	321,039	0%	724,261	44.33%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations are as follows:

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.57%
Projected salary increases	3.5-7.35%
Includes inflation at	3.00%
Cost-of living adjustments	N/A

MITCHELL COUNTY, NORTH CAROLINA
Other Post Employment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued		Unfunded (AAAL) (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
	Actuarual Value Assets (a)	Liability (AAL) -Projected Unit Credit (b)				
12/31/2008	0	3,342,109	3,342,109	0%	4,037,533	82.8%
12/31/2009	0	3,066,154	3,066,154	0%	4,038,731	75.9%
12/31/2010	0	3,216,636	3,216,636	0%	3,301,415	97.4%
12/31/2011	0	3,251,635	3,251,635	0%	3,363,179	96.7%
12/31/2012	0	3,413,249	3,413,249	0%	3,490,904	97.8%
12/31/2013	0	3,573,211	3,573,211	0%	3,759,987	95.0%
12/31/2014	0	4,091,227	4,091,227	0%	3,532,429	115.8%
12/31/2015	0	5,327,432	5,327,432	0%	3,870,793	137.6%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	340,935	7%
2010	342,676	0%
2011	296,581	0%
2012	297,111	0%
2013	297,109	33%
2014	305,961	21.7%
2015	331,984	23.0%
2016	353,131	25.6%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations are as follows:

<i>Valuation date</i>	12/31/2015
<i>Actuarial cost method</i>	<i>Projected unit credit</i>
<i>Amortization method</i>	<i>Level percent of pay, open</i>
<i>Remaining amortization period</i>	30 years
<i>Amortization factor</i>	26.1695
<i>Asset valuation method</i>	<i>Market value of assets</i>
<i>Actuarial assumptions:</i>	
<i>Investment rate of return</i>	4.00%
<i>Medical cost trend</i>	
<i>Pre-Medicare trend rate</i>	7.75% - 5.0%
<i>Post-Medicare trend rate</i>	5.75% - 5.0%
<i>Year of Ultimate trend rate</i>	2022
<i>Includes inflation at</i>	3.00%

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

Local Government Employees Retirement System

	<i>2016</i>	<i>2015</i>	<i>2014</i>
<i>County's proportion of the net pension liability (asset) (%)</i>	0.076990	0.074390	0.072600
<i>County's proportion of the net pension liability (asset) (\$)</i>	345,527	(438,712)	875,109
<i>County's covered-employee payroll</i>	3,915,053	3,770,887	3,615,087
<i>County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</i>	0.088	(0.116)	0.24
<i>Plan fiduciary net position as a percentage of the total pension liability</i>	0.9809	1.0264	0.9435

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

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

Local Government Employees Retirement System

	<i>2016</i>	<i>2015</i>	<i>2014</i>
<i>Contractually required contribution</i>	266,616	266,955	255,587
<i>Contributions in relation to the contractually required contribution</i>	266,616	266,955	255,587
<i>County's covered-employee payroll</i>	3,915,053	3,770,887	3,615,087
<i>Contributions as a percentage of covered-employee payroll</i>	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 Three Fiscal Years

	2016	2015	2014
<i>County's proportion of the net pension liability (asset) (%)</i>	0.157590	0.164542	0.169462
<i>County's proportion of the net pension liability (asset) (\$)</i>	(36,520)	(37,295)	(36,197)
<i>County's covered-employee payroll</i>	49,761	49,265	48,177
<i>County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</i>	(0.734)	(0.757)	(0.75)
<i>Plan fiduciary net position as a percentage of the total pension liability</i>	197.2900	193.8800	190.5000

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

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

	2016	2015	2014
<i>Contractually required contribution</i>	3,389	3,483	3,406
<i>Contributions in relation to the contractually required contribution</i>	3,389	3,483	3,406
<i>County's covered-employee payroll</i>	49,761	49,265	48,177
<i>Contributions as a percentage of covered-employee payroll</i>	0.0681	0.0707	0.0707

