

**WILKES COUNTY
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

WILKES COUNTY, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

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MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Wilkes County
Wilkesboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilkes County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilkes County, North Carolina, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Fire District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress, the Other Post-Employment Benefits' Schedule of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement Systems Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) and Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilkes County's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards, as required by *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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all materials 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 December 7, 2016 on our consideration of Wilkes 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Wilkes County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, North Carolina

December 7, 2016, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is December 14, 2017

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Management's Discussion and Analysis

As management of Wilkes County, we offer readers of Wilkes County's financial statements this narrative overview and analysis of the financial activities of Wilkes 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

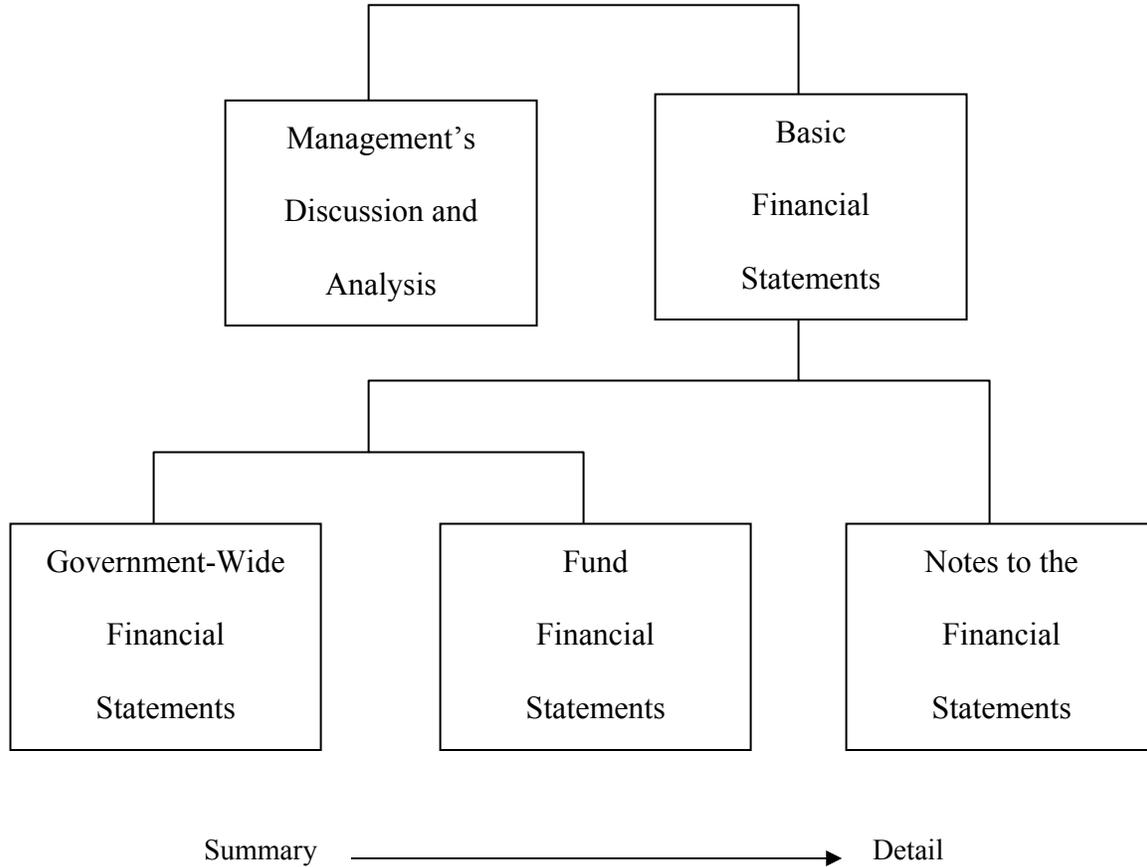
- The assets and deferred outflows of resources of Wilkes County exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$40,373,432 (*net position*).
- The government's total net position increased by \$6,841,032.
- As of the close of the current fiscal year, Wilkes County's governmental funds reported combined ending fund balances of \$30,099,078. Approximately 24 percent of this total amount, or \$7,153,343, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,711,387, or 28 percent, of total General Fund expenditures for the fiscal year.
- Wilkes County's most recent bond rating from Moody's Investor and from Standard and Poor's Corporation is an Aa3 and an AA-, respectively.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through K) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension plans.

After the required supplemental information, **supplemental information** is provided to show details about the County's funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services, such as public safety, cultural and recreational, and general administration. Property taxes and local option sales tax finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the airport and landfill services offered by Wilkes County.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements 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. Wilkes 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 Wilkes County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements 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 governmental 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.

Wilkes County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. Wilkes County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Wilkes County uses enterprise funds to account for its airport and landfill operations. These funds represent business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Wilkes County has three fiduciary funds. The Social Services Trust Fund, an agency fund, was established to account for monies deposited with the Social Services Department for the benefit of certain individuals. The Ad Valorem Tax–Other Municipalities Fund accounts for property taxes and registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Wilkes County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Schedule A-1 of this report.

Government-Wide Financial Analysis

Wilkes County's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current and other assets	\$ 36,408,864	\$ 38,323,055	\$ 6,258,933	\$ 6,701,356	\$ 42,667,797	\$ 45,024,411
Capital assets, net	<u>38,549,241</u>	<u>37,309,207</u>	<u>21,591,952</u>	<u>18,355,238</u>	<u>60,141,193</u>	<u>55,664,445</u>
Total assets	<u>74,958,105</u>	<u>75,632,262</u>	<u>27,850,885</u>	<u>25,056,594</u>	<u>102,808,990</u>	<u>100,688,856</u>
Deferred Outflows of Resources						
	<u>1,772,483</u>	<u>1,092,438</u>	<u>44,885</u>	<u>43,279</u>	<u>1,817,368</u>	<u>1,135,717</u>
Liabilities:						
Long-term liabilities	48,817,478.46	48,870,998	7,199,215	6,850,435	56,016,693	55,721,433
Other liabilities	<u>7,008,431</u>	<u>7,618,614</u>	<u>502,513</u>	<u>885,355</u>	<u>7,510,944</u>	<u>8,503,969</u>
Total liabilities	<u>55,825,909</u>	<u>56,489,612</u>	<u>7,701,728</u>	<u>7,735,790</u>	<u>63,527,637</u>	<u>64,225,402</u>
Deferred Inflows of Resources						
	<u>699,407</u>	<u>3,914,917</u>	<u>25,882</u>	<u>151,854</u>	<u>725,289</u>	<u>4,066,771</u>
Net Position:						
Net investment in capital assets	26,210,899	26,562,156	21,578,961	18,188,513	47,789,860	44,750,669
Restricted	7,139,111	5,609,310	-	-	7,139,111	5,609,310
Unrestricted	<u>(13,144,738)</u>	<u>(15,851,295)</u>	<u>(1,410,801)</u>	<u>(976,284)</u>	<u>(14,555,539)</u>	<u>(16,827,579)</u>
Total net position	<u>\$ 20,205,272</u>	<u>\$ 16,320,171</u>	<u>\$ 20,168,160</u>	<u>\$ 17,212,229</u>	<u>\$ 40,373,432</u>	<u>\$ 33,532,400</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Wilkes County exceeded liabilities and deferred inflows of resources by \$40,373,432 as of June 30, 2016. The County's net position increased by \$6,841,032 for the fiscal year ended June 30, 2016. The County's net position also reflects the investment in capital assets (e.g. land, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items. Wilkes County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wilkes County's net investment in 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 the County's net position, \$7,139,111, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted deficit of \$14,555,539. This deficit is a presentation of the fact that Wilkes County carries \$29,970,000 of debt for the Wilkes County Board of Education for the construction of four new middle schools and renovations to four high schools and one elementary school. The Wilkes County Board of Education and Wilkes Community College show the assets associated with this debt on their books.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.32%
- Sustained operating budgets at minimal costs and estimated revenues conservatively
- Increase in lottery funds received from the State

Wilkes County's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges from services	\$ 9,591,467	\$ 10,307,815	\$ 3,380,021	\$ 3,322,642	\$ 12,971,488	\$ 13,630,457
Operating grants and contributions	10,585,564	10,030,432	-	-	10,585,564	10,030,432
Capital grants and contributions	1,210,653	1,660,679	2,715,494	1,270,221	3,926,147	2,930,900
General revenues:						
Property taxes	40,249,190	39,488,749	-	-	40,249,190	39,488,749
Local option sales tax	13,520,533	13,063,676	-	-	13,520,533	13,063,676
Other	175,667	171,413	5,816	3,872	181,483	175,285
Total revenues	<u>75,333,074</u>	<u>74,722,764</u>	<u>6,101,331</u>	<u>4,596,735</u>	<u>81,434,405</u>	<u>79,319,499</u>
Expenses:						
General government	9,008,385	7,273,458	-	-	9,008,385	7,273,458
Public safety	18,653,867	17,250,291	-	-	18,653,867	17,250,291
Economic and physical development	1,835,156	2,538,184	-	-	1,835,156	2,538,184
Environmental protection	155,163	134,422	-	-	155,163	134,422
Human services	21,629,098	21,550,246	-	-	21,629,098	21,550,246
Cultural and recreation	1,411,267	1,396,285	-	-	1,411,267	1,396,285
Education	17,408,830	16,749,497	-	-	17,408,830	16,749,497
Interest on long-term debt	960,451	1,802,022	-	-	960,451	1,802,022
Airport	-	-	1,286,584	1,516,736	1,286,584	1,516,736
Landfill	-	-	2,244,573	1,915,893	2,244,573	1,915,893
Total expenses	<u>71,062,216</u>	<u>68,694,405</u>	<u>3,531,157</u>	<u>3,432,629</u>	<u>74,593,373</u>	<u>72,127,034</u>
Increase (decrease) in net position before transfers	4,270,858	6,028,359	2,570,174	1,164,106	6,841,032	7,192,465
Transfers in (out)	<u>(385,757)</u>	<u>(122,223)</u>	<u>385,757</u>	<u>122,223</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>3,885,101</u>	<u>5,906,136</u>	<u>2,955,931</u>	<u>1,286,329</u>	<u>6,841,032</u>	<u>7,192,465</u>
Net Position:						
Net position, beginning	16,320,171	12,464,055	17,212,229	16,012,578	33,532,400	28,476,633
Restatement	-	(2,050,020)	-	(86,678)	-	(2,136,698)
Net position, beginning, restated	<u>16,320,171</u>	<u>10,414,035</u>	<u>17,212,229</u>	<u>15,925,900</u>	<u>33,532,400</u>	<u>26,339,935</u>
End of year - June 30	<u>\$ 20,205,272</u>	<u>\$ 16,320,171</u>	<u>\$ 20,168,160</u>	<u>\$ 17,212,229</u>	<u>\$ 40,373,432</u>	<u>\$ 33,532,400</u>

Governmental Activities. Governmental activities increased the County's net position by \$3,885,101. Key elements of this increase are as follows:

- Maintaining a collection percentage of 96.32% in the collection of property taxes
- Increase in local option sales tax and related revenues
- Conservative budgeting in operating expenses and revenue estimates

Business-Type Activities. Business-type activities increased Wilkes County's net position by \$2,955,931. Key elements of this decrease are as follows:

- Conservative budgeting in operations and revenue estimates
- Increase in storm debris deposited at the County landfill

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Wilkes County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Wilkes 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 Wilkes County. At the end of the current fiscal year, fund balance available in the General Fund was \$23,199,468 while total fund balance reached \$29,171,954. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 33% of total General Fund expenditures and transfers to other funds, while total fund balance represents 41% of that same amount.

At June 30, 2016, the governmental funds of Wilkes County reported a combined fund balance of \$30,099,078, a decrease over last year. The primary reason for this decrease is the decrease in fund balance in the Law Enforcement Center/Jail Construction Capital Project Fund.

The Fire District Fund (one of the County's major funds) is another fund of note when considering fund balance levels. This fund accounts for the collection and disbursements of fire district taxes to the various fire districts in the County. This fund had an ending balance of \$27,008 and \$0 for June 30, 2016 and 2015, respectively.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants, and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by approximately \$1,439,064 (1.97%). Amendments were necessary due to conservatism used in compiling the original budget, economic changes and additional grant funding sources.

Proprietary Funds. Wilkes County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Airport Fund at the end of the fiscal year totaled \$(543,782). Unrestricted net position of the Landfill Fund at the end of the fiscal year totaled \$(867,019).

Capital Asset and Debt Administration

Capital Assets. Wilkes County's capital assets for its governmental and business-type activities as of June 30, 2016 totaled \$60,141,193 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Improvements to Courthouse Drive of \$1,132,357
- Improvements to the Airport Lighting system of \$585,470
- Completion of repaving of Airport in the amount of \$2,257,075

Wilkes County's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,004,649	\$ 2,004,649	\$ 5,400,945	\$ 5,400,945	\$ 7,405,594	\$ 7,405,594
Buildings	30,032,825	28,773,651	792,737	792,737	30,825,562	29,566,388
Improvements	7,035,030	5,902,673	22,154,831	21,261,776	29,189,861	27,164,449
Machinery and equipment	15,633,269	14,569,496	4,502,270	4,018,280	20,135,539	18,587,776
Construction in progress	1,646,439	2,205,889	4,158,821	1,514,132	5,805,260	3,720,021
Total	56,352,212	53,456,358	37,009,604	32,987,870	93,361,816	86,444,228
Accumulated depreciation	(17,802,971)	(16,147,151)	(15,417,652)	(14,632,632)	(33,220,623)	(30,779,783)
Capital assets, net	<u>\$38,549,241</u>	<u>\$ 37,309,207</u>	<u>\$21,591,952</u>	<u>\$18,355,238</u>	<u>\$60,141,193</u>	<u>\$55,664,445</u>

Additional information on the County's capital assets can be found in the notes to the basic financial statements.

**Wilkes County's Outstanding Debt
Long-Term Debt**

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Installment purchase	\$ 40,224,241	\$ 44,829,414	\$ -	\$ -	\$ 40,224,241	\$ 44,829,414
Capital lease	-	-	12,991	166,725	12,991	166,725
Total	<u>\$ 40,224,241</u>	<u>\$ 44,829,414</u>	<u>\$ 12,991</u>	<u>\$ 166,725</u>	<u>\$ 40,224,241</u>	<u>\$ 44,829,414</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Wilkes County is \$439,500,000.

Additional information regarding Wilkes County's long-term debt can be found in the notes of this audited financial report.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities. The General Fund's original adopted revenue budget totals \$75.6 million which is \$3.9 million more than the FY 2015-2016 actual amounts. The budget includes a property tax rate of 67 cents per \$100 assessed value, the same rate as the prior two years. The property tax base is expected to grow about 1% and sales taxes are budgeted with a 3.8% increase over the 2015-2016 budget. There is an appropriation of \$2.7 million from fund balance to be used for capital improvements and other capital needs. The County has elected to use cash on hand to meet its current capital needs as an alternative to borrowing funds. There is also an increase in education expenditures for public schools and the community college.

