

**WILKES COUNTY  
NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**



# WILKES COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017, 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.

## ***Change in Accounting Principle***

As discussed in Note 8 to the financial statements, for fiscal year ending June 30, 2017 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

## ***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 Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll, 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 Asset (Liability) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension 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 15, 2017 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 solely 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 the effectiveness of Wilkes County's 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 15, 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, 2017. 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

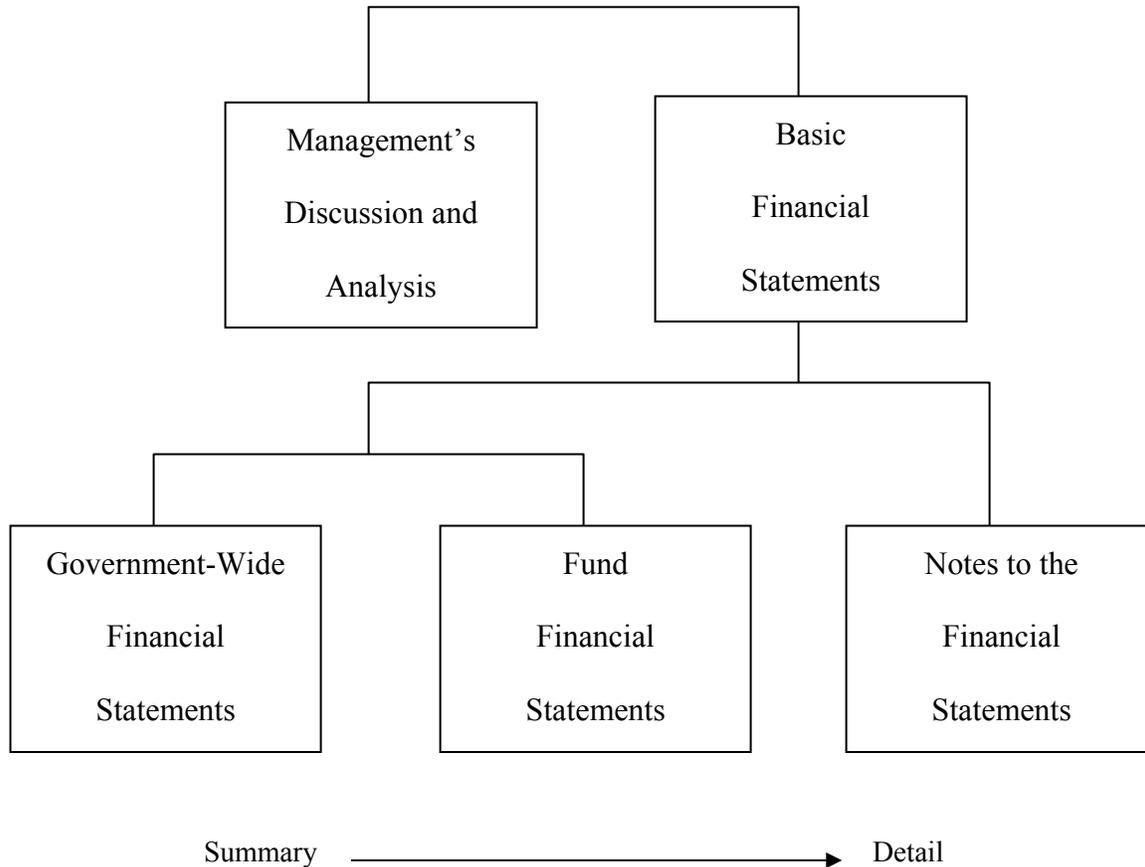
- The assets and deferred outflows of resources of Wilkes County exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$40,248,365 (*net position*).
- The government's total net position increased by \$1,120,101.
- As of the close of the current fiscal year, Wilkes County's governmental funds reported combined ending fund balances of \$32,528,641. Approximately 14 percent of this total amount, or \$4,458,106, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,155,418, or 34 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>2017</u>                    | <u>2016</u>          | <u>2017</u>                     | <u>2016</u>          | <u>2017</u>          | <u>2016</u>          |
| <b>Assets:</b>                        |                                |                      |                                 |                      |                      |                      |
| Current and other assets              | \$ 38,725,059                  | \$ 36,408,864        | \$ 6,503,390                    | \$ 6,258,933         | \$ 45,228,449        | \$ 42,667,797        |
| Capital assets, net                   | 35,256,705                     | 38,549,241           | 21,211,047                      | 21,591,952           | 56,467,752           | 60,141,193           |
| Total assets                          | <u>73,981,764</u>              | <u>74,958,105</u>    | <u>27,714,437</u>               | <u>27,850,885</u>    | <u>101,696,201</u>   | <u>102,808,990</u>   |
| <b>Deferred Outflows of Resources</b> |                                |                      |                                 |                      |                      |                      |
|                                       | <u>5,734,252</u>               | <u>1,772,483</u>     | <u>200,734</u>                  | <u>44,885</u>        | <u>5,934,986</u>     | <u>1,817,368</u>     |
| <b>Liabilities:</b>                   |                                |                      |                                 |                      |                      |                      |
| Long-term liabilities                 | 52,232,222                     | 48,817,478           | 7,798,986                       | 7,199,215            | 60,031,208           | 56,016,693           |
| Other liabilities                     | 6,813,020                      | 7,008,431            | 217,438                         | 502,513              | 7,030,458            | 7,510,944            |
| Total liabilities                     | <u>59,045,242</u>              | <u>55,825,909</u>    | <u>8,016,424</u>                | <u>7,701,728</u>     | <u>67,061,666</u>    | <u>63,527,637</u>    |
| <b>Deferred Inflows of Resources</b>  |                                |                      |                                 |                      |                      |                      |
|                                       | <u>312,219</u>                 | <u>699,407</u>       | <u>8,937</u>                    | <u>25,882</u>        | <u>321,156</u>       | <u>4,066,771</u>     |
| <b>Net Position:</b>                  |                                |                      |                                 |                      |                      |                      |
| Net investment in capital assets      | 23,883,152                     | 26,210,899           | 21,211,047                      | 21,578,961           | 45,094,199           | 47,789,860           |
| Restricted                            | 4,608,928                      | 7,139,111            | -                               | -                    | 4,608,928            | 7,139,111            |
| Unrestricted                          | <u>(8,133,525)</u>             | <u>(13,144,738)</u>  | <u>(1,321,237)</u>              | <u>(1,410,801)</u>   | <u>(9,454,762)</u>   | <u>(14,555,539)</u>  |
| Total net position                    | <u>\$ 20,358,555</u>           | <u>\$ 20,205,272</u> | <u>\$ 19,889,810</u>            | <u>\$ 20,168,160</u> | <u>\$ 40,248,365</u> | <u>\$ 40,373,432</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 \$40,248,365 as of June 30, 2017. The County's net position increased by \$1,120,101 for the fiscal year ended June 30, 2017. 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, \$4,608,928, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted deficit of \$9,454,762. This deficit is a presentation of the fact that Wilkes County carries \$27,370,000 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 96.17%
- Sustained operating budgets at minimal costs and estimated revenues conservatively
- Increase in local options sales received from the State