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2016****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016		2015
	Budget	Actual	Variance Favorable (Unfavorable)
		Actual	
Revenues:			
<i>Ad valorem taxes:</i>			
Taxes	\$ 9,330,013	\$ 9,127,558	
Penalties and interest	115,627	111,743	
<i>Total</i>	9,367,906	9,445,640	77,734
<i>Local option sales taxes:</i>			
Article 39 one percent	1,395,966	1,417,780	
Article 40 one-half of one percent	908,188	849,670	
Article 42 one-half of one percent	711,412	712,656	
<i>Total</i>	2,980,317	3,015,566	35,249
<i>Other taxes and licenses:</i>			
Real estate transfer tax	43,552	35,339	
Adm cost excise tax	871	732	
Occupancy tax	60,440	55,281	
Scrap tire disposal tax	20,987	19,470	
Solid waste disposal tax	88,968	10,081	
<i>Total</i>	224,863	214,818	(10,045)
<i>Unrestricted intergovernmental:</i>			
Payments in lieu of taxes	55,664	45,782	
<i>Total</i>	27,750	55,664	27,914
<i>Restricted intergovernmental:</i>			
State and federal grants	3,693,855	3,380,689	
Court facilities fees	15,358	16,864	
<i>Total</i>	3,859,074	3,709,213	(149,861)
<i>Licenses and permits:</i>			
Inspection fees and building permits	76,655	104,039	
Register of deeds	48,697	48,218	
Marriage licenses	6,360	5,580	
<i>Total</i>	134,905	131,712	(3,193)
<i>Sales and services:</i>			
Officer and jail fees	31,440	31,024	
CAP/DA claims	1,265,157	1,231,595	
Rent	67,923	56,052	
Cable and telephone fees	60,325	65,106	
Recycling waste revenue	50,867	45,459	
Tipping fees	309,708	455,959	
Transportation fees	233,136	170,539	
Recreation fees	45,525	31,048	
Other fees	64,304	56,221	
<i>Total</i>	2,018,548	2,128,385	109,837
<i>Investment earnings</i>	22,549	24,676	2,127
			16,194

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2016****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016	2015		
	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Actual</i>
<i>Miscellaneous:</i>				
<i>Sales of fixed assets</i>		1,205		3,963
<i>Insurance refunds</i>		13,203		27,542
<i>Other</i>		18,839		15,919
<i>Total</i>	<u>19,666</u>	<u>33,247</u>	<u>13,581</u>	<u>47,424</u>
<i>Total revenues</i>	<u>18,655,578</u>	<u>18,758,921</u>	<u>103,343</u>	<u>18,148,103</u>
<i>Expenditures:</i>				
<i>General government -</i>				
<i>Administration:</i>				
<i>Salaries and employee benefits</i>		338,480		346,073
<i>Other operating expenditures</i>		334,679		356,385
<i>Capital outlay</i>		-		48,187
<i>Total</i>	<u>707,855</u>	<u>673,159</u>	<u>34,696</u>	<u>750,645</u>
<i>Elections:</i>				
<i>Salaries and employee benefits</i>		78,162		87,451
<i>Other operating expenditures</i>		58,416		34,193
<i>Total</i>	<u>149,674</u>	<u>136,578</u>	<u>13,096</u>	<u>121,644</u>
<i>Finance:</i>				
<i>Salaries and employee benefits</i>		119,531		110,457
<i>Other operating expenditures</i>		12,533		9,364
<i>Total</i>	<u>133,876</u>	<u>132,064</u>	<u>1,812</u>	<u>119,821</u>
<i>Tax listing and supervisor:</i>				
<i>Salaries and employee benefits</i>		159,532		156,549
<i>Other operating expenditures</i>		51,578		29,868
<i>Total</i>	<u>216,789</u>	<u>211,110</u>	<u>5,679</u>	<u>186,417</u>
<i>Tax collections:</i>				
<i>Salaries and employee benefits</i>		102,891		101,477
<i>Other operating expenditures</i>		20,523		21,963
<i>Total</i>	<u>128,220</u>	<u>123,414</u>	<u>4,806</u>	<u>123,440</u>
<i>Mapping/GIS:</i>				
<i>Salaries and employee benefits</i>		44,440		44,045
<i>Other operating expenditures</i>		2,053		2,780
<i>Total</i>	<u>47,861</u>	<u>46,493</u>	<u>1,368</u>	<u>46,825</u>
<i>Register of Deeds:</i>				
<i>Salaries and employee benefits</i>		144,550		143,376
<i>Other operating expenditures</i>		71,960		63,063
<i>Total</i>	<u>217,114</u>	<u>216,510</u>	<u>604</u>	<u>206,439</u>
<i>Public Buildings:</i>				
<i>Salaries and employee benefits</i>		84,850		99,635