Business-Type Activities. The budgeted expenditure amounts for the Airport Fund are less than prior year actual amounts due to a decrease in capital project expenses funded mostly by Federal and State grants. The budgeted operating expenditure amounts for the Landfill Fund are budgeted fairly consistent to prior year actual amounts. The total budget for the Landfill Fund is approximately the same in comparison to the prior year.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer of Wilkes County, Mr. Jerry Shepherd, 110 North Street, Wilkesboro, North Carolina 28697, or jshepherd@wilkescounty.net.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 26,153,318	\$ 2,018,430	\$ 28,171,748
Taxes receivable, net	3,349,299	-	3,349,299
Accounts receivable, net	1,196,172	341,132	1,537,304
Due from other governments	3,098,591	2,214,496	5,313,087
Inventories	14,232	47,499	61,731
Internal balances	2,450,000	(2,450,000)	-
Cash and cash equivalents, restricted	-	4,087,376	4,087,376
Pension asset, restricted	147,252	-	147,252
Capital assets:			
Land, improvements, and construction in progress	3,651,088	9,559,766	13,210,854
Other capital assets, net	34,898,153	12,032,186	46,930,339
Total assets	<u>74,958,105</u>	<u>27,850,885</u>	<u>102,808,990</u>
Deferred Outflows of Resources:			
Charged on refunding	630,833	-	630,833
Pension deferrals	34,032	-	34,032
Contributions to pension plan	1,107,618	44,885	1,152,503
Total deferred outflows of resources	<u>1,772,483</u>	<u>44,885</u>	<u>1,817,368</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	1,847,238	414,702	2,261,940
Prepaid fees	219,679	-	219,679
Advances from grantors	13,816	-	13,816
Long-term liabilities:			
Due within one year	4,927,698	87,811	5,015,509
Net pension liability	1,197,422	47,622	1,245,044
Due in more than one year	47,620,056	7,151,593	54,771,649
Total liabilities	<u>55,825,909</u>	<u>7,701,728</u>	<u>63,527,637</u>
Deferred Inflows of Resources:			
Pension deferrals	658,168	25,882	684,050
Prepaid taxes	41,239	-	41,239
Total deferred inflows of resources	<u>699,407</u>	<u>25,882</u>	<u>725,289</u>
Net Position:			
Net investment in capital assets	26,210,899	21,578,961	47,789,860
Restricted for:			
Stabilization by State statute	6,054,100	-	6,054,100
Crime prevention	35,498	-	35,498
Register of Deeds	234,178	-	234,178
Public safety	815,335	-	815,335
Unrestricted	<u>(13,144,738)</u>	<u>(1,410,801)</u>	<u>(14,555,539)</u>
Total net position	<u>\$ 20,205,272</u>	<u>\$ 20,168,160</u>	<u>\$ 40,373,432</u>

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 9,008,384	\$ 1,141,780	\$ 653,636	\$ 37,803
Public safety	18,653,867	4,461,145	350,915	-
Environmental protection	155,163	175,681	25,500	-
Economic and physical development	1,835,156	690	-	614,841
Human services	21,629,098	3,724,478	9,509,961	-
Cultural and recreational	1,411,267	87,693	-	-
Education	17,408,830	-	45,552	558,009
Interest on long-term debt	960,451	-	-	-
Total governmental activities	<u>71,062,216</u>	<u>9,591,467</u>	<u>10,585,564</u>	<u>1,210,653</u>
Business-Type Activities:				
Landfill	2,244,573	2,510,213	-	-
Airport	1,286,584	869,808	-	2,715,494
Total business-type activities	<u>3,531,157</u>	<u>3,380,021</u>	<u>-</u>	<u>2,715,494</u>
Total primary government	<u>\$ 74,593,373</u>	<u>\$ 12,971,488</u>	<u>\$ 10,585,564</u>	<u>\$ 3,926,147</u>

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	
Functions/Programs			
Primary Government:			
Governmental Activities:			
General government	\$ (7,175,165)	\$ -	\$ (7,175,165)
Public safety	(13,841,807)	-	(13,841,807)
Environmental protection	46,018	-	46,018
Economic and physical development	(1,219,625)	-	(1,219,625)
Human services	(8,394,659)	-	(8,394,659)
Cultural and recreational	(1,323,574)	-	(1,323,574)
Education	(16,805,269)	-	(16,805,269)
Interest on long-term debt	(960,451)	-	(960,451)
Total governmental activities	<u>(49,674,532)</u>	<u>-</u>	<u>(49,674,532)</u>
Business-Type Activities:			
Landfill	-	265,640	265,640
Airport	-	2,298,718	2,298,718
Total business-type activities	<u>-</u>	<u>2,564,358</u>	<u>2,564,358</u>
Total primary government	<u>(49,674,532)</u>	<u>2,564,358</u>	<u>(47,110,174)</u>
General Revenues:			
Ad valorem taxes	40,249,190	-	40,249,190
Local option sales tax	13,520,533	-	13,520,533
Other taxes and licenses	140,717	-	140,717
Investment earnings	34,950	5,816	40,766
Total general revenues	<u>53,945,390</u>	<u>5,816</u>	<u>53,951,206</u>
Transfers	<u>(385,757)</u>	<u>385,757</u>	<u>-</u>
Total general revenues and transfers	<u>53,559,633</u>	<u>391,573</u>	<u>53,951,206</u>
Change in net position	3,885,101	2,955,931	6,841,032
Net Position:			
Beginning of year - July 1	<u>16,320,171</u>	<u>17,212,229</u>	<u>33,532,400</u>
End of year - June 30	<u>\$ 20,205,272</u>	<u>\$ 20,168,160</u>	<u>\$ 40,373,432</u>

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

WILKES COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Fire District Fund	Other Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 24,758,711	\$ 559,577	\$ 835,030	\$ 26,153,318
Receivables, net	1,178,487	-	17,685	1,196,172
Taxes receivable, net	3,079,220	270,079	-	3,349,299
Due from other governments	3,020,430	30,760	47,401	3,098,591
Due from other funds	2,450,000	-	-	2,450,000
Inventories	14,232	-	-	14,232
Total assets	\$ 34,501,080	\$ 860,416	\$ 900,116	\$ 36,261,612
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,283,909	\$ 563,329	\$ -	\$ 1,847,238
Prepaid fees	219,679	-	-	219,679
Advance from grantors	13,816	-	-	13,816
Total liabilities	1,517,404	563,329	-	2,080,733
Deferred Inflows of Resources	3,811,722	270,079	-	4,081,801
Fund Balances:				
Non-spendable:				
Inventories	14,232	-	-	14,232
Restricted:				
Stabilization by State statute	5,958,254	30,760	65,086	6,054,100
Restricted, all other	269,676	-	815,335	1,085,011
Committed	555,462	-	19,695	575,157
Assigned:				
Subsequent year's expenditures	2,662,943	-	-	2,662,943
Unassigned	19,711,387	(3,752)	-	19,707,635
Total fund balances	29,171,954	27,008	900,116	30,099,078
Total liabilities, deferred inflows of resources, and fund balances	\$ 34,501,080	\$ 860,416	\$ 900,116	

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

WILKES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Total</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Premiums related to debt issuance, net of accumulated amortization, are not a current use of resources and, therefore, are not reported in the funds.	(2,084,101)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	38,549,241
Net pension asset	147,252
Net pension liability	(1,197,422)
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	1,107,618
Differences between pension expected and actual	34,032
Pension related deferrals	(658,168)
Charges related to refunding	630,833
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(50,463,653)
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	<u>4,040,562</u>
Net position of governmental activities (Exhibit A)	<u><u>\$ 20,205,272</u></u>

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Fire District Fund	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 37,323,789	\$ 3,198,723	\$ -	\$ 40,522,512
Local option sales taxes	13,520,533	-	-	13,520,533
Other taxes and licenses	140,717	-	-	140,717
Unrestricted intergovernmental revenues	301,729	-	-	301,729
Restricted intergovernmental revenues	10,927,228	-	497,385	11,424,613
Permits and fees	407,943	-	-	407,943
Sales and services	7,953,284	-	504,897	8,458,181
Interest earned on investments	33,729	-	1,221	34,950
Miscellaneous	767,188	-	-	767,188
Total revenues	<u>71,376,140</u>	<u>3,198,723</u>	<u>1,003,503</u>	<u>75,578,366</u>
Expenditures:				
Current:				
General government	8,610,647	-	-	8,610,647
Public safety	15,474,171	3,192,738	427,497	19,094,406
Environmental protection	130,907	-	-	130,907
Economic and physical development	1,537,664	-	279,492	1,817,156
Human services	21,426,422	-	-	21,426,422
Cultural and recreation	1,381,075	-	-	1,381,075
Education	17,408,830	-	-	17,408,830
Debt service:				
Principal repayments	3,410,173	-	-	3,410,173
Interest	1,012,554	-	-	1,012,554
Bond issuance costs	310,371	-	-	310,371
Advance refunding escrow	567,598	-	-	567,598
Total expenditures	<u>71,270,412</u>	<u>3,192,738</u>	<u>706,989</u>	<u>75,170,139</u>
Revenues over (under) expenditures	<u>105,728</u>	<u>5,985</u>	<u>296,514</u>	<u>408,227</u>
Other Financing Sources (Uses):				
Transfers in	404,628	21,023	-	425,651
Transfers out	(406,780)	-	(404,628)	(811,408)
Sale of capital assets	14,958	-	-	14,958
Premium on debt issued	2,136,204	-	-	2,136,204
Refunding debt issued	24,425,000	-	-	24,425,000
Payment to refunding bond escrow agent	(26,250,833)	-	-	(26,250,833)
Total other financing sources (uses)	<u>323,177</u>	<u>21,023</u>	<u>(404,628)</u>	<u>(60,428)</u>
Net change in fund balances	428,905	27,008	(108,114)	347,799
Fund Balances:				
Beginning of year - July 1	<u>28,743,049</u>	<u>-</u>	<u>1,008,230</u>	<u>29,751,279</u>
End of year - June 30	<u>\$ 29,171,954</u>	<u>\$ 27,008</u>	<u>\$ 900,116</u>	<u>\$ 30,099,078</u>

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

WILKES COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 347,799
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes	(273,322)
Sales and services	28,030
<p>Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.</p>	
	3,167,414
<p>The sale/disposal of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold.</p>	
	(16,731)
<p>Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.</p>	
	(1,910,649)
<p>Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, arbitrage, and non-current health claims payable that do not require current financial resources are not reported as expenditures in the governmental funds statement.</p>	
	(202,658)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>	
	1,107,618
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, not reported as expenditures in governmental funds.</p>	
	8,953
<p>Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.</p>	
	29,661,006
<p>Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.</p>	
	(26,561,204)
<p>Amortization of premiums received on debt issuance reduces the interest cost over the same life. Amortization is not reported as an expenditure or revenue in the governmental funds statement.</p>	
	52,103
<p>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 the governmental funds Pension expense</p>	
	(643,263)
<p>Increases in other post-employment benefits accrued liability are reported as expenses in the entity-wide financial statements; however, it is not an expenditure in the governmental funds statement.</p>	
	<u>(879,995)</u>
Total changes in net position of governmental activities	<u>\$ 3,885,101</u>

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

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 36,263,015	\$ 36,263,015	\$ 37,323,789	\$ 1,060,774
Local option sales tax	13,346,625	13,346,625	13,520,533	173,908
Other taxes and licenses	135,000	135,000	140,717	5,717
Unrestricted intergovernmental revenues	290,000	290,000	301,729	11,729
Restricted intergovernmental revenues	12,266,804	13,368,628	10,927,228	(2,441,400)
Permits and fees	405,500	405,500	407,943	2,443
Sales and services	9,059,520	9,279,060	7,953,284	(1,325,776)
Investment earnings	50,200	50,200	33,729	(16,471)
Miscellaneous	1,169,234	1,286,934	767,188	(519,746)
Total revenues	<u>72,985,898</u>	<u>74,424,962</u>	<u>71,376,140</u>	<u>(3,048,822)</u>
Expenditures:				
General government	9,084,094	9,264,582	8,610,647	653,935
Public safety	15,321,170	16,285,600	15,474,171	811,429
Environmental protection	160,000	160,000	130,907	29,093
Economic and physical development	1,705,781	1,825,781	1,537,664	288,117
Human services	24,447,675	24,921,821	21,426,422	3,495,399
Cultural and recreation	1,449,902	1,449,902	1,381,075	68,827
Education	17,515,026	17,875,026	17,408,830	466,196
Debt service:				
Principal repayments	3,485,174	1,584,341	3,410,173	(1,825,832)
Interest	1,686,727	883,758	1,012,554	(128,796)
Bond issuance costs	-	310,371	310,371	-
Advance refunding escrow	-	567,598	567,598	-
Total expenditures	<u>74,855,549</u>	<u>75,128,780</u>	<u>71,270,412</u>	<u>3,858,368</u>
Revenues over (under) expenditures	<u>(1,869,651)</u>	<u>(703,818)</u>	<u>105,728</u>	<u>809,546</u>
Other Financing Sources (Uses):				
Transfers in	-	404,628	404,628	-
Transfers out	(110,849)	(406,780)	(406,780)	-
Sale of capital assets	20,500	20,500	14,958	(5,542)
Premium on debt issued	-	(2,005,484)	2,136,204	4,141,688
Refunding debt issued	-	26,430,484	24,425,000	(2,005,484)
Payment to refunding bond escrow agent	-	(26,250,833)	(26,250,833)	-
Appropriated fund balance	1,960,000	2,511,303	-	(2,511,303)
Total other financing sources (uses)	<u>1,869,651</u>	<u>703,818</u>	<u>323,177</u>	<u>(380,641)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>428,905</u>	<u>\$ 428,905</u>
Fund Balance:				
Beginning of year - July 1			<u>28,743,049</u>	
End of year - June 30			<u>\$ 29,171,954</u>	

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

WILKES COUNTY, NORTH CAROLINA

**FIRE DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 3,314,441	\$ 3,314,441	\$ 3,198,723	\$ (115,718)
Expenditures:				
Public safety:				
Tax collection fees	13,458	13,458	14,006	(548)
Distribution to fire districts	<u>3,300,983</u>	<u>3,322,006</u>	<u>3,178,732</u>	<u>143,274</u>
Total expenditures	<u>3,314,441</u>	<u>3,335,464</u>	<u>3,192,738</u>	<u>142,726</u>
Net change in fund balance	-	(21,023)	5,985	27,008
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>21,023</u>	<u>21,023</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	27,008	<u>\$ 27,008</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 27,008</u>	

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Major Enterprise Funds		Total
	Landfill Fund	Airport Fund	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,995,174	\$ 23,256	\$ 2,018,430
Receivables, net	283,871	57,261	341,132
Inventories	-	47,499	47,499
Due from other governments	48,602	2,165,894	2,214,496
Total current assets	<u>2,327,647</u>	<u>2,293,910</u>	<u>4,621,557</u>
Non-current assets:			
Restricted cash and cash equivalents	<u>4,087,376</u>	<u>-</u>	<u>4,087,376</u>
Capital assets:			
Land, improvements, and construction in progress	2,557,068	7,002,698	9,559,766
Other capital assets, net	<u>3,253,072</u>	<u>8,779,114</u>	<u>12,032,186</u>
Total capital assets	<u>5,810,140</u>	<u>15,781,812</u>	<u>21,591,952</u>
Total non-current assets	<u>9,897,516</u>	<u>15,781,812</u>	<u>25,679,328</u>
Total assets	<u>12,225,163</u>	<u>18,075,722</u>	<u>30,300,885</u>
Deferred Outflows of Resources:			
Contributions to pension plan	<u>36,671</u>	<u>8,214</u>	<u>44,885</u>
Liabilities, Deferred Inflows of Resources, and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable	89,306	325,396	414,702
Due to other funds	-	2,450,000	2,450,000
Current portion of compensated absences	66,320	8,500	74,820
Net pension liability	38,907	8,715	47,622
Current portion of long-term debt	<u>12,991</u>	<u>-</u>	<u>12,991</u>
Total current liabilities	<u>207,524</u>	<u>2,792,611</u>	<u>3,000,135</u>
Non-current liabilities:			
Accrued landfill closure and post-closure care costs	6,860,000	-	6,860,000
Compensated absences - non-current	22,106	4,373	26,479
OPEB liability	<u>220,928</u>	<u>44,186</u>	<u>265,114</u>
Total non-current liabilities	<u>7,103,034</u>	<u>48,559</u>	<u>7,151,593</u>
Total liabilities	<u>7,310,558</u>	<u>2,841,170</u>	<u>10,151,728</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>21,146</u>	<u>4,736</u>	<u>25,882</u>
Net Position:			
Net investment in capital assets	5,797,149	15,781,812	21,578,961
Unrestricted	<u>(867,019)</u>	<u>(543,782)</u>	<u>(1,410,801)</u>
Total net position	<u>\$ 4,930,130</u>	<u>\$ 15,238,030</u>	<u>\$ 20,168,160</u>

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Enterprise Funds		Total
	Landfill Fund	Airport Fund	
Operating Revenues:			
Charges for services	\$ 2,261,858	\$ 706,881	\$ 2,968,739
Rents	-	85,470	85,470
Scrap tire disposal grant	42,685	-	42,685
Other operating revenues	205,670	77,457	283,127
Total operating revenues	<u>2,510,213</u>	<u>869,808</u>	<u>3,380,021</u>
Operating Expenses:			
Airport operations	-	741,392	741,392
Landfill operations	1,723,657	-	1,723,657
Landfill closure and post-closure care costs	285,000	-	285,000
Depreciation	233,418	545,192	778,610
Total operating expenses	<u>2,242,075</u>	<u>1,286,584</u>	<u>3,528,659</u>
Operating income (loss)	<u>268,138</u>	<u>(416,776)</u>	<u>(148,638)</u>
Non-Operating Revenues (Expenses):			
Interest earned on investments	5,816	-	5,816
Interest expense	(2,498)	-	(2,498)
Total non-operating revenues (expenses)	<u>3,318</u>	<u>-</u>	<u>3,318</u>
Income (loss) before capital contributions	271,456	(416,776)	(145,320)
Capital contributions	<u>-</u>	<u>2,715,494</u>	<u>2,715,494</u>
Income (loss) before transfers	271,456	2,298,718	2,570,174
Transfers:			
Transfers in	<u>-</u>	<u>385,757</u>	<u>385,757</u>
Change in net position	271,456	2,684,475	2,955,931
Net Position:			
Beginning of year - July 1	<u>4,658,674</u>	<u>12,553,555</u>	<u>17,212,229</u>
End of year - June 30	<u>\$ 4,930,130</u>	<u>\$ 15,238,030</u>	<u>\$ 20,168,160</u>

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Enterprise Funds		
	Landfill Fund	Airport Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,529,968	\$ 866,006	\$ 3,395,974
Cash paid for goods and services	(913,042)	(836,854)	(1,749,896)
Cash paid to employees for services	(816,214)	(162,430)	(978,644)
Net cash provided (used) by operating activities	<u>800,712</u>	<u>(133,278)</u>	<u>667,434</u>
Cash Flows from Non-Capital Financing Activities:			
Change in due to other funds	-	1,719,829	1,719,829
Transfers in	-	385,757	385,757
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>2,105,586</u>	<u>2,105,586</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants received	-	1,638,771	1,638,771
Acquisition and construction of capital assets	(427,074)	(3,588,250)	(4,015,324)
Principal paid on long-term debt	(153,734)	-	(153,734)
Interest and fees	(2,498)	-	(2,498)
Net cash provided (used) for capital and related financing activities	<u>(583,306)</u>	<u>(1,949,479)</u>	<u>(2,532,785)</u>
Cash Flows from Investing Activities:			
Interest on investments	5,816	-	5,816
Net increase (decrease) in cash and cash equivalents	223,222	22,829	246,051
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>5,859,328</u>	<u>427</u>	<u>5,859,755</u>
End of year - June 30	<u>\$ 6,082,550</u>	<u>\$ 23,256</u>	<u>\$ 6,105,806</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 268,138	\$ (416,776)	\$ (148,638)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	233,418	545,192	778,610
Landfill closure and post-closure care costs	285,000	-	285,000
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(20,063)	(3,802)	(23,865)
Decrease in net pension asset	50,398	11,289	61,687
(Increase) decrease in deferred outflows of resources - pension	(1,312)	(294)	(1,606)
Increase in net pension liability	38,907	8,715	47,622
Decrease in deferred inflows of resources - pensions	(102,918)	(23,054)	(125,972)
(Increase) decrease in inventory	-	7,546	7,546
Increase (decrease) in accounts payable and accrued liabilities	12,445	(264,865)	(252,420)
Increase (decrease) in OPEB	24,176	2,025	26,201
Increase (decrease) in accrued vacation pay	12,523	746	13,269
Total adjustments	<u>532,574</u>	<u>283,498</u>	<u>816,072</u>
Net cash provided (used) by operating activities	<u>\$ 800,712</u>	<u>\$ (133,278)</u>	<u>\$ 667,434</u>

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

WILKES COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2016**

	Agency Funds
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 335,909
Taxes receivable	<u>333,115</u>
Total assets	<u>\$ 669,024</u>
Liabilities:	
Miscellaneous liabilities	<u>\$ 669,024</u>
Total liabilities	<u>\$ 669,024</u>

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

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WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

The accounting policies of Wilkes 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.