**Wilkes County's Changes in Net Position**  
**Figure 3**

|   | <b>Governmental</b>  |                      | <b>Business-Type</b> |                      | <b>Total</b>         |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | <b>Activities</b>    |                      | <b>Activities</b>    |                      |                      |                      |
|   | <u>2017</u>          | <u>2016</u>          | <u>2017</u>          | <u>2016</u>          | <u>2017</u>          | <u>2016</u>          |
| <b>Revenues:</b>                        |                      |                      |                      |                      |                      |                      |
| Program revenues:                       |                      |                      |                      |                      |                      |                      |
| Charges from services                   | \$ 10,541,657        | \$ 9,591,467         | \$ 3,405,678         | \$ 3,380,021         | \$ 13,947,335        | \$ 12,971,488        |
| Operating grants and contributions      | 10,955,695           | 10,585,564           | -                    | -                    | 10,955,695           | 10,585,564           |
| Capital grants and contributions        | 634,110              | 1,210,653            | 329,281              | 2,715,494            | 963,391              | 3,926,147            |
| General revenues:                       |                      |                      |                      |                      |                      |                      |
| Property taxes                          | 40,070,559           | 40,249,190           | -                    | -                    | 40,070,559           | 40,249,190           |
| Local option sales tax                  | 15,575,900           | 13,520,533           | -                    | -                    | 15,575,900           | 13,520,533           |
| Other                                   | <u>262,179</u>       | <u>175,667</u>       | <u>17,503</u>        | <u>5,816</u>         | <u>279,682</u>       | <u>181,483</u>       |
| Total revenues                          | <u>78,040,100</u>    | <u>75,333,074</u>    | <u>3,752,462</u>     | <u>6,101,331</u>     | <u>81,792,562</u>    | <u>81,434,405</u>    |
| <b>Expenses:</b>                        |                      |                      |                      |                      |                      |                      |
| General government                      | 10,677,294           | 9,008,385            | -                    | -                    | 10,677,294           | 9,008,385            |
| Public safety                           | 20,616,575           | 18,653,867           | -                    | -                    | 20,616,575           | 18,653,867           |
| Economic and physical development       | 1,563,407            | 1,835,156            | -                    | -                    | 1,563,407            | 1,835,156            |
| Environmental protection                | 157,844              | 155,163              | -                    | -                    | 157,844              | 155,163              |
| Human services                          | 22,427,649           | 21,629,098           | -                    | -                    | 22,427,649           | 21,629,098           |
| Cultural and recreation                 | 1,514,583            | 1,411,266            | -                    | -                    | 1,514,583            | 1,411,266            |
| Education                               | 18,194,436           | 17,408,830           | -                    | -                    | 18,194,436           | 17,408,830           |
| Interest on long-term debt              | 1,361,923            | 960,451              | -                    | -                    | 1,361,923            | 960,451              |
| Airport                                 | -                    | -                    | 1,516,666            | 1,286,584            | 1,516,666            | 1,286,584            |
| Landfill                                | <u>-</u>             | <u>-</u>             | <u>2,642,084</u>     | <u>2,244,573</u>     | <u>2,642,084</u>     | <u>2,244,573</u>     |
| Total expenses                          | <u>76,513,711</u>    | <u>71,062,216</u>    | <u>4,158,750</u>     | <u>3,531,157</u>     | <u>80,672,461</u>    | <u>74,593,373</u>    |
| Change in net position before transfers | 1,526,389            | 4,270,858            | (406,288)            | 2,570,174            | 1,120,101            | 6,841,032            |
| Transfers in (out)                      | <u>(127,938)</u>     | <u>(385,757)</u>     | <u>127,938</u>       | <u>385,757</u>       | <u>-</u>             | <u>-</u>             |
| Change in net position                  | <u>1,398,451</u>     | <u>3,885,101</u>     | <u>(278,350)</u>     | <u>2,955,931</u>     | <u>1,120,101</u>     | <u>6,841,032</u>     |
| <b>Net Position:</b>                    |                      |                      |                      |                      |                      |                      |
| Net position, beginning                 | 20,205,272           | 16,320,171           | 20,168,160           | 17,212,229           | 40,373,432           | 33,532,400           |
| Restatement                             | <u>(1,245,168)</u>   | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>(1,245,168)</u>   | <u>-</u>             |
| Net position, beginning, restated       | <u>18,960,104</u>    | <u>16,320,171</u>    | <u>20,168,160</u>    | <u>17,212,229</u>    | <u>39,128,264</u>    | <u>33,532,400</u>    |
| End of year - June 30                   | <u>\$ 20,358,555</u> | <u>\$ 20,205,272</u> | <u>\$ 19,889,810</u> | <u>\$ 20,168,160</u> | <u>\$ 40,248,365</u> | <u>\$ 40,373,432</u> |

**Governmental Activities.** Governmental activities increased the County's net position by \$1,398,451. Key elements of this increase are as follows:

- Maintaining a collection percentage of 96.17% 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 decreased Wilkes County's net position by \$278,350. Key elements of this decrease are as follows:

- Increase in operation expenses at the landfill in the current year
- Decrease in airport activity as capital projects were completed in the current year

### **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 \$28,218,803 while total fund balance reached \$32,052,779. 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 40% of total General Fund expenditures and transfers to other funds, while total fund balance represents 45% of that same amount.

At June 30, 2017, the governmental funds of Wilkes County reported a combined fund balance of \$32,528,641, an increase over last year. The primary reason for this increase is the increase in fund balance in the General 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 \$23,855 and \$27,008 for June 30, 2017 and 2016, 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 \$1,495,932 (2.05%). 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 \$(131,429). Unrestricted net position of the Landfill Fund at the end of the fiscal year totaled \$(1,189,808).