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2016****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016	2015		
	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Actual</i>
<i>Other operating expenditures</i>		293,438		369,096
<i>Capital outlay</i>		89,244		123,080
<i>Total</i>	<u>528,688</u>	<u>467,532</u>	<u>61,156</u>	<u>591,811</u>
<i>Legal and auditing:</i>				
<i>Contracted services</i>	<u>162,410</u>	<u>159,012</u>	<u>3,398</u>	<u>62,679</u>
<i>Facilities fees:</i>				
<i>Other operating expenditures</i>	<u>46,151</u>	<u>44,843</u>	<u>1,308</u>	<u>34,127</u>
<i>Total general government</i>	<u>2,338,638</u>	<u>2,210,715</u>	<u>127,923</u>	<u>2,243,848</u>
<i>Public safety -</i>				
<i>Sheriff's Department:</i>				
<i>Salaries and employee benefits</i>		1,070,831		991,349
<i>Other operating expenditures</i>		207,705		203,067
<i>Capital outlay</i>		233,931		107,954
<i>Total</i>	<u>1,333,925</u>	<u>1,512,467</u>	<u>(178,542)</u>	<u>1,302,370</u>
<i>Jail:</i>				
<i>Contracted services</i>		473,230		546,350
<i>Other operating expenditures</i>		43,358		32,471
<i>Total</i>	<u>597,003</u>	<u>516,588</u>	<u>80,415</u>	<u>578,821</u>
<i>Fire protection:</i>				
<i>Contracted services</i>	<u>63,153</u>	<u>48,350</u>	<u>14,803</u>	<u>56,168</u>
<i>Total</i>	<u>63,153</u>	<u>48,350</u>	<u>14,803</u>	<u>56,168</u>
<i>Building inspection:</i>				
<i>Salaries and employee benefits</i>		156,742		141,401
<i>Other operating expenditures</i>		24,253		20,376
<i>Capital outlay</i>		-		9,200
<i>Total</i>	<u>187,718</u>	<u>180,995</u>	<u>6,723</u>	<u>170,977</u>
<i>Emergency management:</i>				
<i>Salaries and employee benefits</i>		69,937		61,617
<i>Other operating expenditures</i>		22,250		55,445
<i>Capital outlay</i>		159,820		-
<i>Total</i>	<u>201,255</u>	<u>252,007</u>	<u>(50,752)</u>	<u>117,062</u>
<i>Animal Rescue:</i>				
<i>Operating expenditures</i>	<u>96,900</u>	<u>96,900</u>	<u>-</u>	<u>96,900</u>
<i>Emergency communications:</i>				
<i>Salaries and employee benefits</i>		404,660		377,437
<i>Other operating expenditures</i>		44,975		24,292
<i>Total</i>	<u>458,093</u>	<u>449,635</u>	<u>8,458</u>	<u>401,729</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2016****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016		2015
			Variance
	Budget	Actual	Favorable (Unfavorable)
<i>Medical Examiner:</i>			
Professional services	25,500	25,350	150
			6,300
<i>Emergency medical services:</i>			
Operating expenditures	1,155,917	1,155,917	-
			790,115
<i>Protective service agencies:</i>			
Other operating expenditures	9,200	8,711	489
			7,775
Total public safety	4,128,664	4,246,920	(118,256)
			3,528,217
<i>Public transportation:</i>			
Streets and highways:			
Salaries and employee benefits		448,389	423,952
Other operating expenditures		129,430	149,553
Capital outlay		148,179	111,242
Total public transportation	806,010	725,998	80,012
			684,747
<i>Environmental protection -</i>			
Sanitation:			
Salaries and employee benefits		289,850	285,800
Contracted services		664,530	905,896
Tire disposal		45,737	43,359
Other operating expenditures		110,663	123,062
Capital outlay		73,430	17,939
Total	1,229,228	1,184,210	45,018
			1,376,056
Soil conservation service:			
Contracted services	73,996	73,996	-
			72,196
Total environmental protection	1,303,224	1,258,206	45,018
			1,448,252
<i>Economic and physical development -</i>			
Agricultural extension agent:			
Other operating expenditures		108,249	98,565
Total	110,346	108,249	2,097
			98,565
Regional economic development:			
Other operating expenditures		33,115	30,829
Development council dues and fees		7,680	36,945
Occupancy tax distribution		60,440	55,281
Capital outlay		20,600	-
	121,956	121,835	121
			123,170
Community Based Alternatives			
Operating expenditures	50,004	50,003	1
			55,062

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2016****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016	2015		
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<i>Economic Development Commission:</i>				
<i>Contracted services</i>		134,308		50,000
<i>Other operating expenditures</i>		48,286		48,286
<i>Total</i>	<u>182,594</u>	<u>182,594</u>	-	<u>98,286</u>
 <i>Total economic and physical development</i>	 <u>464,900</u>	 <u>462,681</u>	 2,219	 <u>375,083</u>
<i>Human services -</i>				
<i> Public Health:</i>				
<i>Contracted services</i>		326,840		326,816
<i>Total</i>	<u>326,847</u>	<u>326,840</u>	7	<u>326,816</u>
 <i> Veteran's Service Officer -</i>	 	 	 	
<i>Salaries and employee benefits</i>		16,274		21,175
<i>Other operating expenditures</i>		1,158		180
<i>Total</i>	<u>19,221</u>	<u>17,432</u>	1,789	<u>21,355</u>
 <i> Social Services:</i>	 	 	 	
<i>Salaries and employee benefits</i>		3,043,518		2,815,343
<i>Other operating expenditures</i>		557,375		405,303
<i>Capital outlay</i>		12,540		1,925
<i>Total</i>	<u>3,644,444</u>	<u>3,613,433</u>	<u>31,011</u>	<u>3,222,571</u>
 <i> County participation:</i>	 	 	 	
<i>Special assistance</i>		139,102		141,645
<i>Foster care</i>		855,085		558,584
<i>JOBS program</i>		21,686		21,470
<i>Crisis intervention</i>		70,366		57,922
<i>Adoption assistance</i>		74,545		68,838
<i>Other</i>		164,208		193,047
<i>Total</i>	<u>1,357,431</u>	<u>1,324,992</u>	<u>32,439</u>	<u>1,041,506</u>
 <i> Senior Citizens:</i>	 	 	 	
<i>Salaries and employee benefits</i>		223,952		205,747
<i>Other operating expenditures</i>		195,877		201,296
<i>Capital outlay</i>		-		9,380
<i>Total</i>	<u>452,200</u>	<u>419,829</u>	<u>32,371</u>	<u>416,423</u>
 <i> Day Care and Child Development:</i>	 	 	 	
<i>Contracted services</i>	<u>607,904</u>	<u>604,461</u>	<u>3,443</u>	<u>617,979</u>
 <i> Total human services</i>	 <u>6,408,047</u>	 <u>6,306,987</u>	 <u>101,060</u>	 <u>5,646,650</u>
 <i> Cultural and recreational -</i>	 	 	 	
<i> Community service:</i>				
<i>Agency assistance</i>	<u>1,500</u>	<u>1,500</u>	-	<u>1,500</u>