Discretely Presented Component Unit

Wilkes County Industrial Facility and Pollution Control Financing Authority

Wilkes County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member Board of Commissioners, all of who are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

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 County. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

The County reports the following major governmental funds:

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

Special Revenue Fund - Fire District Fund. This fund is used to account for the tax collections and disbursements of fire district taxes to the fire districts.

The County reports the following major enterprise funds:

Airport Fund. This fund accounts for the operation and maintenance of the airport.

Landfill Fund. This fund accounts for the operation, maintenance, and development of the landfill and various recycling centers.

The County reports the following fiduciary fund types:

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 monies deposited with the Department of Social Services for the benefit of certain individuals; and the Ad Valorem Tax - Other Municipalities Fund, which accounts for property taxes registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County, and Fines and Forfeitures.

Nonmajor Funds. The County maintains 5 legally budgeted nonmajor funds. The Fire District Fund, Law Enforcement Restricted Fund, and Emergency Telephone System Fund are reported as non-major special revenue funds. Highway 268 Water Extension Project Fund, Water Intake Project Fund, and Law Enforcement Center/Jail Construction Project Fund are reported as capital projects funds.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as 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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Effective with this change in 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. These 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 or resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds and the enterprise capital projects funds, which are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental 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 of any fund. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. Money market mutual fund, are valued at fair value, which is the NCCMT's share price.

Cash and Cash Equivalents

The County pools monies 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.

Restricted Assets

Cash in the Landfill Closure and Post-Closure Fund is classified as restricted because its use is completely restricted to closing and monitoring the landfill.

Wilkes County Restricted Cash

Business-Type Activities:

Landfill Fund:

Landfill closure	\$ 4,087,376
Total business-type activities	<u>\$ 4,087,376</u>

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, 2015. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds consist of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization cost is \$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.

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

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

	<u>Years</u>
Buildings	50
Improvements	10-30
Furniture and equipment	9
Vehicles	10
Computer equipment	5-9

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has three items that meet this criterion, charge on refunding, contributions made to the pension plan in the current fiscal year, and pension deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet the criterion for this category – prepaid taxes, other receivables, property taxes receivable, and other pension related deferrals.

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

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

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Restricted net position as of June 30, 2016 is as follows:

	Governmental Activities
Stabilization by State statute	\$ 6,054,100
Crime prevention	35,498
Register of Deeds	234,178
Public safety	815,335
Total	<u>\$ 7,139,111</u>

Unrestricted Net Position

The County has \$29,970,000 of debt outstanding for the acquisition and construction of public school and community college facilities. The assets related to this debt are not reported in the County's net position since title to the related assets are held by Wilkes County Board of Education and Wilkes Community College.

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 balance as follows:

Non-Spendable Fund Balance

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

Inventories – 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. At June 30, 2016, the County had \$14,232 non-spendable fund balance for inventories.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Restricted Fund Balance

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

	<u>General Fund</u>	<u>Fire District Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>
<i>Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].</i>	\$ 5,958,254	\$ 30,760	\$ 47,401	\$ 17,685
<i>Restricted for Public Safety - Crime Prevention – portion of fund balance that is restricted by revenue source for crime prevention expenditures.</i>	35,498	-	-	-
<i>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.</i>	234,178	-	-	-
<i>Restricted for Public Safety - Law Enforcement – portion of fund balance that is restricted by revenue source for law enforcement expenditures.</i>	-	-	3,392	-
<i>Restricted for Public Safety - E-911 – portion of fund balance that is restricted by revenue source for E911 expenditures.</i>	-	-	811,943	-
	<u>\$ 6,227,930</u>	<u>\$ 30,760</u>	<u>\$ 862,736</u>	<u>\$ 17,685</u>

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Committed Fund Balance

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing Board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar actions is taken (the adoption of another ordinance) to remove or revise the limitation. Committed fund balance is summarized as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Committed for LEO pension obligation - portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations	\$ 555,462	\$ -
Committed for construction commitments	<u>-</u>	<u>19,695</u>
Total	<u>\$ 555,462</u>	<u>\$ 19,695</u>

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the County intends to use for specific purposes. The County's Board of Commissioners has the authority to assign fund balance.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted and committed. The governing body approves the appropriation.

	<u>General Fund</u>
Subsequent year's expenditures	<u>\$ 2,662,943</u>

Unassigned Fund Balance

Unassigned fund balance is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The 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-County funds, and County funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it’s in the best interest of the County.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Wilkes County has not adopted a formal fund balance policy.

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

Total fund balance - General Fund (Exhibit C)	\$ 29,171,954
Less:	
Non-spendable	(14,232)
Stabilization by State statute	<u>(5,958,254)</u>
Available for appropriation	<u>\$ 23,199,468</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LERS) 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 (liability), 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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

2. Stewardship, Compliance, and Accountability

Non-Compliance with North Carolina General Statutes

During the fiscal year, expenditures were made from the General Fund for debt service payments on the County's outstanding debt. These expenditures violated State law [G.S. 159-28(b)] because the expenditures for debt service were in excess of the amounts appropriated in the budget ordinance.

The Finance Department and Budgetary staff will work more closely to monitor general ledger accounts during the year. Additional budgetary documentation will be implemented to disclose specific revenues and expenditures in regards to debt refunding general ledger accounts. The Finance Department and Budget Office will review the County's budget status on a regular basis throughout the year.

3. Detail Notes on All Funds

A. Assets

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 in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County 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 amount of \$21,060,679 and a bank balance of \$21,410,763. Of the bank balance, \$1,035,601 was covered by federal depository insurance and \$20,375,162 was covered by collateral held under the Pooling Method.

At June 30, 2016, Wilkes County had \$6,102 cash on hand.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Investments

As of June 30, 2016, the County had the following investments and maturities.

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>
NC Capital Management Trust - Cash Portfolio	Amortized Cost	<u>\$ 11,528,252</u>	<u>N/A</u>

The North Carolina Capital Management Trust’s Cash Portfolio carried a credit rating of AAAm by Standard and Poor’s. The County has no policy regarding credit risk.

Property Tax - Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,918,553	\$ 930,656	\$ 4,849,209
2014	3,968,983	585,425	4,554,408
2015	4,020,770	231,194	4,251,964
2016	<u>3,984,065</u>	<u>-</u>	<u>3,984,065</u>
Total	<u>\$ 15,892,371</u>	<u>\$ 1,747,275</u>	<u>\$ 17,639,646</u>

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Receivables

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

	<u>Governmental Activities</u>	<u>Business-Type Activities Landfill</u>	<u>Airport</u>
Taxes Receivable:			
Taxes receivable	\$ 4,313,220	\$ -	\$ -
Allowance for doubtful accounts	<u>(963,921)</u>	<u>-</u>	<u>-</u>
Total taxes receivable	<u>\$ 3,349,299</u>	<u>\$ -</u>	<u>\$ -</u>
 Accounts Receivable:			
Other	\$ 504,909	\$ -	\$ -
EMS/Landfill/Airport sales	791,915	301,319	62,533
Allowance for doubtful accounts	<u>(100,652)</u>	<u>(17,448)</u>	<u>(5,272)</u>
Total accounts receivable	<u>\$ 1,196,172</u>	<u>\$ 283,871</u>	<u>\$ 57,261</u>
 Due from Other Governments:			
Local option sales tax distribution	\$ 2,466,432	\$ -	\$ -
Sales tax refund	277,319	48,602	23,289
Motor vehicle tax	354,840	-	-
Grants	<u>-</u>	<u>-</u>	<u>2,142,605</u>
Total due from other governments	<u>\$ 3,098,591</u>	<u>\$ 48,602</u>	<u>\$ 2,165,894</u>

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Capital Assets

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

	<u>Balance</u>					<u>Balance</u>
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>		<u>June 30, 2016</u>
Governmental Activities:						
Non-Depreciable Capital Assets:						
Land	\$ 2,004,649	\$ -	\$ -	\$ -		\$ 2,004,649
Construction in progress	2,205,889	572,907	-	(1,132,357)		1,646,439
Total non-depreciable capital assets	<u>4,210,538</u>	<u>572,907</u>	<u>-</u>	<u>(1,132,357)</u>		<u>3,651,088</u>
Depreciable Capital Assets:						
Buildings	28,773,651	1,259,174	-	-		30,032,825
Other improvements	5,902,673	-	-	1,132,357		7,035,030
Equipment	14,569,496	1,335,333	253,361	(18,199)		15,633,269
Total depreciable capital assets	<u>49,245,820</u>	<u>2,594,507</u>	<u>253,361</u>	<u>1,114,158</u>		<u>52,701,124</u>
Less Accumulated Depreciation:						
Buildings	6,552,687	622,938	-	-		7,175,625
Other improvements	1,184,416	373,541	-	-		1,557,957
Equipment	8,410,048	914,170	236,630	(18,199)		9,069,389
Total accumulated depreciation	<u>16,147,151</u>	<u>\$ 1,910,649</u>	<u>\$ 236,630</u>	<u>\$ (18,199)</u>		<u>17,802,971</u>
Total depreciable capital assets, net	<u>33,098,669</u>					<u>34,898,153</u>
Governmental activities capital assets, net	<u>\$ 37,309,207</u>					<u>\$ 38,549,241</u>

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

General government	\$ 656,763
Public safety	1,064,567
Environmental protection	24,256
Human services	78,725
Social Services	49,146
Cultural and recreational	37,192
Total	<u>\$ 1,910,649</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Business-Type Activities:					
Landfill:					
Non-Depreciable Capital Assets:					
Land	\$ 2,557,068	\$ -	\$ -	\$ -	\$ 2,557,068
Total non-depreciable assets	<u>2,557,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,557,068</u>
Depreciable Capital Assets:					
Buildings	363,638	-	-	-	363,638
Other improvements	5,329,532	-	-	-	5,329,532
Equipment	<u>3,816,940</u>	<u>427,074</u>	<u>-</u>	<u>-</u>	<u>4,244,014</u>
Total depreciable capital assets	<u>9,510,110</u>	<u>427,074</u>	<u>-</u>	<u>-</u>	<u>9,937,184</u>
Less Accumulated Depreciation:					
Buildings	349,025	1,224	-	-	350,249
Other improvements	3,273,930	3,167	-	-	3,277,097
Equipment	<u>2,827,739</u>	<u>229,027</u>	<u>-</u>	<u>-</u>	<u>3,056,766</u>
Total accumulated depreciation	<u>6,450,694</u>	<u>\$ 233,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,684,112</u>
Total depreciable capital assets, net	<u>3,059,416</u>				<u>3,253,072</u>
Landfill capital assets, net	<u>5,616,484</u>				<u>5,810,140</u>
Airport:					
Non-Depreciable Capital Assets:					
Land	2,843,877	\$ -	\$ -	\$ -	2,843,877
Construction in progress	<u>1,514,132</u>	<u>3,517,975</u>	<u>-</u>	<u>(873,286)</u>	<u>4,158,821</u>
Total non-depreciable capital assets	<u>4,358,009</u>	<u>3,517,975</u>	<u>-</u>	<u>(873,286)</u>	<u>7,002,698</u>
Depreciable Capital Assets:					
Buildings	429,099	-	-	-	429,099
Other improvements	15,932,244	19,769	-	873,286	16,825,299
Equipment	<u>201,340</u>	<u>50,506</u>	<u>11,789</u>	<u>18,199</u>	<u>258,256</u>
Total depreciable capital assets	<u>16,562,683</u>	<u>70,275</u>	<u>11,789</u>	<u>891,485</u>	<u>17,512,654</u>
Less Accumulated Depreciation:					
Buildings	133,620	13,387	-	-	147,007
Other improvements	7,933,613	513,295	-	-	8,446,908
Equipment	<u>114,705</u>	<u>18,510</u>	<u>11,789</u>	<u>18,199</u>	<u>139,625</u>
Total accumulated depreciation	<u>8,181,938</u>	<u>\$ 545,192</u>	<u>\$ 11,789</u>	<u>\$ 18,199</u>	<u>8,733,540</u>
Total depreciable capital assets, net	<u>8,380,745</u>				<u>8,779,114</u>
Airport capital assets, net	<u>12,738,754</u>				<u>15,781,812</u>
Business-type activities capital assets, net	<u>\$ 18,355,238</u>				<u>\$ 21,591,952</u>

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Construction commitments

The County has an active construction project as of June 30, 2016. The project is the Highway 268 Water extension. At June 30, 2016, the County's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Highway 268 Water Extension	\$ 937,648	\$ 19,695

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 38,549,241	\$ 21,591,952
Long-term debt	(42,308,342)	(12,991)
Long-term debt for assets not owned by the County	29,970,000	-
Net investment in capital assets	\$ 26,210,899	\$ 21,578,961

The \$630,833 charge on refunding is related to debt for assets not owned by the County.

B. Liabilities

Payables

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Vendors	\$ 1,667,253	\$ 163,271	\$ 1,830,524
Other expenses	179,985	3	179,988
Retainage payable	-	251,428	251,428
Total accounts payable	\$ 1,847,238	\$ 414,702	\$ 2,261,940

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Pension Plan Obligations

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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 6.77% 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 \$1,147,444 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.

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 \$1,245,044 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 liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .277%, which was an increase of .004% from its proportion measured as of June 30, 2014.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

For the year ended June 30, 2016, the County recognized pension expense of \$669,882. 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 292,656
Net difference between projected and actual earnings on pension plan investments	-	354,460
Changes in proportion and differences between County contributions and proportionate share of contributions	26,008	29,557
County contributions subsequent to the measurement date	<u>1,147,444</u>	<u>-</u>
Total	<u>\$ 1,173,452</u>	<u>\$ 676,673</u>

\$1,147,444 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
<u> </u>	<u> </u>
2017	\$ (416,085)
2018	(416,085)
2019	(415,538)
2020	597,043
2021	<u>-</u>
Total	<u>\$ (650,665)</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 increase	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

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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	100.0%	

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 3.00%. 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 Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 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:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 8,681,865	\$ 1,245,044	\$ (5,020,313)

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

Law Enforcement Officers' Special Separation Allowance

Plan Description. Wilkes 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% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	11
Active plan members	<u>80</u>
Total	<u>91</u>

A separate report was not issued for the Plan.

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.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefit payments and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as of December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases of 4.25– 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment 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 dollar amount 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 costs and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	192,567
Interest on net pension obligation		26,605
Adjustment to annual required contribution		<u>(46,758)</u>
Annual pension costs		172,414
Contributions made		<u>149,045</u>
Increase (decrease) in net pension obligation		23,369
Net pension obligation:		
Beginning of year - July 1		<u>532,093</u>
End of year - June 30		<u><u>\$ 555,462</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 142,411	96.14%	\$ 503,435
6/30/2015	171,512	83.29%	532,093
6/30/2016	172,414	86.45%	555,462

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 the unfunded actuarial accrued liability (UAAL) was \$1,951,036. The covered payroll was \$3,064,964, and the ratio of the UAAL to the covered payroll was 63.66 percent.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2016 were \$158,731 which consisted of \$134,236 from the County and \$24,495 from the law enforcement officers.