## Capital Asset and Debt Administration

**Capital Assets.** Wilkes County’s capital assets for its governmental and business–type activities as of June 30, 2017 totaled \$56,467,752 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Improvements to Courthouse of \$468,054
- Purchase of equipment for the Landfill of roughly \$540,000

### Wilkes County’s Capital Assets

Figure 4

|                             | Governmental<br>Activities |               | Business-Type<br>Activities |               | Total         |               |
|-----------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|                             | 2017                       | 2016          | 2017                        | 2016          | 2017          | 2016          |
| Land                        | \$ 2,004,649               | \$ 2,004,649  | \$ 5,400,945                | \$ 5,400,945  | \$ 7,405,594  | \$ 7,405,594  |
| Buildings                   | 29,923,404                 | 30,032,825    | 5,031,744                   | 792,737       | 34,955,148    | 30,825,562    |
| Improvements                | 7,736,682                  | 7,035,030     | 22,600,168                  | 22,154,831    | 30,336,850    | 29,189,861    |
| Machinery and<br>equipment  | 13,210,336                 | 15,633,269    | 4,736,160                   | 4,502,270     | 17,946,496    | 20,135,539    |
| Construction in<br>progress | -                          | 1,646,439     | -                           | 4,158,821     | -             | 5,805,260     |
| Total                       | 52,875,071                 | 56,352,212    | 37,769,017                  | 37,009,604    | 90,644,088    | 93,361,816    |
| Accumulated<br>depreciation | (17,618,366)               | (17,802,971)  | (16,557,970)                | (15,417,652)  | (34,176,336)  | (33,220,623)  |
| Capital assets, net         | \$ 35,256,705              | \$ 38,549,241 | \$ 21,211,047               | \$ 21,591,952 | \$ 56,467,752 | \$ 60,141,193 |

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<br/>Activities</u> |                      | <u>Business-Type<br/>Activities</u> |                  | <u>Total</u>         |                      |
|----------------------|------------------------------------|----------------------|-------------------------------------|------------------|----------------------|----------------------|
|                      | <u>2017</u>                        | <u>2016</u>          | <u>2017</u>                         | <u>2016</u>      | <u>2017</u>          | <u>2016</u>          |
| Installment purchase | \$ 36,763,657                      | \$ 40,224,241        | \$ -                                | \$ -             | \$ 36,763,657        | \$ 40,224,241        |
| Capital lease        | -                                  | -                    | -                                   | 12,991           | -                    | 12,991               |
| <b>Total</b>         | <u>\$ 36,763,657</u>               | <u>\$ 40,224,241</u> | <u>\$ -</u>                         | <u>\$ 12,991</u> | <u>\$ 36,763,657</u> | <u>\$ 40,224,241</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 \$455,200,000.

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, 2018**

**Governmental Activities.** The General Fund's original adopted revenue budget totals \$78,316,404 which is \$4.1 million more than the FY 2016-2017 actual amounts. The budget includes a property tax rate of 67 cents per \$100 assessed value, the same rate as the prior three years. The property tax base is expected to grow about 1% and sales taxes are budgeted with a 3.0% increase over the 2016-2017 budget. There is an appropriation of \$3.590 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](mailto:jshepherd@wilkescounty.net).

## WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2017

|  | Primary Government      |                          | Total                |
|--|-------------------------|--------------------------|----------------------|
|  | Governmental Activities | Business-Type Activities |                      |
| <b>Assets:</b>                                   |                         |                          |                      |
| Current assets:                                  |                         |                          |                      |
| Cash and cash equivalents                        | \$ 30,559,288           | \$ 2,392,824             | \$ 32,952,112        |
| Taxes receivable, net                            | 3,314,996               | -                        | 3,314,996            |
| Accounts receivable, net                         | 969,085                 | 271,150                  | 1,240,235            |
| Due from other governments                       | 3,365,902               | 89,762                   | 3,455,664            |
| Inventories                                      | -                       | 50,992                   | 50,992               |
| Internal balances                                | 400,000                 | (400,000)                | -                    |
| Cash and cash equivalents, restricted            | -                       | 4,098,662                | 4,098,662            |
| Total current assets                             | <u>38,609,271</u>       | <u>6,503,390</u>         | <u>45,112,661</u>    |
| Pension asset, restricted                        | 115,788                 | -                        | 115,788              |
| Capital assets:                                  |                         |                          |                      |
| Land, improvements, and construction in progress | 2,004,649               | 5,400,945                | 7,405,594            |
| Other capital assets, net                        | 33,252,056              | 15,810,102               | 49,062,158           |
| Total assets                                     | <u>73,981,764</u>       | <u>27,714,437</u>        | <u>101,696,201</u>   |
| <b>Deferred Outflows of Resources:</b>           |                         |                          |                      |
| Charge on refunding                              | 567,750                 | -                        | 567,750              |
| Pension deferrals                                | 3,824,500               | 149,723                  | 3,974,223            |
| Contributions to pension plan                    | 1,342,002               | 51,011                   | 1,393,013            |
| Total deferred outflows of resources             | <u>5,734,252</u>        | <u>200,734</u>           | <u>5,934,986</u>     |
| <b>Liabilities:</b>                              |                         |                          |                      |
| Current liabilities:                             |                         |                          |                      |
| Accounts payable and accrued expenses            | 1,641,223               | 137,211                  | 1,778,434            |
| Prepaid fees                                     | 229,512                 | -                        | 229,512              |
| Advances from grantors                           | 23,162                  | -                        | 23,162               |
| Due within one year                              | 4,919,123               | 80,227                   | 4,999,350            |
| Total current liabilities                        | <u>6,813,020</u>        | <u>217,438</u>           | <u>7,030,458</u>     |
| Long-term liabilities:                           |                         |                          |                      |
| Total pension liability - LEOSSA                 | 1,907,407               | -                        | 1,907,407            |
| Net pension liability - LGERS                    | 5,873,223               | 233,584                  | 6,106,807            |
| Due in more than one year                        | 44,451,592              | 7,565,402                | 52,016,994           |
| Total liabilities                                | <u>59,045,242</u>       | <u>8,016,424</u>         | <u>67,061,666</u>    |
| <b>Deferred Inflows of Resources:</b>            |                         |                          |                      |
| Pension deferrals                                | 258,873                 | 8,937                    | 267,810              |
| Prepaid taxes                                    | 53,346                  | -                        | 53,346               |
| Total deferred inflows of resources              | <u>312,219</u>          | <u>8,937</u>             | <u>321,156</u>       |
| <b>Net Position:</b>                             |                         |                          |                      |
| Net investment in capital assets                 | 23,883,152              | 21,211,047               | 45,094,199           |
| Restricted for:                                  |                         |                          |                      |
| Stabilization by State statute                   | 3,899,879               | -                        | 3,899,879            |
| Crime prevention                                 | 40,303                  | -                        | 40,303               |
| Register of Deeds                                | 96,391                  | -                        | 96,391               |
| Register of Deeds' pension plan                  | 150,822                 | -                        | 150,822              |
| Public safety                                    | 421,533                 | -                        | 421,533              |
| Unrestricted                                     | (8,133,525)             | (1,321,237)              | (9,454,762)          |
| Total net position                               | <u>\$ 20,358,555</u>    | <u>\$ 19,889,810</u>     | <u>\$ 40,248,365</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, 2017