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual-****For the Fiscal Year Ended June 30, 2016****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016	2015		
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<i>Library:</i>				
<i>Contracted services</i>	72,693	72,693	-	72,693
	<u>72,693</u>	<u>72,693</u>	<u>-</u>	<u>72,693</u>
<i>Recreation:</i>				
<i>Salaries and employee benefits</i>	71,855	71,855	54,654	54,654
<i>Other operating expenditures</i>	70,682	70,682	64,382	64,382
<i>Total</i>	<u>150,656</u>	<u>142,537</u>	<u>8,119</u>	<u>119,036</u>
<i>Total cultural and recreational</i>	224,849	216,730	8,119	193,229
<i>Education -</i>				
<i>Public schools - current expense</i>	2,290,389	2,290,389	2,204,963	2,204,963
<i>Public schools - capital outlay</i>	578,192	578,192	526,118	526,118
<i>Community College - current expense</i>	313,808	313,808	313,808	313,808
<i>Community College - capital outlay</i>	20,000	20,000	20,000	20,000
<i>Total education</i>	<u>3,228,395</u>	<u>3,202,389</u>	<u>26,006</u>	<u>3,064,889</u>
<i>Debt service -</i>				
<i>Principal retirement</i>	234,053	234,053	-	142,857
<i>Total debt service</i>	<u>234,053</u>	<u>234,053</u>	<u>-</u>	<u>142,857</u>
<i>Total expenditures</i>	19,136,780	18,864,679	272,101	17,327,772
<i>Revenue over (under) expenditures</i>	<u>(481,202)</u>	<u>(105,758)</u>	<u>375,444</u>	<u>820,331</u>
<i>Other financing sources (uses):</i>				
<i>Appropriated Fund Balance</i>	584,528	-	(584,528)	-
<i>Proceeds from debt issue</i>	-	274,780	274,780	274,780
<i>Transfers in (out):</i>				
<i>Revaluation Fund</i>	(100,000)	(100,000)	-	(100,000)
<i>E-911</i>	(3,326)	(3,226)	100	273
<i>Total other financing sources (uses)</i>	<u>481,202</u>	<u>171,554</u>	<u>(309,648)</u>	<u>(99,727)</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ <u> </u>	\$ 65,796	\$ 65,796	\$ 720,604
<i>Fund balances - beginning of year</i>	\$ 7,308,273			\$ 6,587,669
<i>Fund balances - end of year</i>	<u>\$ 7,374,069</u>			<u>\$ 7,308,273</u>

MITCHELL COUNTY, NORTH CAROLINA***Revaluation Fund******Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--******For the Fiscal Year Ended June 30, 2016******(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)***

	2016			2015
			Variance	
	Budget	Actual	Favorable (Unfavorable)	
Revenues:				
Investment earnings	\$ 132	212		123
Total revenues	<u>132</u>	<u>212</u>	80	<u>123</u>
Expenditures:				
Tax Listing:				
Contracted services		27,472		10,428
	<u>303,461</u>	<u>27,472</u>	<u>275,989</u>	<u>10,428</u>
Total expenditures	<u>303,461</u>	<u>27,472</u>	<u>275,989</u>	<u>10,428</u>
Revenues over (under) expenditures	(303,329)	(27,260)	276,069	(10,305)
Other financing sources (uses):				
Appropriated fund balance	203,329		203,329	
Operating transfer in (out) from General Fund	<u>100,000</u>	<u>100,000</u>	-	<u>100,000</u>
Total other financing sources (uses)	<u>303,329</u>	<u>100,000</u>	<u>203,329</u>	<u>100,000</u>
Excess of revenues and other sources over (under) expenditures	\$ <u> -</u>	72,740	\$ <u> 72,740</u>	89,695
Fund balances - beginning of year		203,338		113,643
Fund balances - end of year	\$ <u> </u>	<u>276,078</u>	\$ <u> </u>	<u>203,338</u>

MITCHELL COUNTY, NORTH CAROLINA***Emergency Telephone System Fund******Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--******For the Fiscal Year Ended June 30, 2016******(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)***