Registers of Deeds' Supplemental Pension Fund

Plan Description. Wilkes 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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 \$5,059 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 \$147,252 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, 2015, the County's proportion was .64%, which was an increase of .008% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$6,799. 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	\$ 721	\$ 2,438
Net difference between projected and actual earnings on pension plan investments	7,303	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	4,939
County contributions subsequent to the measurement date	5,059	-
Total	\$ 13,083	\$ 7,377

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$5,059 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 or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
<u>June 30</u>	<u>Total</u>
2017	\$ (2,345)
2018	(414)
2019	1,435
2020	1,971
2021	-
Total	<u>\$ 647</u>

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 increase	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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

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 3.19%. 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 (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	<u>\$ (132,854)</u>	<u>\$ (147,252)</u>	<u>\$ (159,643)</u>

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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Other Post-Employment Benefits

Plan Description. In accordance with a County resolution, the County provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and retire with thirty (30) years of certified County service, twenty (20) years of certified County service and are at least 55 years of age at time of retirement, or ten (10) years of certified County service and are at least 62 years old at the time of retirement. These retirees can purchase coverage for themselves and their dependents at the County's group rates. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The County will pay 100% of insurance premiums for retirees with thirty (30) years of full-time service, of which fifteen (15) years must be with Wilkes County. The County will pay 75% of insurance premiums for retirees with twenty-five (25) years of service, of which fifteen (15) years must be with Wilkes County. Currently, 7 retirees are purchasing health insurance through the County. The County is paying all or part of retirees' health insurance for 40 retirees based on years of service. For the fiscal year ended June 30, 2016, the County made payments for post-retirement health benefit contributions of \$867,640. The County Commissioners may amend the benefits provisions. A separate report was not issued for the Plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	92
Active members	<u>437</u>
Total	<u><u>529</u></u>

Funding Policy. The County agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. For members who participate in the North Carolina Local Governmental Employees' Retirement System (System) and retire with thirty (30) years of certified County service, twenty (20) years of certified County service and are at least 55 years of age at time of retirement, or ten (10) years of certified County service and are at least 62 years old at the time of retirement. These retirees can purchase coverage for themselves and their dependents at the County's group rates. The County will pay 100% of insurance premiums for retirees with thirty (30) years of full-time service, of which fifteen (15) years must be with Wilkes County. The County will pay 75% of insurance premiums for retirees with twenty-five (25) years of service, of which fifteen (15) years must be with Wilkes County. The retiree will be responsible for paying the cost of dependent coverage if dependent coverage is elected. The County has chosen to fund healthcare benefits on a pay-as-you-go basis.

The current annual required contribution rate (ARC) is 11.36% of annual covered payroll. For fiscal year 2016, the County contributed \$867,640 or 5.59% of annual covered payroll. Contributions by employees for the fiscal year ended June 30, 2016 were \$113,604. The County's obligation to contribute to the post-retirement benefit plan is established and may be amended by the County.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Summary of Significant Accounting Policies. Post-employment 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 post-retirement benefits:

Annual required contribution	\$ 1,762,582
Interest on net OPEB obligation	251,842
Adjustment to annual required contribution	<u>(240,588)</u>
Annual OPEB cost (expense)	1,773,836
Contributions made	<u>867,640</u>
Increase (decrease) in net OPEB obligation	906,196
Net OPEB obligation:	
Beginning of year - July 1	<u>6,296,055</u>
End of year - June 30	<u><u>\$ 7,202,251</u></u>

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:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,472,565	45.27%	\$ 6,065,328
2015	1,559,097	85.20%	6,296,055
2016	1,773,836	48.91%	7,202,251

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 \$27,029,785. The covered payroll (annual payroll of active employees covered by the plan) was \$15,513,784 and the ratio of the UAAL to the covered payroll was 174.2%. 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 multi-year 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.

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) 4.00% investment rate of return, which included an inflation component of 3.0%, and (b) 7.75% - 5.00% pre-medical cost trend rate and a 5.75%-5.00% post medical trend rate with 2022 the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as level percentage of pay 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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

Closure and Post-Closure Care Costs - Landfill Facility

Federal and State laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6,860,000 reported as landfill closure and post-closure care liability at June 30, 2016 represents a cumulative amount reported to date based on the use of 100% of cell 1, 100% of cell 2, and 51% of cell 3. The facility has 4 cells. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and post-closure care costs. These funds and transfers from prior years are held in investments with a cost of \$4,087,376 (market value \$4,087,376) at year-end. The County expects that future inflation costs will be paid from the interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 1,152,503
Charge on refunding	630,833
Pension deferrals	<u>34,032</u>
Total	<u>\$ 1,817,368</u>

Deferred inflows of resources at year-end are comprised of the following:

Prepaid taxes not yet earned (General)	\$ 41,239
Taxes receivable, net (General)	3,079,220
Taxes receivable, net (Fire District Fund)	270,079
Pension deferrals	684,050
Other receivables, net (General)	<u>691,263</u>
Total	<u>\$ 4,765,851</u>

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 the Employers Mutual Casualty Company administered by Faw Insurance Agency. Through Faw Insurance, the County obtains insurance coverage of \$7 million per occurrence for commercial excess liability, general liability coverage of \$1 million per any one occurrence and workers' compensation coverage up to the statutory limits. Public official and law enforcement liability coverage is up to \$1 million per each claim with a commercial excess policy of \$6 million per each claim. Law enforcement liability coverage is up to \$1 million per each wrongful act. Through Faw Insurance, the County has blanket coverage for property and contents of \$58,656,210.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through commercial security bonds. The Tax Collector is bonded for \$100,000; the Finance Officer and Register of Deeds are bonded for \$50,000 each; and the Sheriff, Sheriff Chief Deputy, and EMS Director are bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$500,000.

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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County carries commercial flood and earthquake insurance with a limit of \$2,000,000 per occurrence.

The County's employee healthcare program is financed using an entirely self-funded plan. One health plan is available to employees, retirees, covered dependents, and eligible former employees. The County administers the healthcare plan through a self-funded program, supplemented by employee contributions, to pay claims administration and medical claims of the employees and their covered dependents. Specific stop-loss insurance with a deductible of \$75,000 for all occurrences and an aggregate stop-loss insurance of 125% of estimated claims are purchased to limit the County's losses for the overall program. Liabilities of the program are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported (IBNRs). The County reasonably expects these claims to be paid within one year of occurrence. Changes in the County's claims liability balance are as follows:

	<u>2015</u>	<u>2016</u>
Balance, beginning of year	\$ 695,572	\$ 775,695
Incurred claims (including IBNRs) and changes in estimates	4,904,153	4,786,536
Less claims payments	<u>(4,824,030)</u>	<u>(4,771,570)</u>
Balance, end of year	<u>\$ 775,695</u>	<u>\$ 790,661</u>

Contingent Liabilities

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's Management and the County Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

New River Service Authority, d/b/a New River Behavioral Healthcare ("New River"), was an interlocal agency formed under Chapter 160A of the North Carolina General Statutes by Alleghany, Ashe, Avery, Watauga and Wilkes Counties in 2006 to provide behavioral healthcare services. New River suffered enormous financial losses in 2011 and has now been dissolved by the five counties. New River is no longer in operation or providing services. Wilkes County's share of the unpaid liabilities for the year ended June 30, 2016 was \$1,488. These funds were appropriated by the county and paid toward these liabilities in the year ended June 30, 2016. The remaining extent of the liability of the five counties is still undetermined. This could have a significant adverse impact on the County financially, however this is not anticipated.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Long-Term Obligations

Capital Leases

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.

The following schedule provides information regarding the capital leases entered into by the County:

<u>Description</u>	<u>Date Executed</u>	<u>Number of Payments</u>	<u>Frequency of Payments</u>	<u>Amount of Payments</u>
Caterpillar compactor	8/19/2011	59	Monthly	<u>\$ 13,019</u>

The following is an analysis of the assets recorded under capital leases at June 30, 2016:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment - landfill	<u>\$ 720,584</u>	<u>\$ 348,282</u>	<u>\$ 372,302</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2017	\$ 13,019
Less amount representing interest	<u>28</u>
Present value of the minimum lease payments	<u>\$ 12,991</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Installment Purchase Agreements

\$476,101 U.S. Core of Engineers note, issued in 1970, interest at 2.03%, payable in annual installments of \$17,336 with final payment due in 2020; secured by real estate; proceeds used to construct a dam and a lake	\$ 114,241
\$12,690,000 note, issued June 2013, interest at 1.94%, payable in annual installments of \$850,000, plus interest paid semi-annual, with final payment due in 2028; issued for construction of a jail	10,140,000
\$24,425,000 Refunding of Certificates of Participation Series 2006, issued November 2015, interest rates ranging from 4.00% - 5.00%; payable in annual installments ranging from \$1,215,000 to \$5,890,000 plus interest; issued for renovation of four schools for Wilkes County Board of Education	23,280,000
\$13,335,000 Refunding of Certificates of Participation, Series 2000, issued November 2010, interest rate at 3.41%; payable in annual installments ranging from \$265,255 to \$1,853,203 including interest; used for the construction of middle schools for Wilkes County Board of Education	<u>6,690,000</u>
Total installment purchase agreements	<u><u>\$ 40,224,241</u></u>

For Wilkes County, the future minimum payments as of June 30, 2016 are as follows:

Year Ending	Governmental Activities		
June 30	Principal	Interest	Total
2017	\$ 3,460,584	\$ 1,383,833	\$ 4,844,417
2018	3,452,009	1,272,949	4,724,958
2019	3,432,873	1,161,057	4,593,930
2020	3,403,773	1,037,758	4,441,531
2021	3,310,000	951,839	4,261,839
2022-2026	13,645,000	3,285,825	16,930,825
2027-2031	4,055,000	1,248,354	5,303,354
2032-2036	<u>5,465,002</u>	<u>433,888</u>	<u>5,898,890</u>
Total	<u><u>\$ 40,224,241</u></u>	<u><u>\$ 10,775,503</u></u>	<u><u>\$ 50,999,744</u></u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Advance Refundings

On November 19, 2015, the County issued \$24,425,000 of limited obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust to be used for all future debt service payments of \$25,620,000 of limited obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$630,833. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance was undertaken to reduce total debt service payments over the next 20 years by \$3,951,869 and resulted in an economic gain of \$2,954,606.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchase	\$ 44,829,414	\$ 24,425,000	\$ 29,030,173	\$ 40,224,241	\$ 3,460,584
Compensated absences	1,791,829	1,508,195	1,343,872	1,956,152	1,467,114
Incurred, but not reported, health claims	775,695	4,786,536	4,771,570	790,661	-
Net pension obligation	532,093	172,414	149,045	555,462	-
Net pension liability (LGERS)	-	1,197,422	-	1,197,422	-
Net OPEB obligation	6,057,142	1,708,542	828,547	6,937,137	-
Unamortized premiums	-	2,136,204	52,103	2,084,101	-
Total governmental activities	<u>\$ 53,986,173</u>	<u>\$ 35,934,313</u>	<u>\$ 36,175,310</u>	<u>\$ 53,745,176</u>	<u>\$ 4,927,698</u>
Business-Type Activities:					
Landfill Fund:					
Capital lease	\$ 166,725	\$ -	\$ 153,734	\$ 12,991	\$ 12,991
Accrued landfill closure and post-closure care costs	6,575,000	285,000	-	6,860,000	-
Compensated absences	75,903	69,450	56,927	88,426	66,320
Net pension liability (LGERS)	-	38,907	-	38,907	-
Net OPEB obligation	196,752	54,412	30,236	220,928	-
Total Landfill Fund	<u>\$ 7,014,380</u>	<u>\$ 447,769</u>	<u>\$ 240,897</u>	<u>\$ 7,221,252</u>	<u>\$ 79,311</u>
Airport Fund:					
Compensated absences	\$ 12,127	\$ 9,841	\$ 9,095	\$ 12,873	\$ 8,500
Net pension liability (LGERS)	-	8,715	-	8,715	-
OPEB obligation	42,161	10,882	8,857	44,186	-
Total Airport Fund	<u>\$ 54,288</u>	<u>\$ 29,438</u>	<u>\$ 17,952</u>	<u>\$ 65,774</u>	<u>\$ 8,500</u>

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

At June 30, 2016, Wilkes County had a legal debt margin of approximately \$439,500,000.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Conduit Debt Obligations

Wilkes County Industrial Facility and Pollution Control Authority have issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County nor any political subdivision, thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, there were no industrial revenue bonds outstanding.

4. Interfund Transactions

Transfers

In fiscal year 2016, the County made the following transfers within its fund structure.

	Transfers		
	From	To	Purpose
Operating Transfers			
From/To Other Funds:			
General Fund	\$ 406,780	\$ 404,628	
Jail Capital Project Fund	404,628	-	To close project
Fire District Fund	-	21,023	For capital outlay
Airport Fund	-	<u>385,757</u>	Required local match for capital grant projects
Total transfers	<u>\$ 811,408</u>	<u>\$ 811,408</u>	

Due to/from Other Funds

Balances due to/from other funds at June 30, 2016, consist of the following:

<u>Due to/Due from Other Funds:</u>	<u>Amount</u>
Due to the General Fund from the Airport Fund to repay funds to cover cash flow shortage	<u>\$ 2,450,000</u>
Total	<u>\$ 2,450,000</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

5. Related Organization

The County's governing board is responsible for appointing the members of the Board of the Wilkes Transportation Authority (Authority), but the County's accountability for this organization does not extend beyond making these appointments. Wilkes Transportation Authority is a public authority that exists to provide transportation services to the citizens of Wilkes County. It is funded primarily with federal and State grants and service fees.

6. Joint Ventures

The County, in conjunction with the State of North Carolina and the Wilkes County Board of Education, participates in a joint venture to operate the Wilkes Campus of Wilkes Community College (Community College). Wilkes County appoints four members of the seventeen-member Board of Trustees of the Community College. The Community College is included as a component unit of the State. The County provides financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Wilkes Campus of Wilkes Community College's facilities. The County contributed \$3,639,373 and \$150,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2016. Wilkes County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2016. Complete financial statements for Wilkes Community College may be obtained from the Community College's administrative offices at P.O. Box 120, Wilkesboro, North Carolina 28697.

The County also participates in a joint venture to operate Smoky Mountain Center (Center) with fifteen other local governments. Wilkes County appoints two Board members to the thirty-member Board and one member to the Advisory Board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Center, 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 \$254,200 to the Center to supplement its activities. Complete financial statements for the Smokey Mountain Center can be obtained from the Center's offices at 44 Bonnie Lane, Sylva, North Carolina 28779.

The County also participates in a joint venture to operate Appalachian Regional Library (Library) with two other local governments. Wilkes County appoints four board 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 \$561,880 to the Library to supplement its activities. Complete financial statements for the Appalachian Regional Library can be obtained from the Library's offices at 148 Library Drive, West Jefferson, North Carolina 28694.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County participates in a joint venture to operate Wilkes Economic Development Corporation, (Corporation) a non-profit corporation, with two municipalities and the Wilkes Chamber of Commerce. Wilkes County appoints four Board members to the nine-member Board of the Corporation. The County has an ongoing financial responsibility for the joint venture because the Corporation's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the non-profit Corporation, so no equity interests have been reflected in the financial statements at June 30, 2016. The County appropriated \$275,000 to the Corporation during the year. Complete financial statements for the Wilkes Economic Development Corporation can be obtained from the Corporation's offices at P.O. Box 727, North Wilkesboro, North Carolina 28659.

7. Jointly Governed Organization

The County, in conjunction with six 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 \$35,217 to the Council during the fiscal year ended June 30, 2016.

The County, in conjunction with six other counties, established the Northwest Regional Housing Authority (Authority). The participating governments established the Authority for housing and urban development. Each participating government appoints one member of the Authority's governing board.

8. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 69,330,254	\$ 35,508,245
Temporary Assistance to Needy Families	703,723	-
LINKS	6,150	-
Foster Care	621,815	646,090
Adoption Assistance	838,378	214,504
State/County Special Assistance for Adults	-	434,310
CWS Adoption Subsidy	-	566,298
Total	<u>\$ 71,500,320</u>	<u>\$ 37,369,447</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

9. Summary Disclosure of Significant Commitments and 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.

WILKES COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/2015	\$ -	\$ 1,951,036	\$ 1,951,036	0.00%	\$ 3,064,964	63.66%
12/31/2014	-	1,583,768	1,583,768	0.00%	2,688,739	58.90%
12/31/2013	-	1,588,212	1,588,212	0.00%	2,677,481	59.32%
12/31/2012	-	1,638,742	1,638,742	0.00%	2,537,726	64.58%
12/31/2011	-	1,603,784	1,603,784	0.00%	2,366,561	67.77%
12/31/2010	-	1,431,801	1,431,801	0.00%	2,278,888	62.83%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	12/31/2015
Actuarial cost method	Entry Age Method
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	3.57%
Projected salary increases *	3.50 - 7.35%
Cost-of-living adjustments	N/A

* Includes inflation at 3.00%

WILKES COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL) - Projected Unit Credit		Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a % of Covered Payroll (B - A) / C
		B					
12/31/2015	\$ -	\$ 27,029,785		\$ 27,029,785	0.00%	\$ 15,513,754	174.2%
12/31/2014	-	23,494,096		23,494,096	0.00%	16,299,741	144.1%
12/31/2013	-	20,953,247		20,953,247	0.00%	15,498,996	135.2%
12/31/2012	-	19,662,306		19,662,306	0.00%	15,392,827	127.7%
12/31/2011	-	19,335,244		19,335,244	0.00%	15,075,055	128.3%
12/31/2009	-	16,301,175		16,301,175	0.00%	15,626,239	104.3%
12/31/2008	-	19,178,521		19,178,521	0.00%	15,620,150	122.8%
12/31/2007	-	17,830,366		17,830,366	0.00%	14,442,616	123.5%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Percentage of ARC Contributed
2016	\$	1,762,582	49.23%
2015		1,548,255	85.80%
2014		1,463,164	45.56%
2013		1,417,631	29.78%
2012		1,339,715	27.25%
2011		1,291,292	35.18%
2010		1,530,176	27.31%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Pre-medical cost trend rate	7.75% - 5.00%
Post-medical cost trend rate	5.75% - 5.00%
Year of Ultimate trend rate	2022

* Includes inflation at 3.0%

WILKES COUNTY, NORTH CAROLINA**WILKES COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS*****Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wilkes' proportion of the net pension liability (asset) (%)	0.27742%	0.27346%	0.27346%
Wilkes' proportion of the net pension liability (asset) (\$)	\$ 1,245,044	\$ (1,612,722)	\$ 3,360,611
Wilkes' covered-employee payroll	\$ 15,873,019	\$ 15,404,189	\$ 14,773,299
Wilkes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.84%	(10.47%)	22.75%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

WILKES COUNTY, NORTH CAROLINA**WILKES COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS****Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,147,444	\$ 1,131,485	\$ 1,094,518
Contributions in relation to the contractually required contribution	<u>1,147,444</u>	<u>1,131,485</u>	<u>1,094,518</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wilkes' covered-employee payroll	\$ 16,786,999	\$ 15,873,019	\$ 15,404,189
Contributions as a percentage of covered-employee payroll	6.84%	7.13%	7.11%

WILKES COUNTY, NORTH CAROLINA**WILKES COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS*****Register of Deeds' Supplemental Pension Fund**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wilkes' proportion of the net pension liability (asset) (%)	0.63542%	0.62699%	0.58181%
Wilkes' proportion of the net pension liability (asset) (\$)	\$ (147,252)	\$ (142,114)	\$ (124,275)
Wilkes' covered-employee payroll	\$ 41,854	\$ 63,511	\$ 62,593
Wilkes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(351.82%)	(223.76%)	(198.54%)
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

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

WILKES COUNTY, NORTH CAROLINA

**WILKES COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS**

Registers of Deeds' Supplemental Pension Fund

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,059	\$ 2,928	\$ 5,119
Contributions in relation to the contractually required contribution	<u>5,059</u>	<u>2,928</u>	<u>5,119</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wilkes' covered-employee payroll	\$ 63,251	\$ 41,854	\$ 63,511
Contributions as a percentage of covered-employee payroll	8.00%	7.00%	8.06%

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over /Under	2015
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 35,892,515	\$ 36,814,608	\$ 922,093	\$ 35,982,464
Penalties and interest	370,500	509,181	138,681	526,289
Total	<u>36,263,015</u>	<u>37,323,789</u>	<u>1,060,774</u>	<u>36,508,753</u>
Local Option Sales Taxes:				
Article 39 one percent	5,011,841	5,101,764	89,923	4,984,181
Article 40 one-half of one percent	4,248,431	4,329,488	81,057	4,107,986
Article 42 one-half of one percent	2,793,159	2,793,422	263	2,718,372
Article 44 one-half of one percent	-	505	505	56
Article 46 one-fourth of one percent	<u>1,293,194</u>	<u>1,295,354</u>	<u>2,160</u>	<u>1,253,081</u>
Total	<u>13,346,625</u>	<u>13,520,533</u>	<u>173,908</u>	<u>13,063,676</u>
Other Taxes and Licenses:				
Real estate transfer taxes	130,000	140,717	10,717	144,579
Privilege licenses	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>1,188</u>
Total	<u>135,000</u>	<u>140,717</u>	<u>5,717</u>	<u>145,767</u>
Unrestricted Intergovernmental:				
Payments in lieu of taxes	30,000	32,433	2,433	26,763
Beer and wine tax	<u>260,000</u>	<u>269,296</u>	<u>9,296</u>	<u>291,243</u>
Total	<u>290,000</u>	<u>301,729</u>	<u>11,729</u>	<u>318,006</u>
Restricted Intergovernmental:				
Federal and State grants	12,316,559	10,050,512	(2,266,047)	9,607,674
Lottery proceeds	534,000	534,000	-	534,000
Court facility fees	125,000	131,821	6,821	139,323
Fines and forfeitures	20,100	22,753	2,653	11,545
CDBG, 12-C-2446	30,000	30,000	-	-
Other	<u>342,969</u>	<u>158,142</u>	<u>(184,827)</u>	<u>251,206</u>
Total	<u>13,368,628</u>	<u>10,927,228</u>	<u>(2,441,400)</u>	<u>10,543,748</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over /Under	2015
	Budget	Actual		Actual
Permits and Fees:				
Building permits	211,500	221,799	10,299	215,003
Register of Deeds	194,000	186,144	(7,856)	188,991
Total	405,500	407,943	2,443	403,994
Sales and Services:				
Ambulance and rescue squad fees	2,992,795	2,974,406	(18,389)	3,101,522
Jail fees	225,000	392,578	167,578	57,934
Rents and fees	5,938,765	4,498,607	(1,440,158)	5,346,428
Recreation fees	122,500	87,693	(34,807)	108,505
Total	9,279,060	7,953,284	(1,325,776)	8,614,389
Investment Earnings:				
Investment earnings	50,200	33,729	(16,471)	24,647
Miscellaneous:				
Other	1,286,934	767,188	(519,746)	727,035
Total revenues	74,424,962	71,376,140	(3,048,822)	70,350,015
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	111,950	110,826		108,878
Other operating expenditures	299,500	280,990		247,094
Total	411,450	391,816	19,634	355,972
Administration:				
Salaries and employee benefits	331,599	322,447		318,998
Other operating expenditures	20,100	18,737		15,018
Total	351,699	341,184	10,515	334,016

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over /Under	2015
	Budget	Actual		Actual
Elections:				
Salaries and employee benefits	259,940	244,716		215,282
Other operating expenditures	113,900	97,576		77,401
Total	373,840	342,292	31,548	292,683
Finance:				
Salaries and employee benefits	336,296	334,917		322,362
Other operating expenditures	15,000	11,532		12,897
Total	351,296	346,449	4,847	335,259
Tax Administration:				
Salaries and employee benefits	951,156	934,698		919,435
Other operating expenditures	224,500	243,528		218,482
Capital outlay	43,000	7,210		-
Total	1,218,656	1,185,436	33,220	1,137,917
Legal:				
Professional services	228,500	224,316	4,184	194,188
Register of Deeds:				
Salaries and employee benefits	259,893	256,877		251,574
Other operating expenditures	113,750	81,629		58,502
Total	373,643	338,506	35,137	310,076
Public Buildings:				
Salaries and employee benefits	136,220	135,646		129,990
Other operating expenditures	354,468	290,229		227,692
Capital outlay	1,544,540	1,512,477		2,773,294
Total	2,035,228	1,938,352	96,876	3,130,976
Court Facilities:				
Salaries and employee benefits	116,263	115,747		113,076
Other operating expenditures	484,980	439,250		268,092
Total	601,243	554,997	46,246	381,168

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>		<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over /Under</u>	
Central Services:			
Data Processing:			
Salaries and employee benefits	135,224	135,232	145,146
Other operating expenditures	171,059	170,984	170,480
Capital outlay	<u>20,625</u>	<u>20,625</u>	<u>37,500</u>
Total	<u>326,908</u>	<u>326,841</u>	<u>353,126</u>
		67	
Central Garage:			
Salaries and employee benefits	281,110	272,614	267,378
Other operating expenditures	374,400	350,791	370,832
Capital outlay	<u>5,400</u>	<u>5,394</u>	<u>36,586</u>
Total	<u>660,910</u>	<u>628,799</u>	<u>674,796</u>
		32,111	
Purchasing:			
Salaries and employee benefits	96,677	96,323	94,234
Other operating expenditures	<u>7,260</u>	<u>6,459</u>	<u>6,227</u>
Total	<u>103,937</u>	<u>102,782</u>	<u>100,461</u>
		1,155	
Other Central Services:			
Other expenditures	892,500	704,720	665,037
Group insurance	<u>1,334,772</u>	<u>1,184,157</u>	<u>968,432</u>
Total	<u>2,227,272</u>	<u>1,888,877</u>	<u>1,633,469</u>
		338,395	
Total general government	<u>9,264,582</u>	<u>8,610,647</u>	<u>9,234,107</u>
		653,935	
Public Safety:			
Sheriff:			
Salaries and employee benefits	4,184,699	4,077,012	4,050,199
Other operating expenditures	545,088	366,134	653,077
Capital outlay	<u>270,878</u>	<u>266,464</u>	<u>155,284</u>
Total	<u>5,000,665</u>	<u>4,709,610</u>	<u>4,858,560</u>
		291,055	

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over /Under	2015
	Budget	Actual		Actual
Drug Crime Prevention:				
Other operating expenditures	220,000	71,570		184,470
Capital outlay	-	29,099		-
Total	220,000	100,669	119,331	184,470
JAG Critical Response GRA:				
Other operating expenditures	79,274	74,778	4,496	12,523
Animal Control:				
Salaries and employee benefits	502,465	481,392		477,902
Other operating expenditures	153,100	100,986		96,121
Capital outlay	28,000	27,470		39,379
Total	683,565	609,848	73,717	613,402
Internet Crimes:				
Salaries and employee benefits	20,004	-		-
Other operating expenditures	20,000	5,651		-
Total	40,004	5,651	34,353	-
Jail:				
Salaries and employee benefits	1,891,502	1,867,929		1,545,848
Other operating expenditures	1,693,250	1,569,104		1,468,853
Capital outlay	27,626	27,626		27,215
Total	3,612,378	3,464,659	147,719	3,041,916
Emergency Management:				
Salaries and employee benefits	62,357	62,059		60,799
Other operating expenditures	48,922	40,990		32,995
Capital outlay	-	-		76,891
Total	111,279	103,049	8,230	170,685

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		2015
	Budget	Actual	Variance Over /Under
Fire:			
Salaries and employee benefits	115,897	115,489	113,594
Other operating expenditures	83,860	78,474	76,141
Assistance to local fire departments	800	800	1,160
Total	200,557	194,763	5,794
Inspections:			
Salaries and employee benefits	495,643	474,210	452,910
Other operating expenditures	40,000	24,836	24,198
Capital outlay	27,500	27,385	-
Total	563,143	526,431	36,712
Medical Examiner:			
Other operating expenditures	119,500	111,158	71,925
Total	119,500	111,158	8,342
Emergency Medical Services:			
Salaries and employee benefits	2,962,751	2,939,626	2,777,098
Other operating expenditures	892,464	864,959	694,665
Capital outlay	661,228	675,891	299,932
Total	4,516,443	4,480,476	35,967
Emergency Communications Center:			
Salaries and employee benefits	822,392	811,222	760,993
Other operating expenditures	316,400	268,489	317,028
Capital outlay	-	13,368	-
Total	1,138,792	1,093,079	45,713
Total public safety	16,285,600	15,474,171	811,429
Environmental Protection:			
Reservoir expenditures	160,000	130,907	29,093

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		2015
	Budget	Actual	Variance Over /Under Actual
Economic and Physical Development:			
Economic Development:			
Other operating expenditures	662,000	495,148	322,085
Total	662,000	495,148	166,852 322,085
Planning and Zoning:			
Salaries and employee benefits	200,087	189,830	180,141
Other operating expenditures	46,400	34,178	83,532
Capital outlay	-	-	12,510
Total	246,487	224,008	22,479 276,183
Agricultural Extension:			
Salaries and employee benefits	223,551	192,344	185,437
Other operating expenditures	30,600	24,489	23,053
Total	254,151	216,833	37,318 208,490
Extension Local:			
Other operating expenditures	66,688	24,912	23,369
Total	66,688	24,912	41,776 23,369
Forestry:			
Salaries and employee benefits	2,153	1,636	1,636
Other operating expenditures	117,038	99,701	104,950
Total	119,191	101,337	17,854 106,586
Soil Conservation:			
Salaries and employee benefits	235,040	233,305	229,328
Other operating expenditures	56,250	56,250	56,250
Capital outlay	25,000	24,897	-
Total	316,290	314,452	1,838 285,578

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>	<u>Actual</u>
Community Development:				
Other operating expenditures	160,974	160,974		200,404
Total	<u>160,974</u>	<u>160,974</u>	-	<u>200,404</u>
Total economic and physical development	<u>1,825,781</u>	<u>1,537,664</u>	<u>288,117</u>	<u>1,422,695</u>
Human Services:				
Health:				
Administration:				
Salaries and employee benefits	1,655,756	1,633,006		1,593,245
Other operating expenditures	415,351	392,030		465,566
Capital outlay	55,400	55,400		34,655
Total	<u>2,126,507</u>	<u>2,080,436</u>	<u>46,071</u>	<u>2,093,466</u>
Environmental Health:				
Other operating expenditures	45,700	45,044		23,019
Total	<u>45,700</u>	<u>45,044</u>	<u>656</u>	<u>23,019</u>
Food and Lodging:				
Other operating expenditures	10,656	-	10,656	-
Tuberculosis:				
Salaries and employee benefits	13,212	877		-
Other operating expenditures	3,348	711		2,682
Total	<u>16,560</u>	<u>1,588</u>	<u>14,972</u>	<u>2,682</u>
Bioterrorism:				
Salaries and employee benefits	29,294	27,804		13,866
Other operating expenditures	5,000	4,587		30,049
Total	<u>34,294</u>	<u>32,391</u>	<u>1,903</u>	<u>43,915</u>
Health Immunization Other:				
Salaries and employee benefits	14,089	14,089		11,072
Total	<u>14,089</u>	<u>14,089</u>	-	<u>11,072</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		2015
	Budget	Actual	Variance Over /Under
Health Case Management:			
Salaries and employee benefits	207,556	94,660	137,365
Other operating expenditures	7,950	1,952	4,846
Total	215,506	96,612	118,894
Adult Health:			
Salaries and employee benefits	396,978	356,039	356,478
Other operating expenditures	97,550	91,493	100,702
Capital outlay	13,850	13,850	-
Total	508,378	461,382	46,996
Health Care Connection:			
Salaries and employee benefits	149,862	123,318	66,446
Other operating expenditures	51,504	51,504	51,504
Total	201,366	174,822	26,544
Communicable Disease:			
Salaries and employee benefits	26,827	9,364	11,327
Other operating expenditures	6,793	6,793	958
Total	33,620	16,157	17,463
Comprehensive Cancer Control:			
Salaries and employee benefits	6,846	139	7,704
Other operating expenditures	57,211	18,608	36,702
Total	64,057	18,747	45,310
Family Planning:			
Salaries and employee benefits	164,874	97,340	94,874
Other operating expenditures	76,050	60,258	61,816
Total	240,924	157,598	83,326
Health Diabetes Grant:			
Salaries and employee benefits	46,666	44,019	43,666
Other operating expenditures	72,659	71,738	103,020
Total	119,325	115,757	3,568