|                                   | <u>Expenses</u>      | <u>Program Revenues</u>     |   |   |
|-----------------------------------|----------------------|-----------------------------|---|---|
|                                   |                      | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| <b>Functions/Programs</b>         |                      |                             |   |   |
| <b>Primary Government:</b>        |                      |                             |   |   |
| <b>Governmental Activities:</b>   |                      |                             |   |   |
| General government                | \$ 10,677,294        | \$ 1,394,075                | \$ 305,039                                | \$ 30,424                               |
| Public safety                     | 20,616,575           | 4,569,866                   | 423,422                                   | -                                       |
| Environmental protection          | 157,844              | 182,899                     | 25,500                                    | -                                       |
| Economic and physical development | 1,563,407            | 39                          | -   | 92,857                                  |
| Human services                    | 22,427,649           | 4,310,870                   | 10,156,182                                | -                                       |
| Cultural and recreational         | 1,514,583            | 83,908                      | -   | -                                       |
| Education                         | 18,194,436           | -                           | 45,552                                    | 510,829                                 |
| Interest on long-term debt        | 1,361,923            | -                           | -   | -                                       |
| Total governmental activities     | <u>76,513,711</u>    | <u>10,541,657</u>           | <u>10,955,695</u>                         | <u>634,110</u>                          |
| <b>Business-Type Activities:</b>  |                      |                             |   |   |
| Landfill                          | 2,642,084            | 2,489,187                   | -   | -                                       |
| Airport                           | 1,516,666            | 916,491                     | -   | 329,281                                 |
| Total business-type activities    | <u>4,158,750</u>     | <u>3,405,678</u>            | <u>-</u>                                  | <u>329,281</u>                          |
| Total primary government          | <u>\$ 80,672,461</u> | <u>\$ 13,947,335</u>        | <u>\$ 10,955,695</u>                      | <u>\$ 963,391</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, 2017**

|                                      | <u>Net (Expense) Revenue and Changes in Net Position</u> |   |                      |
|--------------------------------------|--|---|----------------------|
|                                      | <u>Primary Government</u>                                |   |                      |
|                                      | <u>Governmental</u><br><u>Activities</u>                 | <u>Business-Type</u><br><u>Activities</u> | <u>Total</u>         |
| <b>Functions/Programs</b>            |  |   |                      |
| <b>Primary Government:</b>           |  |   |                      |
| <b>Governmental Activities:</b>      |  |   |                      |
| General government                   | \$ (8,947,756)   | \$ -                                      | \$ (8,947,756)       |
| Public safety                        | (15,623,287)   | -   | (15,623,287)         |
| Environmental protection             | 50,555   | -   | 50,555               |
| Economic and physical development    | (1,470,511)  | -   | (1,470,511)          |
| Human services                       | (7,960,597)  | -   | (7,960,597)          |
| Cultural and recreational            | (1,430,675)  | -   | (1,430,675)          |
| Education                            | (17,638,055)   | -   | (17,638,055)         |
| Interest on long-term debt           | (1,361,923)  | -   | (1,361,923)          |
| Total governmental activities        | <u>(54,382,249)</u>                                      | <u>-</u>                                  | <u>(54,382,249)</u>  |
| <b>Business-Type Activities:</b>     |  |   |                      |
| Landfill                             | -  | (152,897)                                 | (152,897)            |
| Airport                              | -  | (270,894)                                 | (270,894)            |
| Total business-type activities       | <u>-</u>   | <u>(423,791)</u>                          | <u>(423,791)</u>     |
| Total primary government             | <u>(54,382,249)</u>                                      | <u>(423,791)</u>                          | <u>(54,806,040)</u>  |
| <b>General Revenues:</b>             |  |   |                      |
| Ad valorem taxes                     | 40,070,559   | -   | 40,070,559           |
| Local option sales tax               | 15,575,900   | -   | 15,575,900           |
| Other taxes and licenses             | 160,789  | -   | 160,789              |
| Investment earnings                  | 101,390  | 17,503                                    | 118,893              |
| Total general revenues               | 55,908,638   | 17,503                                    | 55,926,141           |
| Transfers                            | (127,938)  | 127,938                                   | -                    |
| Total general revenues and transfers | <u>55,780,700</u>  | <u>145,441</u>                            | <u>55,926,141</u>    |
| Change in net position               | <u>1,398,451</u>   | <u>(278,350)</u>                          | <u>1,120,101</u>     |
| <b>Net Position:</b>                 |  |   |                      |
| Beginning of year - July 1           | 20,205,272   | 20,168,160                                | 40,373,432           |
| Restatement                          | (1,245,168)  | -   | (1,245,168)          |
| Net position, beginning, restated    | <u>18,960,104</u>  | <u>20,168,160</u>                         | <u>39,128,264</u>    |
| End of year - June 30                | <u>\$ 20,358,555</u>                                     | <u>\$ 19,889,810</u>                      | <u>\$ 40,248,365</u> |

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

WILKES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

|   | <u>General<br/>Fund</u> | <u>Fire<br/>District<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>         |
|---|-------------------------|-----------------------------------|---|----------------------|
| <b>Assets:</b>  |                         |                                   |   |                      |
| Cash and cash equivalents   | \$ 29,616,265           | \$ 521,490                        | \$ 421,533                              | \$ 30,559,288        |
| Receivables, net  | 969,085                 | -                                 | -                                       | 969,085              |
| Taxes receivable, net   | 3,045,613               | 269,383                           | -                                       | 3,314,996            |
| Due from other governments  | 3,299,999               | 35,429                            | 30,474                                  | 3,365,902            |
| Due from other funds  | 400,000                 | -                                 | -                                       | 400,000              |
| Total assets  | <u>\$ 37,330,962</u>    | <u>\$ 826,302</u>                 | <u>\$ 452,007</u>                       | <u>\$ 38,609,271</u> |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b> |                         |                                   |   |                      |
| <b>Liabilities:</b>   |                         |                                   |   |                      |
| Accounts payable and accrued liabilities                                  | \$ 1,091,442            | \$ 533,064                        | \$ -                                    | \$ 1,624,506         |
| Prepaid fees  | 229,512                 | -                                 | -                                       | 229,512              |
| Advance from grantors   | 23,162                  | -                                 | -                                       | 23,162               |
| Total liabilities   | <u>1,344,116</u>        | <u>533,064</u>                    | <u>-</u>                                | <u>1,877,180</u>     |
| <b>Deferred Inflows of Resources</b>                                      | <u>3,934,067</u>        | <u>269,383</u>                    | <u>-</u>                                | <u>4,203,450</u>     |
| <b>Fund Balances:</b>   |                         |                                   |   |                      |
| Restricted:   |                         |                                   |   |                      |
| Stabilization by State statute  | 3,833,976               | 35,429                            | 30,474                                  | 3,899,879            |
| Restricted, all other   | 136,694                 | -                                 | 421,533                                 | 558,227              |
| Committed   | 1,907,407               | -                                 | -                                       | 1,907,407            |
| Assigned:   |                         |                                   |   |                      |
| Subsequent year's expenditures  | 2,019,284               | -                                 | -                                       | 2,019,284            |
| Unassigned  | 24,155,418              | (11,574)                          | -                                       | 24,143,844           |
| Total fund balances   | <u>32,052,779</u>       | <u>23,855</u>                     | <u>452,007</u>                          | <u>32,528,641</u>    |
| Total liabilities, deferred inflows of resources,<br>and fund balances    | <u>\$ 37,330,962</u>    | <u>\$ 826,302</u>                 | <u>\$ 452,007</u>                       |                      |