	2016		Variance	2015	
	Budget	Actual	Favorable	(Unfavorable)	Actual
<i>Revenues:</i>					
NC PSAP payment	\$ 221,977	221,976		\$ 139,926	
Investment earnings	8	168		14	
<i>Total revenues</i>	221,985	222,144		139,940	
<i>Expenditures:</i>					
<i>Public safety:</i>					
Contracted services		82,492			16,830
Other operating expense		58,638			37,424
Capital outlay		-			-
<i>Total expenditures</i>	221,985	141,130		80,855	54,254
<i>Revenues over (under) expenditures</i>	-	81,014		81,014	85,686
<i>Other financing sources (uses):</i>					
Operating transfer in (out) from General Fund	-	3,226		(3,226)	(273)
<i>Total other financing sources (uses)</i>	-	3,226		(3,226)	(273)
<i>Excess of revenues and other sources over (under) expenditures</i>	\$ -	\$ 84,240		\$ 84,240	\$ 85,413
<i>Fund balances - beginning of year</i>		991,191			905,778
<i>Fund balances - end of year</i>	\$ 1,075,431			\$ 991,191	

MITCHELL COUNTY, NORTH CAROLINA
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2016

	<i>Fire District Fund</i>	<i>Total Non-major Special Revenue Funds</i>
<i>Assets</i>	<hr/>	<hr/>
<i>Current assets:</i>		
<i>Cash and investments</i>	\$ -	\$ -
<i>Taxes receivable - net</i>	98,179	98,179
<i>Total assets</i>	<u>\$ 98,179</u>	<u>\$ 98,179</u>
<i>Liabilities and Fund Balances</i>		
<i>Liabilities:</i>		
<i>Accounts payable and accrued liabilities</i>	\$ -	\$ -
<i>Deferred revenue</i>	<u>98,179</u>	<u>98,179</u>
<i>Total liabilities</i>	<u>98,179</u>	<u>98,179</u>
<i>Total liabilities and fund balances</i>	<u>\$ 98,179</u>	<u>\$ 98,179</u>

MITCHELL COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<i>Fire District Fund</i>	<i>Total Non-major Governmental Funds</i>
<i>Revenues:</i>		
<i>Ad valorem taxes (net)</i>	\$ 952,524	\$ 952,524
<i>Restricted intergovernmental</i>	-	-
<i>Investment earnings</i>	-	-
<i>Total revenues</i>	<u>952,524</u>	<u>952,524</u>
<i>Expenditures:</i>		
<i>Public safety</i>	952,524	952,524
<i>Capital outlay</i>	-	-
	<u>952,524</u>	<u>952,524</u>
<i>Total expenditures</i>	<u>952,524</u>	<u>952,524</u>
<i>Excess of revenues and other sources over expenditures</i>	-	-
<i>Fund balances - beginning of year</i>	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -

MITCHELL COUNTY, NORTH CAROLINA**Fire District Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2016**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
<i>Revenues:</i>				
<i>Ad valorem taxes:</i>				
<i>Current and prior years</i>	\$ 977,500	\$ 952,524	\$ (24,976)	\$ 940,286
<i>Total revenues</i>	<u>977,500</u>	<u>952,524</u>	<u>(24,976)</u>	<u>940,286</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
<i>Bakersville Fire District</i>		120,334		121,339
<i>Ledger Fire District</i>		132,788		127,977
<i>Parkway Fire District</i>		288,403		283,599
<i>Buladean Fire District</i>		62,900		64,882
<i>Fork Mountain Fire District</i>		80,884		79,361
<i>Bradshaw Fire District</i>		99,132		99,987
<i>Spruce Pine Fire District</i>		168,083		163,141
<i>Total expenditures</i>	<u>977,500</u>	<u>952,524</u>	<u>24,976</u>	<u>940,286</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>	

Mitchell County, North Carolina
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<i>Balance June 30, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2016</i>
Social Services -				
Assets:				
Cash and investments	\$ 33,105	\$ 379,777	\$ (383,665)	\$ 29,217
Liabilities:				
Miscellaneous liabilities	\$ 33,105	\$ 379,777	\$ (383,665)	\$ 29,217
Motor Vehicle Tax -				
Assets:				
Taxes receivable	\$ -	\$ 95,932	\$ (95,932)	\$ -
Liabilities:				
Intergovernmental payables	\$ -	\$ 95,932	\$ (95,932)	\$ -
Fines and Forfeitures -				
Assets:				
Cash and investments	\$ -	\$ 61,976	\$ (61,976)	\$ -
Liabilities:				
Intergovernmental payables - Board of Education	\$ -	\$ 61,976	\$ (61,976)	\$ -
Total intergovernmental payables	\$ -	\$ 61,976	\$ (61,976)	\$ -
Deed of Trust Fee Fund-				
Assets:				
Cash and investments	\$ -	\$ 2,149	\$ (2,149)	\$ -
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ -	\$ 2,149	\$ (2,149)	\$ -
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 33,105	\$ 443,902	\$ (447,790)	\$ 29,217
Taxes receivable	\$ -	\$ 95,932	\$ (95,932)	\$ -
Total assets	\$ 33,105	\$ 539,834	\$ (543,722)	\$ 29,217
Liabilities:				
Miscellaneous liabilities	\$ 33,105	\$ 379,777	\$ (383,665)	\$ 29,217
Intergovernmental payables - Town Motor Vehicles	\$ -	\$ 95,932	\$ (95,932)	\$ -
Intergovernmental payables - Board of Education	\$ -	\$ 61,976	\$ (61,976)	\$ -
Intergovernmental payables - State of North Carolina	\$ -	\$ 2,149	\$ (2,149)	\$ -
Total liabilities	\$ 33,105	\$ 539,834	\$ (543,722)	\$ 29,217