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>		<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>
			<u>Actual</u>
Health Promotion:			
Salaries and employee benefits	37,511	38,416	25,831
Other operating expenditures	7,575	6,670	8,372
Total	<u>45,086</u>	<u>45,086</u>	<u>34,203</u>
Mesh Units - Schools:			
Salaries and employee benefits	138,113	145,211	121,845
Other operating expenditures	32,800	25,702	24,152
Total	<u>170,913</u>	<u>170,913</u>	<u>145,997</u>
Health-Brenner Fit:			
Other operating expenditures	3,800	2,740	1,060
			<u>-</u>
Wilkes Dental Clinic:			
Other operating expenditures	1,816,000	1,344,122	471,878
			<u>1,747,867</u>
Maternal Clinic:			
Salaries and employee benefits	22,059	18,952	5,058
Other operating expenditures	1,700	957	1,988
Total	<u>23,759</u>	<u>19,909</u>	<u>3,850</u>
Infant Mortality Reduction:			
Other operating expenditures	55,558	53,663	-
Total	<u>55,558</u>	<u>53,663</u>	<u>1,895</u>
MCC and MOW:			
Salaries and employee benefits	115,069	100,768	101,673
Other operating expenditures	3,000	2,008	3,640
Total	<u>118,069</u>	<u>102,776</u>	<u>15,293</u>
Child Health:			
Salaries and employee benefits	197,877	189,571	149,163
Other operating expenditures	52,100	51,738	59,316
Total	<u>249,977</u>	<u>241,309</u>	<u>8,668</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over /Under	2015
	Budget	Actual		Actual
CSC and MOW:				
Salaries and employee benefits	140,073	103,716		84,954
Other operating expenditures	10,200	5,711		10,509
Total	150,273	109,427	40,846	95,463
Women, Infants, and Children:				
Salaries and employee benefits	258,015	191,511		252,563
Other operating expenditures	67,500	67,304		34,383
Total	325,515	258,815	66,700	286,946
School Nurse Funding:				
Other operating expenditures	150,000	150,000	-	150,000
Smart Start:				
Salaries and employee benefits	41,326	33,041		44,868
Other operating expenditures	7,450	4,761		4,613
Total	48,776	37,802	10,974	49,481
HIV & STD:				
Salaries and employee benefits	37,179	37,683		500
Other operating expenditures	4,066	3,562		1,120
Total	41,245	41,245	-	1,620
WIC/BPCP:				
Salaries and employee benefits	13,944	14,116		12,875
Other operating expenditures	703	531		3,919
Total	14,647	14,647	-	16,794
Maternal Child Health:				
Salaries and employee benefits	2,890	2,106		-
Other operating expenditures	110	-		-
Total	3,000	2,106	894	-

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over /Under	2015
	Budget	Actual		Actual
Immunization Action Plan:				
Salaries and employee benefits				
Other operating expenditures	-	-	-	7,633
Total health	6,847,600	5,809,183	1,038,417	6,108,404
Mental Health:				
Contribution to other agencies	537,754	536,294	1,460	518,020
Social Services:				
Administration:				
Salaries and employee benefits	5,779,092	5,587,255		5,067,767
Other operating expenditures	481,780	427,257		447,362
Capital outlay	91,650	83,941		35,139
Total	6,352,522	6,098,453	254,069	5,550,268
Medicaid Program:				
County participation only	2,424,500	1,590,344		1,976,718
Total	2,424,500	1,590,344	834,156	1,976,718
Food Stamps Program:				
Other operating expenditures	660,521	648,372		562,431
Total	660,521	648,372	12,149	562,431
Low Income Energy Assistance Program:				
Other operating expenditures	360,229	357,900	2,329	472,970
WorkFirst:				
Contract services	190,000	112,321		177,833
Total	190,000	112,321	77,679	177,833
Daycare Operations:				
Contract services	2,176,688	1,908,424		1,833,384
Total	2,176,688	1,908,424	268,264	1,833,384

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over /Under	2015
	Budget	Actual		Actual
In-Home Service:				
Other operating expenditures	49,046	11,474		25,542
Total	49,046	11,474	37,572	25,542
Foster Care:				
Salaries and employee benefits	6,459	2,930		1,100
Other operating expenditures	3,491,000	2,734,094		2,977,902
Total	3,497,459	2,737,024	760,435	2,979,002
Other Assistance:				
Other operating expenditures	98,351	59,256		54,347
Total	98,351	59,256	39,095	54,347
Total social services	15,809,316	13,523,568	2,285,748	13,632,495
Other Human Services:				
Veterans Service Officer:				
Salaries and employee benefits	167,206	166,856		154,206
Other operating expenditures	12,250	6,808		6,058
Total	179,456	173,664	5,792	160,264
Youth Services:				
Salaries and employee benefits	16,988	14,944		14,019
Other operating expenditures	20,482	16,885		5,003
Contributions to other agencies	317,433	304,813		254,079
Total	354,903	336,642	18,261	273,101
Senior Citizens Services:				
Contributions to other services	650,000	518,964	131,036	509,734

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2016</u>		<u>Variance Over /Under</u>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Other Services:				
Contributions to other agencies	542,792	528,107	14,685	551,382
Total other human services	<u>1,727,151</u>	<u>1,557,377</u>	<u>169,774</u>	<u>1,494,481</u>
Total human services	<u>24,921,821</u>	<u>21,426,422</u>	<u>3,495,399</u>	<u>21,753,400</u>
Cultural and Recreation:				
Recreation:				
Salaries and employee benefits	529,616	523,670		502,308
Other operating expenditures	304,810	241,929		279,383
Capital outlay	<u>19,000</u>	<u>19,000</u>		<u>30,905</u>
Total	<u>853,426</u>	<u>784,599</u>	<u>68,827</u>	<u>812,596</u>
Libraries:				
Contribution to regional library	<u>561,888</u>	<u>561,888</u>	<u>-</u>	<u>555,730</u>
Museums and Art				
	<u>34,588</u>	<u>34,588</u>	<u>-</u>	<u>34,030</u>
Total cultural and recreation	<u>1,449,902</u>	<u>1,381,075</u>	<u>68,827</u>	<u>1,402,356</u>
Education:				
Public schools - current expenses	11,746,728	11,746,728		11,273,988
Public schools - capital outlay	1,840,925	1,374,729		1,220,189
Public schools - (lottery) capital outlay	534,000	534,000		534,000
Community colleges - current	3,603,373	3,603,373		3,571,320
Community colleges - capital outlay	<u>150,000</u>	<u>150,000</u>		<u>150,000</u>
Total education	<u>17,875,026</u>	<u>17,408,830</u>	<u>466,196</u>	<u>16,749,497</u>
Debt Service:				
Principal retirement	1,584,341	3,410,173		3,504,776
Interest and fees	883,758	1,012,554		1,802,022
Bond Issuance costs	310,371	310,371		-
Advance refunding escrow	<u>567,598</u>	<u>567,598</u>		<u>-</u>
Total debt service	<u>3,346,068</u>	<u>5,300,696</u>	<u>(1,954,628)</u>	<u>5,306,798</u>
Total expenditures	<u>75,128,780</u>	<u>71,270,412</u>	<u>3,858,368</u>	<u>70,462,936</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over /Under	Actual
Revenues over (under) expenditures	<u>(703,818)</u>	<u>105,728</u>	<u>809,546</u>	<u>(112,921)</u>
Other Financing Sources (Uses):				
Transfers in	404,628	404,628	-	12,324
Transfers out	(406,780)	(406,780)	-	(122,223)
Sale of capital assets	20,500	14,958	(5,542)	39,286
Premium on debt issued	(2,005,484)	2,136,204	4,141,688	-
Refunding debt issued	26,430,484	24,425,000	(2,005,484)	-
Payment to refunding bond escrow agent	(26,250,833)	(26,250,833)	-	-
Appropriated fund balance	<u>2,511,303</u>	<u>-</u>	<u>(2,511,303)</u>	<u>-</u>
Total other financing sources (uses)	<u>703,818</u>	<u>323,177</u>	<u>(380,641)</u>	<u>(70,613)</u>
Net change in fund balance	<u>\$ -</u>	<u>428,905</u>	<u>\$ 428,905</u>	<u>(183,534)</u>
Fund Balance:				
Beginning of year - July 1		<u>28,743,049</u>		<u>28,926,583</u>
End of year - June 30		<u>\$ 29,171,954</u>		<u>\$ 28,743,049</u>

WILKES COUNTY, NORTH CAROLINA

FIRE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 3,314,441	\$ 3,198,723	\$ (115,718)	\$ 3,093,156
Expenditures:				
Public safety:				
Tax collection fees	13,458	14,006	(548)	13,631
Distribution to fire districts	3,322,006	3,178,732	143,274	3,079,525
Total expenditures	<u>3,335,464</u>	<u>3,192,738</u>	<u>142,726</u>	<u>3,093,156</u>
Revenues over (under) expenditures	<u>(21,023)</u>	<u>5,985</u>	<u>27,008</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	<u>21,023</u>	<u>21,023</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>27,008</u>	<u>\$ 27,008</u>	
Fund Balance:				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ 27,008</u>		<u>\$ -</u>

WILKES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total
Assets:			
Cash and cash equivalents	\$ 815,335	\$ 19,695	\$ 835,030
Accounts receivable, net	-	17,685	17,685
Due from other governments	<u>47,401</u>	<u>-</u>	<u>47,401</u>
 Total assets	 <u>\$ 862,736</u>	 <u>\$ 37,380</u>	 <u>\$ 900,116</u>
 Fund Balances:			
Restricted:			
Stabilization by State statute	\$ 47,401	\$ 17,685	\$ 65,086
Restricted, all other	815,335	-	815,335
Committed	<u>-</u>	<u>19,695</u>	<u>19,695</u>
 Total fund balances	 <u>\$ 862,736</u>	 <u>\$ 37,380</u>	 <u>\$ 900,116</u>

WILKES, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Nonmajor</u>		
	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Revenues:			
Restricted intergovernmental	\$ -	\$ 497,385	\$ 497,385
Sales and services	504,897	-	504,897
Investment earnings	850	371	1,221
Total revenues	<u>505,747</u>	<u>497,756</u>	<u>1,003,503</u>
Expenditures:			
Public safety	427,497	-	427,497
Economic and physical development	-	279,492	279,492
Total expenditures	<u>427,497</u>	<u>279,492</u>	<u>706,989</u>
Revenues over (under) expenditures	78,250	218,264	296,514
Other Financing Sources (Uses):			
Transfers out	-	(404,628)	(404,628)
Net change in fund balances	78,250	(186,364)	(108,114)
Fund Balances:			
Beginning of year - July 1	<u>784,486</u>	<u>223,744</u>	<u>1,008,230</u>
End of year - June 30	<u>\$ 862,736</u>	<u>\$ 37,380</u>	<u>\$ 900,116</u>

WILKES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Law Enforcement Restricted Fund	Wireless E-911 Telephone System Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 3,392	\$ 811,943	\$ 815,335
Due from other governments	<u>1,645</u>	<u>45,756</u>	<u>47,401</u>
 Total assets	 <u>\$ 5,037</u>	 <u>\$ 857,699</u>	 <u>\$ 862,736</u>
 Fund Balances:			
Restricted:			
Stabilization by State statute	1,645	45,756	47,401
Restricted, all other	<u>3,392</u>	<u>811,943</u>	<u>815,335</u>
 Total fund balances	 <u>\$ 5,037</u>	 <u>\$ 857,699</u>	 <u>\$ 862,736</u>

WILKES COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Law Enforcement Restricted Fund	E-911 Telephone System Fund	Total
Revenues:			
Sales and services	\$ -	\$ 504,897	\$ 504,897
Investment earnings	12	838	850
Total revenues	<u>12</u>	<u>505,735</u>	<u>505,747</u>
Expenditures:			
Public safety	<u>23,503</u>	<u>403,994</u>	<u>427,497</u>
Net change in fund balances	(23,491)	101,741	78,250
Fund Balances:			
Beginning of year - July 1	<u>28,528</u>	<u>755,958</u>	<u>784,486</u>
End of year - June 30	<u>\$ 5,037</u>	<u>\$ 857,699</u>	<u>\$ 862,736</u>

WILKES COUNTY, NORTH CAROLINA

LAW ENFORCEMENT RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental:				
Law enforcement restricted grant	\$ -	\$ -	\$ -	\$ 10,893
Investment earnings	-	12	12	12
Total revenues	-	12	12	10,905
Expenditures:				
Public safety:				
Law enforcement restricted	23,505	23,503	2	-
Revenues over (under) expenditures	(23,505)	(23,491)	14	10,905
Other Financing Sources (Uses):				
Transfers out	-	-	-	(8,531)
Appropriated fund balance	23,505	-	(23,505)	-
Total other financing sources (uses)	23,505	-	(23,505)	(8,531)
Net change in fund balance	\$ -	(23,491)	\$ (23,491)	2,374
Fund Balance:				
Beginning of year - July 1		28,528		26,156
End of year - June 30		\$ 5,037		\$ 28,528

WILKES COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
E-911 telephone surcharge	\$ 447,775	\$ 504,897	\$ 57,122	\$ 447,775
Investment earnings	500	838	338	412
Total revenues	<u>448,275</u>	<u>505,735</u>	<u>57,460</u>	<u>448,187</u>
Expenditures:				
Public safety:				
Other operating expenditures	748,275	403,994	344,281	225,033
Capital outlay	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total expenditures	<u>948,275</u>	<u>403,994</u>	<u>544,281</u>	<u>225,033</u>
Revenues over (under) expenditures	(500,000)	101,741	601,741	223,154
Other Financing Sources (Uses):				
Appropriated fund balance	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	101,741	<u>\$ 101,741</u>	223,154
Fund Balance:				
Beginning of year - July 1		<u>755,958</u>		<u>532,804</u>
End of year - June 30		<u>\$ 857,699</u>		<u>\$ 755,958</u>

WILKES COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2016

	<u>Law Enforcement Center/Jail Construction</u>	<u>Highway 268 Water Extension Project</u>	<u>Water Intake Project</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ -	\$ 19,695	\$ -	\$ 19,695
Accounts receivable, net	<u>-</u>	<u>17,685</u>	<u>-</u>	<u>17,685</u>
Total assets	<u>\$ -</u>	<u>\$ 37,380</u>	<u>\$ -</u>	<u>\$ 37,380</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	\$ -	\$ 17,685	\$ -	\$ 17,685
Committed	<u>-</u>	<u>19,695</u>	<u>-</u>	<u>19,695</u>
Total fund balances	<u>\$ -</u>	<u>\$ 37,380</u>	<u>\$ -</u>	<u>\$ 37,380</u>

WILKES COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Law Enforcement Center/Jail Construction</u>	<u>Highway 268 Water Extension Project</u>	<u>Water Intake Project</u>	<u>Total</u>
Revenues:				
Restricted intergovernmental	\$ -	\$ 497,385	\$ -	\$ 497,385
Investment earnings	54	-	317	371
Total revenues	<u>54</u>	<u>497,385</u>	<u>317</u>	<u>497,756</u>
Expenditures:				
Economic and physical development	<u>-</u>	<u>279,492</u>	<u>-</u>	<u>279,492</u>
Revenues over (under) expenditures	54	217,893	317	218,264
Other Financing Sources (Uses):				
Transfers out	<u>(404,628)</u>	<u>-</u>	<u>-</u>	<u>(404,628)</u>
Net change in fund balances	(404,574)	217,893	317	(186,364)
Fund Balances:				
Beginning of year - July 1	<u>404,574</u>	<u>(180,513)</u>	<u>(317)</u>	<u>223,744</u>
				-
End of year - June 30	<u>\$ -</u>	<u>\$ 37,380</u>	<u>\$ -</u>	<u>\$ 37,380</u>

WILKES COUNTY, NORTH CAROLINA

LAW ENFORCEMENT CENTER/JAIL CONSTRUCTION PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		Total to Date	Variance Over/(Under)
		Prior Years	Current Year		
Revenues:					
Investment earnings	\$ -	\$ 6,604	\$ 54	\$ 6,658	\$ 6,658
Expenditures:					
General government:					
Capital outlay	12,285,372	12,292,030	-	12,292,030	(6,658)
Revenues over (under) expenditures	(12,285,372)	(12,285,426)	54	(12,285,372)	-
Other Financing Sources (Uses):					
Installment purchase obligations issued	12,690,000	12,690,000	-	12,690,000	-
Transfers from other funds	(404,628)	-	(404,628)	(404,628)	-
Total other financing sources (uses)	12,285,372	12,690,000	(404,628)	12,285,372	-
Net change in fund balance	\$ -	\$ 404,574	\$ (404,574)	\$ -	\$ -

WILKES COUNTY, NORTH CAROLINA

HIGHWAY 268 WATER EXTENSION
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
Total revenues	\$ 951,203	\$ 477,643	\$ 497,385	\$ 975,028	\$ 23,825
Expenditures:					
Economic development:					
Administration	37,479	7,835	16,089	23,924	13,555
Project construction	913,724	650,321	263,403	913,724	-
Total expenditures	951,203	658,156	279,492	937,648	13,555
Net change in fund balance	\$ -	\$ (180,513)	\$ 217,893	\$ 37,380	\$ 37,380

WILKES COUNTY, NORTH CAROLINA

WATER INTAKE PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/(Under)</u>
			<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Investment earnings	\$ -	\$ -	\$ 317	\$ 317	\$ 317
Expenditures:					
Economic development:					
Project construction	9,006,702	317	-	317	9,006,385
Other Financing Sources:					
NCDENR Revolving Fund loan	9,006,702	-	-	-	(9,006,702)
Net change in fund balance	<u>\$ -</u>	<u>\$ (317)</u>	<u>\$ 317</u>	<u>\$ -</u>	<u>\$ -</u>