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

**WILKES COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

|   | <b>Total</b>         |
|---|----------------------|
| 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.   | (1,979,896)          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   | 35,256,705           |
| Net pension asset   | 115,788              |
| Net pension liability - LGERS   | (5,873,223)          |
| Total pension liability - LEOSSA  | (1,907,407)          |
| Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.  | 1,342,002            |
| Pension related deferrals   | 3,565,627            |
| Charges related to refunding  | 567,750              |
| Accrued interest expense  | (16,717)             |
| Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.   | (47,390,819)         |
| 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. | 4,150,104            |
| Net position of governmental activities (Exhibit A)   | <b>\$ 20,358,555</b> |

*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, 2017

|   | <b>General<br/>Fund</b> | <b>Fire<br/>District<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total</b>         |
|---|-------------------------|-----------------------------------|---|----------------------|
| <b>Revenues:</b>                        |                         |                                   |   |                      |
| Ad valorem taxes                        | \$ 36,716,664           | \$ 3,388,198                      | \$ -                                    | \$ 40,104,862        |
| Local option sales taxes                | 15,575,900              | -                                 | -                                       | 15,575,900           |
| Other taxes and licenses                | 160,789                 | -                                 | -                                       | 160,789              |
| Unrestricted intergovernmental revenues | 302,909                 | -                                 | -                                       | 302,909              |
| Restricted intergovernmental revenues   | 11,203,961              | -                                 | -                                       | 11,203,961           |
| Permits and fees                        | 402,081                 | -                                 | -                                       | 402,081              |
| Sales and services                      | 8,913,852               | -                                 | 262,503                                 | 9,176,355            |
| Interest earned on investments          | 99,519                  | -                                 | 1,871                                   | 101,390              |
| Miscellaneous                           | 902,311                 | -                                 | -                                       | 902,311              |
| Total revenues                          | <u>74,277,986</u>       | <u>3,388,198</u>                  | <u>264,374</u>                          | <u>77,930,558</u>    |
| <b>Expenditures:</b>                    |                         |                                   |   |                      |
| Current:                                |                         |                                   |   |                      |
| General government                      | 7,650,781               | -                                 | -                                       | 7,650,781            |
| Public safety                           | 15,656,887              | 3,391,351                         | 675,103                                 | 19,723,341           |
| Environmental protection                | 136,406                 | -                                 | -                                       | 136,406              |
| Economic and physical development       | 1,525,178               | -                                 | -                                       | 1,525,178            |
| Human services                          | 21,983,661              | -                                 | -                                       | 21,983,661           |
| Cultural and recreation                 | 1,397,396               | -                                 | -                                       | 1,397,396            |
| Education                               | 18,194,436              | -                                 | -                                       | 18,194,436           |
| Debt service:                           |                         |                                   |   |                      |
| Principal repayments                    | 3,460,584               | -                                 | -                                       | 3,460,584            |
| Interest                                | 1,386,328               | -                                 | -                                       | 1,386,328            |
| Total expenditures                      | <u>71,391,657</u>       | <u>3,391,351</u>                  | <u>675,103</u>                          | <u>75,458,111</u>    |
| Revenues over (under) expenditures      | <u>2,886,329</u>        | <u>(3,153)</u>                    | <u>(410,729)</u>                        | <u>2,472,447</u>     |
| <b>Other Financing Sources (Uses):</b>  |                         |                                   |   |                      |
| Transfers in                            | 37,380                  | -                                 | -                                       | 37,380               |
| Transfers (out)                         | (127,938)               | -                                 | (37,380)                                | (165,318)            |
| Sale of capital assets                  | 85,054                  | -                                 | -                                       | 85,054               |
| Total other financing sources (uses)    | <u>(5,504)</u>          | <u>-</u>                          | <u>(37,380)</u>                         | <u>(42,884)</u>      |
| Net change in fund balances             | 2,880,825               | (3,153)                           | (448,109)                               | 2,429,563            |
| <b>Fund Balances:</b>                   |                         |                                   |   |                      |
| Beginning of year - July 1              | <u>29,171,954</u>       | <u>27,008</u>                     | <u>900,116</u>                          | <u>30,099,078</u>    |
| End of year - June 30                   | <u>\$ 32,052,779</u>    | <u>\$ 23,855</u>                  | <u>\$ 452,007</u>                       | <u>\$ 32,528,641</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, 2017**

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)  | \$ 2,429,563        |
| <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  | (34,303)            |
| Sales and services  | 143,845             |
| <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>   |                     |
|   | 1,839,067           |
| <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>  |                     |
|   | (3,076,615)         |
| <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>  |                     |
|   | (2,054,988)         |
| <p>Expenses related to compensated absences, 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>   |                     |
|   | 32,671              |
| Change in deferred outflows - pension   | 3,943,393           |
| Change in deferred inflows - pension  | 430,624             |
| Change in net pension asset and liability   | (4,707,265)         |
| <p>Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.</p>  |                     |
|   | (56,647)            |
| <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>  |                     |
|   | 3,460,584           |
| <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>  |                     |
|   | 104,205             |
| <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 statement. Accrued interest expense.</p>  |                     |
|   | (16,717)            |
| Amortization of deferred charges on refunding   | (63,083)            |
| <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>(975,883)</u>    |
| Total changes in net position of governmental activities  | <u>\$ 1,398,451</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, 2017**