See the accompanying Independent Auditor's Report.

MITCHELL COUNTY, NORTH CAROLINA**General Fund****Schedule of Ad Valorem Taxes Receivable****June 30, 2016**

	<i>Uncollected Balance June 30, 2015</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2016</i>
2015 - 2016	\$ -	\$ 9,282,408	\$ 8,933,128	\$ 349,280
2014 - 2015	323,138		167,570	155,568
2013 - 2014	163,067		62,950	100,117
2012 - 2013	141,198		52,884	88,314
2011 - 2012	89,374		25,594	63,780
2010 - 2011	60,530		22,909	37,621
2009 - 2010	48,682		18,792	29,890
2008 - 2009	103,247		48,513	54,734
2007 - 2008	87,788		45,202	42,586
2006 - 2007	10,203		1,208	8,995
2005 - 2006	8,420		8,420	-
	<u>1,035,647</u>	<u>\$ 9,282,408</u>	<u>\$ 9,387,170</u>	<u>930,885</u>

Less: allowance for uncollectible accounts:

<i>General Fund</i>	<i>100,000</i>
---------------------	----------------

Ad valorem taxes receivable - net

<i>General Fund</i>	<i>\$ 830,885</i>
---------------------	-------------------

Reconcilement with revenues:

<i>Ad valorem taxes - General Fund</i>	<i>\$ 9,330,013</i>
--	---------------------

Reconciling items:

<i>Taxes written off</i>	<i>8,420</i>
<i>Discounts and abatements</i>	<i>48,737</i>
<i>Total reconciling items</i>	<i>57,157</i>

<i>Total collections and credits</i>	<i>\$ 9,387,170</i>
--------------------------------------	---------------------

MITCHELL COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
County-Wide Levy
For the Fiscal Year Ended June 30, 2016

	<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>	\$ 1,738,926,612	.53	\$ 9,216,311	\$ 8,523,089	\$ 693,222
<i>Total</i>	<u>1,738,926,612</u>		<u>9,216,311</u>	<u>8,523,089</u>	<u>693,222</u>
<i>Discoveries:</i>					
<i>Current year taxes</i>	19,437,925		103,021	103,021	-
<i>Penalties</i>	-		43,491	43,491	-
<i>Total</i>	<u>19,437,925</u>		<u>146,512</u>	<u>146,512</u>	<u>-</u>
<i>Abatements</i>	<u>(8,376,362)</u>		<u>(80,415)</u>	<u>(80,415)</u>	<u>-</u>
<i>Total property valuations</i>	<u>\$ 1,749,988,175</u>				
<i>Net levy</i>			9,282,408	8,589,186	693,222
<i>Uncollected taxes at June 30, 2016</i>			<u>349,280</u>	<u>349,280</u>	<u>-</u>
<i>Current year's taxes collected</i>	\$ 8,933,128		\$ 8,239,906	\$ 693,222	
<i>Current year's collection percentage</i>	<u>96.24%</u>		<u>95.93%</u>	<u>100.00%</u>	

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, 2016, 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 21, 2016.

Internal Control Over Financial Reporting

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

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

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 16-1 and 16-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mitchell County, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
September 21, 2016

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, 2016. The County of Mitchell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Mitchell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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.

A handwritten signature in black ink that reads "Young, Miller & Gillespie, P.A." The signature is cursive and appears to be a professional business name.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
September 21, 2016

MITCHELL COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2016****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 two significant deficiencies in the internal controls. These significant deficiencies were not determined to be material weaknesses.
- 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 program.
- 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, 2016 are:

<u>Program</u>	<u>Name</u>	<u>CFDA #</u>
Title XIX – Medicaid		93.778
Temporary Assistance for Needy Families		93.558

H. There were no major State programs for Mitchell County for the fiscal year ended June 30, 2016.

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

Finding 16-1

Internal Control/Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are appropriately handled.

Condition: There are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among County personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 15-1.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The Board of Commissioners should provide some of these controls.

Management Response: The Board of Commissioners agrees with this finding.