WILKES COUNTY, NORTH CAROLINA

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Sales	\$ 917,305	\$ 706,881	\$ (210,424)	\$ 797,693
Rents	110,000	85,470	(24,530)	99,120
Other operating revenues	5,600	7,182	1,582	6,553
Total operating revenues	<u>1,032,905</u>	<u>799,533</u>	<u>(233,372)</u>	<u>903,366</u>
Non-operating revenues:				
Restricted intergovernmental	<u>3,642,744</u>	<u>2,715,494</u>	<u>(927,250)</u>	<u>1,270,221</u>
Total revenues	<u>4,675,649</u>	<u>3,515,027</u>	<u>(1,160,622)</u>	<u>2,173,587</u>
Expenditures:				
Airport operations:				
Salaries and employee benefits	162,015	159,832	2,183	161,440
Fuel and oil purchases	705,000	424,700	280,300	552,055
Other operating expenditures	193,337	87,158	106,179	293,290
Capital outlay	70,329	70,275	54	-
Airport capital projects:				
Construction	<u>3,930,725</u>	<u>3,517,975</u>	<u>412,750</u>	<u>1,217,192</u>
Total expenditures	<u>5,061,406</u>	<u>4,259,940</u>	<u>801,466</u>	<u>2,223,977</u>

WILKES COUNTY, NORTH CAROLINA

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/(Under)	Actual
Revenues over (under) expenditures	(385,757)	(744,913)	(359,156)	(50,390)
Other Financing Sources (Uses):				
Transfers in	<u>385,757</u>	<u>385,757</u>	<u>-</u>	<u>122,223</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (359,156)</u>	<u>\$ (359,156)</u>	<u>\$ 71,833</u>

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (359,156)</u>
Reconciling items:	
Depreciation	(545,192)
Capital outlay	3,588,250
Decrease in net pension asset	(11,289)
Decrease in deferred outflows of resources - pensions	294
Increase in net pension liability	(8,715)
Decrease in deferred inflows of resources - pensions	23,054
Change in accrual for unfunded OPEB	(2,025)
Change in accrual for compensated absences	<u>(746)</u>
Total reconciling items	<u>3,043,631</u>
Change in net position	<u>\$ 2,684,475</u>

WILKES COUNTY, NORTH CAROLINA

LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/(Under)	2015
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Solid waste charges	\$ 2,000,000	\$ 2,261,858	\$ 261,858	\$ 2,187,604
Scrap tire disposal tax	28,020	42,685	14,665	33,160
Other operating revenues	203,600	205,670	2,070	198,512
Total operating revenues	<u>2,231,620</u>	<u>2,510,213</u>	<u>278,593</u>	<u>2,419,276</u>
Non-operating revenues:				
Interest earnings	850	1,781	931	970
Total revenues	<u>2,232,470</u>	<u>2,511,994</u>	<u>279,524</u>	<u>2,420,246</u>
Expenditures:				
Landfill operations:				
Salaries and employee benefits	846,223	813,812	32,411	809,281
Other operating expenditures	1,045,170	888,071	157,099	878,151
Capital outlay	427,876	427,074	802	203,392
Total landfill operations	<u>2,319,269</u>	<u>2,128,957</u>	<u>190,312</u>	<u>1,890,824</u>
Debt service:				
Principal retirement	153,734	153,734	-	149,813
Interest and fees	2,498	2,498	-	6,418
Total debt service	<u>156,232</u>	<u>156,232</u>	<u>-</u>	<u>156,231</u>
Total expenditures	<u>2,475,501</u>	<u>2,285,189</u>	<u>190,312</u>	<u>2,047,055</u>
Revenues over (under) expenditures	<u>(243,031)</u>	<u>226,805</u>	<u>469,836</u>	<u>373,191</u>
Other Financing Sources (Uses):				
Transfer out - Landfill Reserve Fund	-	-	-	(12,322)
Appropriated fund balance	243,031	-	(243,031)	-
Total other financing sources (uses)	<u>243,031</u>	<u>-</u>	<u>(243,031)</u>	<u>(12,322)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 226,805</u>	<u>\$ 226,805</u>	<u>\$ 360,869</u>

WILKES COUNTY, NORTH CAROLINA

**LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		2015
	Budget	Actual	Actual
		Variance	
		Over/(Under)	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 226,805	
Reconciling items:			
Capital outlay		427,074	
Long-term debt principal repayments		153,734	
Depreciation		(233,418)	
Increase in accrued landfill closure/post-closure costs		(285,000)	
Decrease in net pension asset		(50,398)	
(Increase) decrease in deferred outflows of resources - pension		1,312	
Increase in net pension liability		(38,907)	
Decrease in deferred inflows of resources - pensions		102,918	
Change in accrual for unfunded OPEB		(24,176)	
Change in accrual for compensated absences		(12,523)	
Interest from Landfill Closure and Post-Closure Reserve Fund		4,035	
Total reconciling items		<u>44,651</u>	
Change in net position		<u>\$ 271,456</u>	

WILKES COUNTY, NORTH CAROLINA

LANDFILL CLOSURE AND POSTCLOSURE RESERVE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earnings	\$ 2,000	\$ 4,035	\$ 2,035	\$ 2,902
Other Financing Sources (Uses):				
Sinking reserve	(7,000)	-	(7,000)	-
Transfers in	5,000	-	5,000	12,322
Total other financing sources (uses)	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>	<u>12,322</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 4,035	\$ 4,035	\$ 15,224

WILKES COUNTY, NORTH CAROLINA

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 58,990	\$ 197,787	\$ 183,462	\$ 73,315
Liabilities:				
Miscellaneous liabilities	\$ 58,990	\$ 197,787	\$ 183,462	\$ 73,315
Ad Valorem Tax - Other Municipalities:				
Assets:				
Cash and cash equivalents	\$ 75,798	\$ 2,461,345	\$ 2,274,549	\$ 262,594
Taxes receivable	328,550	13,218	8,658	333,115
Total assets	<u>\$ 404,348</u>	<u>\$ 2,474,563</u>	<u>\$ 2,283,207</u>	<u>\$ 595,709</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 404,348</u>	<u>\$ 2,474,563</u>	<u>\$ 2,283,207</u>	<u>\$ 595,709</u>
Fines and Forfeitures:				
Assets:				
Cash and cash equivalents	\$ -	\$ 323,439	\$ 323,439	\$ -
Liabilities:				
Miscellaneous liabilities	<u>\$ -</u>	<u>\$ 323,439</u>	<u>\$ 323,439</u>	<u>\$ -</u>
Total All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 134,788	\$ 2,982,571	\$ 2,781,450	\$ 335,909
Taxes receivable	328,550	13,218	8,658	333,115
Total assets	<u>\$ 463,338</u>	<u>\$ 2,995,789</u>	<u>\$ 2,790,108</u>	<u>\$ 669,024</u>
Liabilities:				
Miscellaneous liabilities	\$ 463,338	\$ 2,672,350	\$ 2,466,669	\$ 669,024
Intergovernmental payable	-	323,439	323,439	-
Total liabilities	<u>\$ 463,338</u>	<u>\$ 2,995,789</u>	<u>\$ 2,790,108</u>	<u>\$ 669,024</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 36,899,672	\$ (35,541,432)	\$ 1,358,240
2014-2015	1,536,910	-	(866,361)	670,549
2013-2014	796,091	-	(295,077)	501,014
2012-2013	554,085	-	(151,033)	403,052
2011-2012	445,376	-	(67,559)	377,817
2010-2011	334,597	-	(52,152)	282,445
2009-2010	188,886	-	(28,898)	159,988
2008-2009	142,671	-	(21,050)	121,621
2007-2008	112,738	-	(16,903)	95,835
2006-2007	90,121	-	(17,541)	72,580
2005-2006	87,746	-	(87,746)	-
Total	<u>\$ 4,289,221</u>	<u>\$ 36,899,672</u>	<u>\$ (37,145,752)</u>	<u>4,043,141</u>
Less: Allowance for uncollectible accounts - General Fund				<u>(963,921)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ 3,079,220</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 37,323,789</u>
Reconciling items:				
Penalties and interest collected				(509,181)
Discounts taken				254,135
Prior year releases and write offs				48,685
Miscellaneous				28,324
Total reconciling items				<u>(178,037)</u>
Total collections and credits				<u>\$ 37,145,752</u>

WILKES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2016

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 5,994,093,200	\$ 0.69	\$ 36,838,489	\$ 33,091,256	\$ 3,747,233
Penalties	-		28,621	13,376	15,245
Total	<u>5,994,093,200</u>		<u>36,867,110</u>	<u>33,104,632</u>	<u>3,762,478</u>
Discoveries:					
Current year taxes	28,588,007	0.69	197,079	197,079	-
Penalties	-		16,043	16,043	-
Total	<u>28,588,007</u>		<u>213,122</u>	<u>213,122</u>	<u>-</u>
Abatements	<u>(26,168,116)</u>	0.69	<u>(180,560)</u>	<u>(180,560)</u>	<u>-</u>
Total property valuation	<u>\$ 5,996,513,091</u>				
Net Levy			36,899,672	33,137,194	3,762,478
Less: Uncollected tax at June 30, 2016			<u>1,358,240</u>	<u>1,353,013</u>	<u>5,227</u>
Current Year's Taxes Collected			<u>\$ 35,541,432</u>	<u>\$ 31,784,181</u>	<u>\$ 3,757,251</u>
Current Levy Collection Percentage			<u>96.32%</u>	<u>95.92%</u>	<u>99.86%</u>

WILKES COUNTY NORTH CAROLINA

SECONDARY MARKET DISCLOSURES FOR THE YEAR ENDED JUNE 30, 2016

Assessed Valuation:

Assessment ratio	100%
Real property	\$ 4,915,653,190
Personal property	889,515,911
Public service companies	<u>191,343,990</u>
Total assessed valuation	<u>\$ 5,996,513,091</u>
Tax rate per \$100	0.69
Levy (includes discoveries, releases, and abatements)	<u>\$ 36,899,672</u>

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2016:

Fire protection districts	<u><u>\$ 2,830,167</u></u>
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WILKES COUNTY, NORTH CAROLINA

TEN LARGEST TAXPAYERS FOR THE YEAR ENDED JUNE 30, 2016

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2016 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Duke Energy Carolinas, LLC	Utility Company	\$ 105,925,959	1.77%
Tyson Farms, Inc.	Food processor	61,485,307	1.03%
Lowes Home Center, Inc. #1	Retail sales	49,203,888	0.82%
Louisiana Pacific	Building products manufacturing	36,753,090	0.61%
Carolina West Wireless Inc.	Phone company	26,563,001	0.44%
J.C. Faw	Real estate	23,350,400	0.39%
Elementia USA/Plycem USA	Building products manufacturing	15,544,787	0.26%
Jeld-Wen Inc.	Building products manufacturing	14,623,382	0.24%
Tyson Foods, Inc.	Food processor	13,848,914	0.23%
Wal-Mart Real Estate Business Trust	Retail sales	12,634,560	0.21%
Total		<u>\$ 359,933,288</u>	<u>6.00%</u>

WILKES COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
JUNE 30, 2016**

Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP Revenue-Expenditure Report because:

Ending fund balance, reported on the budget-to-actual schedule	\$ 857,699
Cumulative prior period revenues and expenditures not reported in the PSAP report (difference in beginning Fund Balance-budget to actual vs. PSAP report)	2,611
Expense on PSAP report not reported in the fund	<u>(2,614)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 857,696</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Commissioners
Wilkes County
Wilkesboro, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilkes County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Wilkes County's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wilkes County'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 Wilkes County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-002 and 2016-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilkes County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-002.

Wilkes County's Responses to Findings

Wilkes County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 result of that testing, and not 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

December 7, 2016, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is December 14, 2017

MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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
Wilkes County
Wilkesboro, North Carolina

Report On Compliance for Each Major Federal Program

We have audited Wilkes County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Wilkes County's major federal programs for the year ended June 30, 2016. Wilkes County'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 Wilkes County'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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wilkes County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion On Each Major Federal Program

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

Other Matters

As discussed in Note 4 to the Schedule of Expenditures of Federal and State Awards, the schedule was restated to increase CFDA No. 20.106 expenditures by \$2,002,558 and decrease State Aid to Airport expenditures by \$2,096,792, decrease CFDA No. 93.044/93.045 by \$75,095 federal and \$13,250 State, increase CFDA No. 93.560 by \$233 federal and \$64 State, increase CFDA No. 93.767 by \$ 687, report \$17,642 for CFDA No. 21.000 and report \$5,862 for CFDA No. 16.922. Finding number 2016-003 was added as a result of this restatement. The previously issued auditor's report dated December 7, 2016 is not to be relied upon due to the restatement of the Schedule of Expenditures of Federal and State Awards. Audit procedures applied subsequent to the original audit report date were limited solely to the restatement of the Schedule of Expenditures of Federal and State Awards. Our opinion on each major federal program is not modified as a result of this restatement.

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-003. Our opinion on each major federal program is not modified with respect to this matter.

Wilkes County's response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Wilkes County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of Wilkes County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wilkes County'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 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 Wilkes 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, non-compliance 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 reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over

compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-003 that we consider to be a material weakness.

Wilkes County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Wilkes County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC

December 7, 2016, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is December 14, 2017

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Report On Compliance For Each Major State 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
Wilkes County
Wilkesboro, North Carolina

Report On Compliance for Each Major State Program

We have audited Wilkes County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Wilkes County's major State programs for the year ended June 30, 2016. Wilkes County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wilkes County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Wilkes County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion On Each Major State Program

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

Other Matters

As discussed in Note 4 to the Schedule of Expenditures of Federal and State Awards, the schedule was restated to increase CFDA No. 20.106 expenditures by \$2,002,558 and decrease State Aid to Airport expenditures by \$2,096,792, decrease CFDA No. 93.044/93.045 by \$75,095 federal and \$13,250 State, increase CFDA No. 93.560 by \$233 federal and \$64 State, increase CFDA No. 93.767 by \$ 687, report \$17,642 for CFDA No. 21.000 and report \$5,862 for CFDA No. 16.922. Finding number 2016-003 was added as a result of this restatement. The previously issued auditor's report dated December 7, 2016 is not to be relied upon due to the restatement of the Schedule of Expenditures of Federal and State Awards. Audit procedures applied subsequent to the original audit report date were limited solely to the restatement of the Schedule of Expenditures of Federal and State Awards. Our opinion on each major State program is not modified as a result of this restatement.

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-003. Our opinion on each major State program is not modified with respect to this matter.

Wilkes County's response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Wilkes County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report On Internal Control Over Compliance

Management of Wilkes County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wilkes County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with 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 Wilkes 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, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in

internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in accompanying Schedule of Findings and Questioned Costs as Finding 2016-003 that we consider to be a material weakness.

Wilkes County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Wilkes County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

December 7, 2016, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is December 14, 2017

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WILKES COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes
- Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.775, 93.777, 93.778

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$2,592,105</u>
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Auditee qualified as low-risk auditee? No

WILKES COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Auditor's Results (continued):

State Awards

Internal control over major State programs:

- Material weaknesses identified? Yes
- Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major State programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? Yes

Identification of major State programs:

Program Name
Medicaid Cluster

2. Financial Statement Findings

Significant Deficiency

Finding 2016-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board (GAAP) requires a level of technical expertise not possessed by the County's personnel with regards to drafting full accrual, full disclosure GAAP financial statements.

Effect: Material misstatements of the financial statements could result.

Cause: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board (GAAP) requires a level of technical expertise not possessed by the County's personnel with regards to drafting full accrual, full disclosure GAAP financial statements.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-001.

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statement Findings (continued)

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the County should exercise due care in reviewing the financial statements drafted by the external auditor as the County is responsible for the accuracy of the audited financial statements.

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding and will adhere to the correction action plan on page 127 in this report.

Material Weakness

Material Non-Compliance

Finding 2016-002

Criteria: General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligation for funds. These requirements imply that the County has a responsibility to design a system to monitor its compliance with the budget ordinance and the General Statutes pertaining to local government finance.

Condition: There are excessive over-expended items in the General Fund relating to the debt refunding. A detailed note of the excess of expenditures over appropriations is found in the notes to the financial statements of Wilkes County's audit report.

Effect: Expenditures exceed budget in the General Fund for debt service.

Cause: Lack of budgetary control.

Recommendation: Management and the Board should review the budget reports monthly to ensure compliance in future years.

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding and will adhere to the correction action plan on page 127 in this audit report.

Material Weakness

Finding 2016-003

Criteria: In accordance with 2 CFR 200 and the State Single Audit Implementation Act, an auditee must prepare a complete and accurate Schedule of Expenditures of Federal and State Awards for the period covered by the auditee's financial statements.

WILKES COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Financial Statement Findings (continued)

Condition: Subsequent to the issuance of the County's single audit reporting package for the year ending June 30, 2016, the County discovered expenditures for the Airport Improvement Program (CFDA No. 20.106) were incorrectly reported as State Aid to Airports. The amount originally recorded as State expenditures was material, resulting in a restatement of the Schedule of Expenditures of Federal and State Awards and resubmission of the data collection form reporting package.

Effect: Recall and reissue of the 2016 Single Audit and data collection form reporting package.