|   | <u>Budgeted Amounts</u> |                    | <u>Actual</u>        | <u>Final Budget<br/>Over/(Under)</u> |
|---|-------------------------|--------------------|----------------------|--------------------------------------|
|   | <u>Original</u>         | <u>Final</u>       |                      |                                      |
| <b>Revenues:</b>                        |                         |                    |                      |                                      |
| Ad valorem taxes                        | \$ 35,734,096           | \$ 36,308,096      | \$ 36,716,664        | \$ 408,568                           |
| Local option sales tax                  | 14,324,317              | 14,324,317         | 15,575,900           | 1,251,583                            |
| Other taxes and licenses                | 140,000                 | 140,000            | 160,789              | 20,789                               |
| Unrestricted intergovernmental revenues | 305,000                 | 305,000            | 302,909              | (2,091)                              |
| Restricted intergovernmental revenues   | 12,418,929              | 13,075,521         | 11,203,961           | (1,871,560)                          |
| Permits and fees                        | 425,500                 | 425,500            | 402,081              | (23,419)                             |
| Sales and services                      | 8,418,738               | 8,569,476          | 8,913,852            | 344,376                              |
| Investment earnings                     | 50,100                  | 50,100             | 99,519               | 49,419                               |
| Miscellaneous                           | 1,188,656               | 1,303,258          | 902,311              | (400,947)                            |
| Total revenues                          | <u>73,005,336</u>       | <u>74,501,268</u>  | <u>74,277,986</u>    | <u>(223,282)</u>                     |
| <b>Expenditures:</b>                    |                         |                    |                      |                                      |
| General government                      | 8,001,288               | 8,648,823          | 7,650,781            | 998,042                              |
| Public safety                           | 15,900,158              | 16,267,904         | 15,656,887           | 611,017                              |
| Environmental protection                | 160,000                 | 160,000            | 136,406              | 23,594                               |
| Economic and physical development       | 1,596,882               | 1,705,192          | 1,525,178            | 180,014                              |
| Human services                          | 24,710,023              | 25,261,574         | 21,983,661           | 3,277,913                            |
| Cultural and recreation                 | 1,435,951               | 1,425,621          | 1,397,396            | 28,225                               |
| Education                               | 18,739,538              | 18,739,538         | 18,194,436           | 545,102                              |
| Debt service:                           |                         |                    |                      |                                      |
| Principal repayments                    | 3,460,585               | 3,460,585          | 3,460,584            | 1                                    |
| Interest                                | 1,386,916               | 1,386,916          | 1,386,328            | 588                                  |
| Total expenditures                      | <u>75,391,341</u>       | <u>77,056,153</u>  | <u>71,391,657</u>    | <u>5,664,496</u>                     |
| Revenues over (under) expenditures      | <u>(2,386,005)</u>      | <u>(2,554,885)</u> | <u>2,886,329</u>     | <u>5,441,214</u>                     |
| <b>Other Financing Sources (Uses):</b>  |                         |                    |                      |                                      |
| Transfers in                            | -                       | 37,380             | 37,380               | -                                    |
| Transfers (out)                         | (127,938)               | (127,938)          | (127,938)            | -                                    |
| Sale of capital assets                  | 21,000                  | 21,000             | 85,054               | 64,054                               |
| Appropriated fund balance               | 2,492,943               | 2,624,443          | -                    | (2,624,443)                          |
| Total other financing sources (uses)    | <u>2,386,005</u>        | <u>2,554,885</u>   | <u>(5,504)</u>       | <u>(2,560,389)</u>                   |
| Net change in fund balance              | <u>\$ -</u>             | <u>\$ -</u>        | 2,880,825            | <u>\$ 2,880,825</u>                  |
| <b>Fund Balance:</b>                    |                         |                    |                      |                                      |
| Beginning of year - July 1              |                         |                    | <u>29,171,954</u>    |                                      |
| End of year - June 30                   |                         |                    | <u>\$ 32,052,779</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, 2017

|                                | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Final Budget<br/>Over/(Under)</u> |
|--------------------------------|-------------------------|------------------|------------------|--------------------------------------|
|                                | <u>Original</u>         | <u>Final</u>     |                  |                                      |
| <b>Revenues:</b>               |                         |                  |                  |                                      |
| Ad valorem taxes               | \$ 3,441,069            | \$ 3,451,069     | \$ 3,388,198     | \$ (62,871)                          |
| <b>Expenditures:</b>           |                         |                  |                  |                                      |
| Public safety:                 |                         |                  |                  |                                      |
| Tax collection fees            | 14,408                  | 16,008           | 15,976           | 32                                   |
| Distribution to fire districts | <u>3,426,661</u>        | <u>3,435,061</u> | <u>3,375,375</u> | <u>59,686</u>                        |
| Total expenditures             | <u>3,441,069</u>        | <u>3,451,069</u> | <u>3,391,351</u> | <u>59,718</u>                        |
| Net change in fund balance     | \$ <u>-</u>             | \$ <u>-</u>      | (3,153)          | \$ <u>(3,153)</u>                    |
| <b>Fund Balance:</b>           |                         |                  |                  |                                      |
| Beginning of year - July 1     |                         |                  | <u>27,008</u>    |                                      |
| End of year - June 30          |                         |                  | <u>\$ 23,855</u> |                                      |