Corrective Action Plan

Contact person: Charles Vines, County Manager

MITCHELL COUNTY, NORTH CAROLINA***Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2016***

Corrective action: *This is an ongoing deficiency for governmental units of comparable size to Mitchell County. As new employees are hired, management will make every attempt to segregate duties to the extent practical considering the availability of personnel within the financial function.*

Completion date: *The Board will immediately implement the above procedures.*

Finding 16-2**Internal Control/Financial Statement Preparation**

Criteria: *Financial statements for year end should be converted to full accrual basis in accordance with generally accepted accounting procedures.*

Condition: *Management's lack of experience with GAAP accounting has necessitated preparation of cash basis financial statements.*

Effect: *Financial statements could be misstated.*

Cause: *Management's expertise is limited in the area of financial statement preparation in accordance with generally accepted accounting principles, specifically with full accrual basis statements now required by GASB 34.*

Identification of a repeat finding: *This is a repeat finding from the immediate previous audit, 15-2.*

Recommendation: *The County's governing board should review the draft financial statements for material errors and reasonableness in amounts.*

Management Response: *The Board of Commissioners agrees with this finding.*

Corrective Action Plan

Contact person: *Charles Vines, County Manager*

Corrective action: *This is an ongoing deficiency for governmental units of comparable size to Mitchell County. The County's governing board feels that there are limited financial resources at this time for training the finance department staff in GAAP and that it is not cost beneficial to obtain additional assistance in this area. The County's governing board will review the draft financial statements for material errors and reasonableness in amounts.*

Completion date: *The Board will immediately implement the above procedures.*

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

None

IV. Status of Prior Year Findings

Finding as noted in the prior year audit related to the same deficiency as discussed above under item 16 -1 in regard to lack of segregation of duties due to small staff size. It is likely that this significant deficiency will appear in future audits of Mitchell County, North Carolina. It is not economically feasible for governmental entities of this size to employ a staff of the size necessary to achieve an optimum level of separation of duties. Also noted in the prior year audit was the same significant deficiency as discussed under item 16-2 in regard to lack of experience of financial personnel. Again, the economic feasibility of hiring a professional to handle this reporting is not practical.

MITCHELL COUNTY, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures
Federal Grants:						
<i>Cash Programs:</i>						
<u>U.S. Department of Health & Human Services</u>						
Passed-through Region D Council of Governments:						
Special Programs for the Aging-Title III B						
Grants for Supportive Services and Senior Centers	93.044		\$ 23,220	\$ 1,366	- \$	2,732
Special Programs for the Aging-Title III C	93.045		124,433	7,319	-	14,639
Passed through N.C. Dept. of Health & Human Services						
<i>Division of Social Services:</i>						
Administration:						
Temporary Assistance to Needy Families - Work First Admin	93.558		11,277	-	-	13,051
Temporary Assistance to Needy Families - Work First Svc	93.558		111,324	-	-	74,006
IV-D Administration	93.563		87,010	-	-	44,824
Low-Income Energy Admin	93.568		8,288	-	-	-
Crisis Intervention Payments	93.568		69,277	-	-	-
Family Preservation	93.556		18,179	-	-	-
Permanency Planning-Spec	93.645		4,031	-	-	1,344
Title IV-E Foster Care - CPS	93.658		33,581	10,112	-	23,634
Title IV-E Foster Care - Training	93.658		61,613	-	-	61,613
Title IV-E Optional Adoption - Training	93.659		676	-	-	676
LINKS	93.674		3,897	974	-	-
Other Services and Training - Social Services Block Grant	93.667		81,298	8,654	-	29,984
State Children's Insurance Program -NC Health Choice	93.767		15,994	649	-	82
Direct Benefit Payments:						
Low-Income Home Energy Assistance	93.568		76,800	-	-	-
Temporary Assistance for Needy Families- Payments and Penalties	93.558		16,596	-	-	-
Title IV-E Foster Care Assistance	93.658		206,755	52,791	-	52,791
NC Health Choice	93.767		359,760	26,500	-	-
Independent Living Transitional	93.674		673	-	-	-
Title IV-E Adoption Subsidy & Vendor	93.659		137,890	35,351	-	35,351
<i>Division of Medical Assistance:</i>						
Administration:						
Medical Assistance	93.778		390,780	-	-	130,284
Title XIX - Medicaid Transportation	93.778		45,239	23,139	-	-
Medical Transportation Service	93.778		10,137	-	-	10,137
Medical Assistance Expansion	93.778		48,560	-	-	48,559
Adult Care Case Management	93.778		1,056	528	-	528
State County Special Assistance	93.778		19,050	-	-	6,350
Direct Benefit Payments:						
Title XIX - Medicaid	93.778		16,225,120	8,934,224	-	-
<i>Subsidized Child Care Cluster:</i>						
<i>Division of Social Services</i>						
Child Care Development Fund - Adm.	93.596		64,772	-	-	-
<i>Division of Child Development:</i>						
Temporary Assistance For Needy Families-						
Child Care Development Fund Discretionary	93.575		88,540	-	-	-
Child Care Development Fund-Mandatory	93.596		29,272	-	-	-
Child Care Development Fund -Match	93.596		142,765	68,435	-	-
Total Child Care Fund Cluster			325,349	68,435	-	-
TANF	93.558		22,288	-	-	-
State Funding			-	185,084	-	-
IV E Foster Care	93.658		1,308	-	-	-
IV E Foster Care - Match			-	668	-	-
Temporary Assistance for Needy Families Maintenance Effort			-	66,101	-	-
Total Subsidized Child Care Cluster			348,945	320,288	-	-
Total U.S. Department of Health & Human Services			18,541,459	9,236,143	-	550,585
<u>U.S. Department of Agriculture</u>						
Passed through N.C. Dept. of Health & Human Services						