Cause: The County received both federal and State awards for the Airport project and incorrectly reported expenditures related to the federal portion of the grant awards as State expenditures.

Recommendation: Management should reconcile all grant awards involving both federal and State awards to the grant document and reimbursement request for proper classification of expenditures.

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding and will adhere to the correction action plan on page 127 in this audit report.

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

3. Federal Award Findings and Questioned Costs

U.S. Department of Transportation
Passed through the N.C. Department of Transportation
Program Name: Airport Improvement Program
CFDA No. 20.106
Grant Number: WBS 36237.49.16.1

Material Weakness Noncompliance

Finding 2016-003

Criteria: In accordance with 2 CFR 200 and the State Single Audit Implementation Act, an auditee must prepare a complete and accurate Schedule of Expenditures of Federal and State Awards for the period covered by the auditee's financial statements.

Condition: Subsequent to the issuance of the County's single audit reporting package for the year ending June 30, 2016, the County discovered expenditures for the Airport Improvement Program (CFDA No. 20.106) were incorrectly reported as State Aid to Airports. The amount incorrectly recorded as State expenditures resulted in a restatement of the Schedule of Expenditures of Federal and State Awards and resubmission of the data collection form reporting package.

Questioned Costs: None

Context: Federal expenditures were reported as State expenditures on the Schedule of Expenditures of Federal and State Awards. Major program threshold was restated resulting in no additional major programs.

Effect: Recall and reissue of the 2016 Single Audit and data collection form reporting package.

Cause: The County received both federal and State awards for the Airport project and incorrectly reported expenditures related to the federal portion of the grant awards as State expenditures.

Recommendation: Management should reconcile all grant awards involving both federal and State awards to the grant document and reimbursement request for proper classification of expenditures.

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding and will adhere to the correction action plan on page 127 in this audit report.

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

4. State Award Findings and Questioned Costs

N.C. Department of Transportation
Program Name: State Aid to Airports
Program: DOT-8
Grant Number: WBS 36237.49.16.1

Material Weakness Noncompliance

Finding 2016-003

Criteria: In accordance with 2 CFR 200 and the State Single Audit Implementation Act, an auditee must prepare a complete and accurate Schedule of Expenditures of Federal and State Awards for the period covered by the auditee's financial statements.

Condition: Subsequent to the issuance of the County's single audit reporting package for the year ending June 30, 2016, the County discovered expenditures for the Airport Improvement Program (CFDA No. 20.106) were incorrectly reported as State Aid to Airports. The amount incorrectly recorded as State expenditures resulted in a restatement of the Schedule of Expenditures of Federal and State Awards and resubmission of the data collection form reporting package.

Questioned Costs: None

Context: Federal expenditures were reported as State expenditures on the Schedule of Expenditures of Federal and State Awards. Major program threshold was restated resulting in no additional major programs.

Effect: Recall and reissue of the 2016 Single Audit and data collection form reporting package.

Cause: The County received both federal and State awards for the Airport project and incorrectly reported expenditures related to the federal portion of the grant awards as State expenditures.

Recommendation: Management should reconcile all grant awards involving both federal and State awards to the grant document and reimbursement request for proper classification of expenditures.

Views of Responsible Officials and Planned Corrective Actions: The County agrees with this finding and will adhere to the correction action plan on page 127 in this audit report.

COUNTY OF WILKES

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JERRY SHEPHERD
FINANCE OFFICER
jshepherd@wilkescounty.net

WILKES COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Finding: 2016-001

Name of Contact Person: Jerry Shepherd

Corrective Action: Management is aware of the weakness but, due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The County will exercise due care in reviewing the financial statements drafted by the external auditor. The County acknowledges and accepts responsibility for the accuracy of the audited financial statements.

Proposed Completion Date: Immediately.

Finding: 2016-002

Name of Contact Person: Jerry Shepherd

Corrective Action: Management concurs. Management and the Board will more closely review the budget reports related to debt refundings to ensure compliance in future years.

Proposed Completion Date: June 30, 2017

Finding: 2016-003

Name of Contact Person: Jerry Shepherd

Corrective Action: Management has put a system in place to review all state and federal grant awards and properly classify each funding source. All grant funds will be reconciled to the grant documents using the reimbursement requests.

Proposed Completion Date: December 14, 2017

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Finding: 2015-001

Status: The County will exercise due care in reviewing the financial statements drafted by the external auditor. The County acknowledges and accepts responsibility for the accuracy of the audited financial statements.

Corrective Action: Management is aware of the weakness but, due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The County will exercise due care in reviewing the financial statements drafted by the external auditor. The County acknowledges and accepts responsibility for the accuracy of the audited financial statements.

Finding: 2015-002

Status: Corrected.

Finding: 2015-003

Status: Corrected.

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor / Pass-Through Grantor / Program Title	CFDA Number	State/ Pass-Through Grantor's Number	Expenditures		Passed-Through
			Federal	State	to Subrecipients
1(a)	1(b)		1(c)(d)2	1(d)	1(e)
Federal Awards:					
U.S. Department of Health and Human Services					
Passed-through the N.C. Department of Health and Human Services					
Division of Social Services:					
Child Support Enforcement IV-D-Administration	93.563	WC 302	\$ 402,785	\$ 38	\$ -
Total Child Support Enforcement			402,785	38	-
Administration of Children and Families passed through the NC Dept. of Health and Human Services					
Temporary Assistance for Needy Families Cluster:					
TANF Administration State Programs	93.558	G1502NCTANF & G1602NCTANF	319,728	-	-
Temporary Assistance for Needy Families State Programs	93.558	G1502NCTANF & G1602NCTANF	6,841	-	-
TANF Payments State Programs - Direct Benefit	93.558	G1502NCTANF & G1602NCTANF	691,794	-	-
Temporary Assistance for Needy Families Cluster Total			1,018,363	-	-
Total Temporary Assistance for Needy Families Cluster			1,018,363	-	-
Foster Care and Adoption Cluster					
Foster Care Title IV-E:					
Administration	93.658	G1501NCFOST & G1601NCFOST	241,602	20,592	-
Direct Benefit Payments	93.658	G1501NCFOST & G1601NCFOST	774,223	224,973	-
Total Foster Care Titl IV-E			1,015,825	245,565	-
Adoption Assistance:					
Administration	93.659	WC302	9,985	-	-
Direct Benefit Payments	93.659	WC302	847,180	217,267	-
Total Adoption Assistance			857,165	217,267	-
Total Foster Care and Adoption Cluster			1,872,990	462,832	-
Low-Income Home Energy Assistance:					
Administration	93.568	G15B1NCLIEA & G16B1NCLIEA	778,703	-	-
Chafee Foster Care Independence Program-Administration					
Refugee and Entrant Assistance State Administered Program	93.674	G1401NC1420 & G1501NCCILP	30,395	7,599	-
Chafee Foster Care Independence Program - Direct Benefit	93.566	G1511NCFPCV	395	-	-
Social Services Block Grant-Administration	93.674	G1401NC1420 & G1501NCCILP	6,150	-	-
Promoting Safe and Stable Families-Administration	93.667	G1501NCSOSR & G1601NCSOSR	370,437	31,062	-
Stephanie Tubbs Jones Child Welfare Services Program: Administration	93.556	G1511NCFPCV	41,315	-	-
Sub total	93.645	G1401NCCWSS & G1501NCCWSS	15,400	-	-
			464,092	38,661	-
Administration for Children and Families:					
Passed through the NC Dept. of Health and Human Services					
Subsidized Child Care (Note 3)					
Child Care Development Fund Cluster					
Division of Social Services:					
Child Care Mandatory and Matching Funds of the Child Care and Development Funds -Administration					
	93.596	WC302	85,761	-	-
Division of Child Development:					
Child Care and Development Fund -- Child Care and Development Block Grant	93.575	G1501NCCCDF & G1601NCCCDF	624,204	-	-
Child Care and Development Fund - Mandatory funds of the Child Care Development Fund	93.596	WC302	162,761	-	-
Child Care and Development Fund - Matching funds of the Child Care Development Fund	93.596	WC302	424,581	186,772	-
Total Child Care Development Fund Cluster			1,297,307	186,772	-
Temporary Assistance for Needy Families State Programs					
Foster Care Title IV-E	93.558	G1502NCTANF & G1602NCTANF	132,483	-	-
State Appropriations	93.658	WC302	9,575	4,917	-
TANF-MOE			-	179,598	-
Total Subsidized Child Care Cluster			1,439,365	541,266	-
U.S. Department of Treasury					
Treasury Forfeiture Fund Program	21.000		17,642	-	-
Total U.S. Department of Treasury			17,642	-	-
U.S. Department of Justice					
Equitable Sharing Program	16.922		5,862	-	-
Total U.S. Department of Justice			5,862	-	-
U.S. Department of Transportation					
Federal Transit Administration					
Passed through the N.C. Department of Transportation					
Airport Improvement Program	20.106	36244.67	2,320,923	-	-
Highway Planning and Construction Cluster					
Highway Planning and Construction	20.205	S-5504	24,599	-	-
Total Highway Planning and Construction Cluster			24,599	-	-
Total U.S. DOT			2,345,522	-	-
U.S. Department of Agriculture:					
Passed-through N.C. Department of Health & Human Services					
Division of Public Health:					
Special Supplemental Nutrition Program for Women Infant and Children	10.557	403 13A2	337,624	-	-
Special Supplemental Nutrition Program for Women Infant and Children-Direct Benefit Payment	10.557	NC700705	1,155,469	-	-
Total Division of Public Health			1,493,093	-	-

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor / Pass-Through Grantor / Program Title	CFDA Number	State/ Pass-Through Grantor's Number	Expenditures		Passed-Through to Subrecipients
			Federal	State	
Health Care Financing Administration:					
Passed-through the N.C. Department of Health and Human Services					
Division of Medical Assistance:					
Medicaid Cluster					
Direct Benefit Payments:					
Medical Assistance Program	93.778	WC302	72,229,936	39,113,038	-
Administration:					
Medical Assistance Program	93.778	WC302	1,249,272	7,466	-
Total Medicaid Cluster			73,479,208	39,120,504	-
Direct Benefit Payments:					
Children's Health Insurance Program	93.767	WC302	1,713,649	99,836	-
Administration:					
Children's Health Insurance Program	93.767	WC302	38,000	1,274	-
Total Health Choice			1,751,649	101,110	-
Total Division of Medical Assistance			75,230,857	39,221,614	-
U.S. Department of Agriculture:					
Passed-through N.C. Department of Health & Human Services					
Food and Consumer Service:					
Division of Social Services:					
Supplemental Nutrition Assistance Program Cluster:					
Administration:					
Supplemental Nutrition Assistance Program Admin	10.561	WC302	350,257	-	-
Total Supplemental Nutrition Assistance Program Cluster			350,257	-	-
U.S. Department of Health and Human Services:					
Centers for Disease Control and Prevention					
passed through NC Dept. of Health and Human Services					
Division of Public Health:					
Public Health Emergency Preparedness					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative	93.069	514 1264 2680	37,518	-	-
Agreements	93.074	869 1271 684C	14,786	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	551 1460 272B	43	-	-
Immunization Cooperative Agreements	93.268	715 1331 613C	15,625	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)					
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.758	869 1271 684C	46,991	-	-
HIV Prevention Activities-Health Department Based	93.919	452 1320 310C	15,189	-	-
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.940	610 1311 981D	2,000	-	-
Assistance Programs for Chronic Disease Prevention and Control	93.977	610 1311 462B	510	-	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	451 1261 5503	979	-	-
Health Resources and Service Administration passed through NC Dept. of Health and Human Services					
Division of Public Health					
Maternal and Child Health Services Block Grant to the States	93.994	164 13A1 5700	120,281	33,156	-
Office of Population Affairs passed through NC Dept. of Health and Human Services					
Office of Population Affairs					
Family Planning Services	93.217	151 13A1 6016	31,093	-	-
Total Department of Health and Human Services					
			285,015	33,156	-
Administration of Aging:					
Passed-through High Country Council of Governments					
Division of Aging:					
Aging Cluster:					
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AANCT3SS	40,498	7,147	47,645
In-Home Services:					
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AANCT3SS	153,574	27,101	180,675
Congregate Nutrition:					
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	AANCT3CM	100,310	17,702	118,012
Home Delivered Meals:					
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	AANCT3HD	146,737	25,895	172,632
Total Aging Cluster			441,119	77,845	518,964
U.S. Department of Homeland Security					
Homeland Security Grant Program					
Emergency Management Performance Grants	97.067	2014-1406	36,132	-	-
Emergency Management Performance Grants	97.042	EMPG-2016-37193	38,542	-	-
Total U.S. Department of Homeland Security			74,674	-	-
Appalachian Regional Commission					
Appalachian Area Development					
Appalachian Area Development	23.002	Contract No. 7032	183,178	-	-
Total Federal Awards			86,403,517	40,375,412	518,964

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor / Pass-Through Grantor / Program Title	CFDA Number	State/ Pass-Through Grantor's Number	Expenditures		Passed-Through to Subrecipients
			Federal	State	
State Awards:					
N.C. Department of Health and Human Services					
Division of Social Services:					
SC/SA Domiciliary Care Pymt		WC 302		424,935	-
F/C at Risk Maximization		WC 302		10,739	-
SFHF Maximization		WC 302		287,289	-
State Child Welfare/CPS/CS LD		WC 302		57,022	-
AFDC Incentive/Program Integrity		WC 302		2,314	-
DCD Smart Start		WC 302		14,050	-
CWS Adoption Subsidy		WC 302		566,316	-
State Foster Home		WC 302		195,989	-
Total Division of Social Services				1,558,654	-
Division of Public Health					
Other Receipts/State Supported Expenditures					
Food and Lodging Fees		874 1153		18,056	-
Environmental Health		874 1153		5,074	-
General Aid to Counties		110 1161		85,339	-
General Communicable Disease Control		510 1175		2,293	-
Breast and Cervical Cancer Program		452 1320		5,100	-
Child Health		351 1271		1,163	-
Women's Health Service Fund		151 13A1		2,812	-
HIV/STD SSBG Aid		536 1311		500	-
Sexually Transmitted Diseases		894 1311		189	-
Tuberculosis		551 1460		2,765	-
TB Medical Service		551 1460		540	-
School Health Centers		357 1332		45,552	-
HMHC-Family Planning		151 13A1		13,572	-
Maternal Health (HMHC)		101 13A1		3,265	-
School Nurse Funding Initiative		803 1332		150,000	-
NC Community and Clical Connections for Prevention		1271684CPR		41,174	-
Public Health Nursing		1311 981C		1,000	-
Total Division of Public Health				378,394	-
Total N.C. Department of Health and Human Services				1,937,048	-
N.C. Housing Finance Agency					
Urgent Repair Program		URP1341		74,501	-
N.C. Department of Administration:					
Veterans Service Officer		DMVA 15/16		1,907	-
N.C. Department of Environmental Quality:					
Soil & Water Conservation		G40100296115SWC		25,500	-
N.C. Department of Transportation:					
Rural Operating Assistance Program Cluster					
Rural General Public		DOT-16CL		87,977	-
Elderly and Disabled Transportation		DOT-16CL		61,753	-
Employment		DOT-16CL		17,602	-
Total rural operating assistance program cluster				167,332	-
Visitors Center		DOT-13		92,857	-
Courthouse Drive Extension		WBS44128		350,000	-
State Aid to Airports		DOT-8		300,337	-
Total N.C. Department of Transportation				910,526	-
N.C. Department of Public Instruction:					
Public School Building Capital Fund - lottery proceeds		7002996		534,875	-
N.C. Department of Public Safety:					
JCPC/Youth Grant		DPS/JCPC 297		206,547	-
Juvenile Crime Prevention Program		DPS/JCPC 297		2,991	-
Total N.C. Department of Public Safety:				209,538	-
N.C. Department of Commerce					
Commerce Rural Grants Program-Highway 268 Water Extension 2012-#255-40101-112		2012-255-40101-112		72,900	-
The One NC Fund		2013-9811		45,000	-
Total N.C. Department of Commerce				117,900	-
Total State Awards				3,811,795	-
Total Federal and State Awards			\$ 86,403,517	\$ 44,187,207	\$ 518,964

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor / Pass-Through Grantor / Program Title	CFDA Number	State/ Pass-Through Grantor's Number	Expenditures		Passed-Through to Subrecipients
			Federal	State	

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

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Wilkes 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 SEFSA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Wilkes County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Wilkes 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wilkes County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3 Cluster of Programs

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 and Foster Care and Adoption

4 Restatement

The County has restated its original Schedule to increase expenditures reported under CFDA No. 20.106 by \$2,002,558, decrease expenditures reported as State Aid to Airports by \$2,096,792, decrease CFDA No. 93.044/93.045 by \$75,095 federal and \$13,250 state, increase CFDA No. 93.560 by \$233 federal and \$64 state, increase CFDA No. 93.767 by \$ 687 report \$17,642 for CFDA No. 21.000 and report \$5,862 for CFDA No. 16.922.