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

## WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

|  | Major<br>Enterprise Funds |                      | Total                |
|--|---------------------------|----------------------|----------------------|
|  | Landfill<br>Fund          | Airport<br>Fund      |                      |
| <b>Assets:</b>   |                           |                      |                      |
| Current assets:  |                           |                      |                      |
| Cash and cash equivalents  | \$ 2,152,719              | \$ 240,105           | \$ 2,392,824         |
| Receivables, net   | 228,947                   | 42,203               | 271,150              |
| Inventories  | -                         | 50,992               | 50,992               |
| Due from other governments   | 57,974                    | 31,788               | 89,762               |
| Total current assets   | <u>2,439,640</u>          | <u>365,088</u>       | <u>2,804,728</u>     |
| Non-current assets:  |                           |                      |                      |
| Restricted cash and cash equivalents                                 | 4,098,662                 | -                    | 4,098,662            |
| Capital assets:  |                           |                      |                      |
| Land, improvements, and construction in progress                     | 2,557,068                 | 2,843,877            | 5,400,945            |
| Other capital assets, net  | 3,426,996                 | 12,383,106           | 15,810,102           |
| Total capital assets   | <u>5,984,064</u>          | <u>15,226,983</u>    | <u>21,211,047</u>    |
| Total non-current assets   | <u>10,082,726</u>         | <u>15,226,983</u>    | <u>25,309,709</u>    |
| Total assets   | <u>12,522,366</u>         | <u>15,592,071</u>    | <u>28,114,437</u>    |
| <b>Deferred Outflows of Resources:</b>                               |                           |                      |                      |
| Pension deferrals  | 122,323                   | 27,400               | 149,723              |
| Contributions to pension plan  | 41,676                    | 9,335                | 51,011               |
| Total deferred outflows of resources                                 | <u>163,999</u>            | <u>36,735</u>        | <u>200,734</u>       |
| <b>Liabilities, Deferred Inflows of Resources, and Net Position:</b> |                           |                      |                      |
| <b>Liabilities:</b>  |                           |                      |                      |
| Current liabilities:   |                           |                      |                      |
| Accounts payable   | 115,672                   | 21,539               | 137,211              |
| Due to other funds   | -                         | 400,000              | 400,000              |
| Current portion of compensated absences                              | 69,919                    | 10,308               | 80,227               |
| Net pension liability  | 190,837                   | 42,747               | 233,584              |
| Total current liabilities  | <u>376,428</u>            | <u>474,594</u>       | <u>851,022</u>       |
| Non-current liabilities:   |                           |                      |                      |
| Accrued landfill closure and post-closure care costs                 | 7,235,000                 | -                    | 7,235,000            |
| Compensated absences - non-current                                   | 23,306                    | 3,436                | 26,742               |
| OPEB liability   | 250,073                   | 53,587               | 303,660              |
| Total non-current liabilities  | <u>7,508,379</u>          | <u>57,023</u>        | <u>7,565,402</u>     |
| Total liabilities  | <u>7,884,807</u>          | <u>531,617</u>       | <u>8,416,424</u>     |
| <b>Deferred Inflows of Resources:</b>                                |                           |                      |                      |
| Pension deferrals  | 7,302                     | 1,635                | 8,937                |
| <b>Net Position:</b>   |                           |                      |                      |
| Net investment in capital assets                                     | 5,984,064                 | 15,226,983           | 21,211,047           |
| Unrestricted   | <u>(1,189,808)</u>        | <u>(131,429)</u>     | <u>(1,321,237)</u>   |
| Total net position   | <u>\$ 4,794,256</u>       | <u>\$ 15,095,554</u> | <u>\$ 19,889,810</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, 2017**

|  | <b>Major<br/>Enterprise Funds</b> |                         | <b>Total</b>         |
|--|-----------------------------------|-------------------------|----------------------|
|  | <b>Landfill<br/>Fund</b>          | <b>Airport<br/>Fund</b> |                      |
| <b>Operating Revenues:</b>                   |                                   |                         |                      |
| Charges for services                         | \$ 2,223,044                      | \$ 760,403              | \$ 2,983,447         |
| Rents  | -                                 | 128,570                 | 128,570              |
| Scrap tire disposal grant                    | 45,075                            | -                       | 45,075               |
| Other operating revenues                     | 221,068                           | 27,518                  | 248,586              |
| Total operating revenues                     | <u>2,489,187</u>                  | <u>916,491</u>          | <u>3,405,678</u>     |
| <b>Operating Expenses:</b>                   |                                   |                         |                      |
| Airport operations                           | -                                 | 858,376                 | 858,376              |
| Landfill operations                          | 1,772,008                         | -                       | 1,772,008            |
| Landfill closure and post-closure care costs | 375,000                           | -                       | 375,000              |
| Depreciation                                 | 482,028                           | 658,290                 | 1,140,318            |
| Total operating expenses                     | <u>2,629,036</u>                  | <u>1,516,666</u>        | <u>4,145,702</u>     |
| Operating income (loss)                      | <u>(139,849)</u>                  | <u>(600,175)</u>        | <u>(740,024)</u>     |
| <b>Non-Operating Revenues (Expenses):</b>    |                                   |                         |                      |
| Interest earned on investments               | 17,023                            | 480                     | 17,503               |
| Interest expense                             | (13,048)                          | -                       | (13,048)             |
| Total non-operating revenues (expenses)      | <u>3,975</u>                      | <u>480</u>              | <u>4,455</u>         |
| Income (loss) before capital contributions   | (135,874)                         | (599,695)               | (735,569)            |
| Capital contributions                        | <u>-</u>                          | <u>329,281</u>          | <u>329,281</u>       |
| Income (loss) before transfers               | (135,874)                         | (270,414)               | (406,288)            |
| <b>Transfers:</b>                            |                                   |                         |                      |
| Transfers in                                 | <u>-</u>                          | <u>127,938</u>          | <u>127,938</u>       |
| Change in net position                       | (135,874)                         | (142,476)               | (278,350)            |
| <b>Net Position:</b>                         |                                   |                         |                      |
| Beginning of year - July 1                   | <u>4,930,130</u>                  | <u>15,238,030</u>       | <u>20,168,160</u>    |
| End of year - June 30                        | <u>\$ 4,794,256</u>               | <u>\$ 15,095,554</u>    | <u>\$ 19,889,810</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, 2017

|   | <b>Major<br/>Enterprise Funds</b> |                         | <b>Total</b>        |
|---|-----------------------------------|-------------------------|---------------------|
|   | <b>Landfill<br/>Fund</b>          | <b>Airport<br/>Fund</b> |                     |
| <b>Cash Flows from Operating Activities:</b>  |                                   |                         |                     |
| Cash received from customers  | \$ 2,573,256                      | \$ 931,549              | \$ 3,504,805        |
| Cash paid for goods and services  | (910,302)                         | (987,936)               | (1,898,238)         |
| Cash paid to employees for services   | (829,155)                         | (165,108)               | (994,263)           |
| Net cash provided (used) by operating activities  | <u>833,799</u>                    | <u>(221,495)</u>        | <u>612,304</u>      |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |                                   |                         |                     |
| Change in due to other funds  | -                                 | (2,050,000)             | (2,050,000)         |
| Transfers in  | -                                 | 127,938                 | 127,938             |
| Net cash provided (used) by non-capital financing activities  | <u>-</u>                          | <u>(1,922,062)</u>      | <u>(1,922,062)</u>  |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |                                   |                         |                     |
| Capital grants received   | -                                 | 2,463,387               | 2,463,387           |
| Acquisition and construction of capital assets  | (655,952)                         | (103,461)               | (759,413)           |
| Principal paid on long-term debt  | (12,991)                          | -                       | (12,991)            |
| Interest and fees   | (13,048)                          | -                       | (13,048)            |
| Net cash provided (used) for capital and related financing activities                                     | <u>(681,991)</u>                  | <u>2,359,926</u>        | <u>1,677,935</u>    |
| <b>Cash Flows from Investing Activities:</b>  |                                   |                         |                     |
| Interest on investments   | 17,023                            | 480                     | 17,503              |
| Net increase (decrease) in cash and cash equivalents  | 168,831                           | 216,849                 | 385,680             |
| <b>Cash and Cash Equivalents:</b>   |                                   |                         |                     |
| Beginning of year - July 1  | <u>6,082,550</u>                  | <u>23,256</u>           | <u>6,105,806</u>    |
| End of year - June 30   | <u>\$ 6,251,381</u>               | <u>\$ 240,105</u>       | <u>\$ 6,491,486</u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b> |                                   |                         |                     |
| Operating income (loss)   | <u>\$ (139,849)</u>               | <u>\$ (600,175)</u>     | <u>\$ (740,024)</u> |
| Adjustments to reconcile operating income (loss) to net cash<br>provided (used) by operating activities:  |                                   |                         |                     |
| Depreciation  | 482,028                           | 658,290                 | 1,140,318           |
| Landfill closure and post-closure care costs  | 375,000                           | -                       | 375,000             |
| Changes in assets and liabilities:  |                                   |                         |                     |
| (Increase) decrease in accounts receivable  | 45,552                            | 15,058                  | 60,610              |
| (Increase) decrease in deferred outflows of resources - pension   | (127,328)                         | (28,521)                | (155,849)           |
| Increase in net pension liability   | 151,930                           | 34,032                  | 185,962             |
| Decrease in deferred inflows of resources - pensions  | (13,844)                          | (3,101)                 | (16,945)            |
| (Increase) decrease in inventory  | -                                 | (3,493)                 | (3,493)             |
| Increase (decrease) in accounts payable and accrued liabilities   | 26,366                            | (303,857)               | (277,491)           |
| Increase (decrease) in OPEB   | 29,145                            | 9,401                   | 38,546              |
| Increase (decrease) in accrued vacation pay   | 4,799                             | 871                     | 5,670               |
| Total adjustments   | <u>973,648</u>                    | <u>378,680</u>          | <u>1,352,328</u>    |
| Net cash provided (used) by operating activities  | <u>\$ 833,799</u>                 | <u>\$ (221,495)</u>     | <u>\$ 612,304</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, 2017**