MITCHELL COUNTY, NORTH CAROLINA**Schedule of Expenditures of Federal and State Awards****For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Passed Through to Subrecipients	Local Expenditures
<i>Special Programs for the Aging - Title III B</i>						
<i>Nutrition Program for the Elderly</i>	10.570		23,373	-	-	-
<i>Division of Social Services:</i>						
<i>Administration:</i>						
<i>Supplemental Nutrition Assistance Program Cluster:</i>						
<i>State Administrative Matching Grants</i>						
<i>for the Supplemental Assistance Nutrition Program</i>	10.561		150,031	-	-	150,031
<i>Food and Nutrition Services Recovery</i>	10.561		4,805	-	-	4,805
<i>Total U.S. Department of Agriculture</i>			178,209	-	-	154,836
<i>U.S. Department of Transportation</i>						
<i>Passed through N.C. Dept. of Transportation</i>						
<i>Public Transportation Programs:</i>						
<i>Sec 5311 - Admin Exp & Employ Development</i>	20.509		144,483	9,028	-	27,095
<i>Sec 5311 - Capital</i>	20.509		97,289	12,160	-	12,164
<i>Total U.S. Department of Transportation</i>			241,772	21,188	-	39,259
<i>U.S. Department of Homeland Security</i>						
<i>Passed through N.C. Dept. of Crime Control and Public Safety:</i>						
<i>Emergency Management</i>	97.042		38,542	-	-	-
<i>Total U.S. Department of Justice</i>			38,542	-	-	-
<i>Total federal cash assistance</i>			18,999,982	9,257,331	-	744,680
STATE GRANTS						
<i>Cash Programs:</i>						
<i>N.C. Department of Health & Human Services</i>						
<i>Passed-through Region D Council of Governments:</i>						
<i>Senior FANS Program</i>			-	278	-	-
<i>Senior Center General Purpose</i>			-	3,799	-	-
<i>Division of Social Services:</i>						
<i>Direct Benefit Payment:</i>						
<i>CWS Adoption Subsidy & Vendor</i>			-	63,599	-	21,200
<i>FC At Risk Maximization</i>			-	2,129	-	1,085
<i>SFHF Maximization</i>			-	158,470	-	158,470
<i>State Foster Care Benefits Program</i>			-	69,589	-	69,589
<i>State/County Special Assistance for Adults</i>			-	127,466	-	127,466
<i>Total N.C. Department of Human Resources</i>			-	425,330	-	377,810
<i>N.C. Department of Transportation:</i>						
<i>Elderly & Disabled TAP</i>		ROAP	-	47,445	-	-
<i>ROAP Employment</i>		ROAP	-	6,253	-	-
<i>Rural General Public Transportation</i>		ROAP	-	45,829	-	-
<i>Total N.C. Department of Transportation</i>			-	99,527	-	-
<i>N.C. Department of Agriculture</i>						
<i>Agriculture Development & Farmland Preservation Trust Fund</i>			-	11,257	-	-
<i>N.C. Department of Public Safety</i>						
<i>Division of Juvenile Justice and Delinquency Prevention</i>			-	87,584	87,584	-
<i>Juvenile Crime Prevention</i>			-	87,584	87,584	-
<i>N.C. Department of Public Instruction:</i>						
<i>Public School Building Capital Fund - Lottery</i>				193,874	193,874	
<i>Total State cash assistance</i>			-	817,572	281,458	377,810
<i>Total assistance</i>	\$ 18,999,982	\$ 10,074,903	\$ 281,458	\$ 1,122,490		

Notes to the Schedule of Expenditures of Federal and State Financial Awards:**I 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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal

MITCHELL COUNTY, NORTH CAROLINA**Schedule of Expenditures of Federal and State Awards****For the Year Ended June 30, 2016**

<i>Grantor/Pass-through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>State Pass-Through Grantor's Number</i>	<i>Federal (Direct & Pass-Through) Expenditures</i>	<i>State Expenditures</i>	<i>Passed Through to Subrecipients</i>	<i>Local Expenditures</i>
---	------------------------------------	--	---	-------------------------------	--	-------------------------------

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. Benefits payments are paid directly to recipients and are included in the County's financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule. 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 Mitchell 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 Child Care Cluster

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

Subsidized Child Care