|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <b>Assets:</b>            |                         |
| Cash and cash equivalents | \$ 487,857              |
| Taxes receivable          | <u>301,191</u>          |
| Total assets              | <u>\$ 789,048</u>       |
| <b>Liabilities:</b>       |                         |
| Miscellaneous liabilities | <u>\$ 789,048</u>       |
| Total liabilities         | <u>\$ 789,048</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, 2017

### 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, 2017

***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 3 legally budgeted nonmajor funds. The Law Enforcement Restricted Fund, and Emergency Telephone System Fund are reported as non-major special revenue funds. Highway 268 Water Extension Project Fund is reported as a capital projects fund.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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, 2017

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, 2017

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 Government 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.

### 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               | \$ 4,098,662        |
| Total business-type activities | <u>\$ 4,098,662</u> |
| Total restricted cash          | <u>\$ 4,098,662</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, 2016. 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, 2017

### 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 July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. 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, 2017**

### **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, 2017

Restricted net position as of June 30, 2017 is as follows:

|                                | <b>Governmental<br/>Activities</b> |
|--------------------------------|------------------------------------|
| Stabilization by State statute | \$ 3,899,879                       |
| Crime prevention               | 40,303                             |
| Register of Deeds              | 96,391                             |
| Register of Deeds pension plan | 150,822                            |
| Public safety                  | 421,533                            |
| Total                          | <u>\$ 4,608,928</u>                |

### **Unrestricted Net Position**

The County has \$27,370,000 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.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Restricted Fund Balance**

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

|  | <u>General<br/>Fund</u> | <u>Fire District<br/>Fund</u> | <u>Special<br/>Revenue<br/>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>  | \$ 3,833,976            | \$ 35,429                     | \$ 30,474                            |
| <i>Restricted for Public Safety - Crime Prevention – portion of fund balance that is restricted by revenue source for crime prevention expenditures.</i>   | 40,303                  | -                             | -                                    |
| <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> | 96,391                  | -                             | -                                    |
| <i>Restricted for Public Safety - Law Enforcement – portion of fund balance that is restricted by revenue source for law enforcement expenditures.</i>   | -                       | -                             | 5,050                                |
| <i>Restricted for Public Safety - E-911 – portion of fund balance that is restricted by revenue source for E911 expenditures.</i>  | -                       | -                             | 416,483                              |
|  | <u>\$ 3,970,670</u>     | <u>\$ 35,429</u>              | <u>\$ 452,007</u>                    |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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:

|   | <b>General<br/>Fund</b> |
|---|-------------------------|
| Committed for LEO pension obligation - portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations | <u>\$ 1,907,407</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.

|                                | <b>General<br/>Fund</b> |
|--------------------------------|-------------------------|
| Subsequent year's expenditures | <u>\$ 2,019,284</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, 2017

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) | \$ 32,052,779        |
| Less:   |                      |
| Stabilization by State statute                | <u>(3,833,976)</u>   |
| Available for appropriation                   | <u>\$ 28,218,803</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 (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset (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, 2017

### 2. 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, 2017, the County's deposits had a carrying amount of \$15,289,837 and a bank balance of \$15,677,581. Of the bank balance, \$1,036,290 was covered by federal depository insurance and \$14,641,291 was covered by collateral held under the Pooling Method.

At June 30, 2017, Wilkes County had \$5,430 cash on hand.

##### Investments

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

| <u>Investment Type</u>                                | <u>Valuation</u>                    |                      | <u>Less Than</u><br><u>6 Months</u> |
|---|-------------------------------------|----------------------|-------------------------------------|
|   | <u>Measurement</u><br><u>Method</u> | <u>Fair Value</u>    |                                     |
| NC Capital Management Trust -<br>Government Portfolio | Amortized Cost                      | \$ <u>22,243,364</u> | <u>N/A</u>                          |

The North Carolina Capital Management Trust's Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2017. The County has no policy regarding credit risk.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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>         |
|--------------------|----------------------|---------------------|----------------------|
| 2014               | \$ 3,968,983         | \$ 942,633          | \$ 4,911,616         |
| 2015               | 4,020,770            | 593,064             | 4,613,834            |
| 2016               | 3,984,065            | 221,433             | 4,205,498            |
| 2017               | 4,021,183            | -                   | 4,021,183            |
| Total              | <u>\$ 15,995,001</u> | <u>\$ 1,757,130</u> | <u>\$ 17,752,131</u> |

### Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

|                                     | <u>Governmental</u> | <u>Business-Type Activities</u> |                  |
|-------------------------------------|---------------------|---------------------------------|------------------|
|                                     | <u>Activities</u>   | <u>Landfill</u>                 | <u>Airport</u>   |
| <b>Taxes Receivable:</b>            |                     |                                 |                  |
| Taxes receivable                    | \$ 4,417,424        | \$ -                            | \$ -             |
| Allowance for doubtful accounts     | (1,102,428)         | -                               | -                |
| Total taxes receivable              | <u>\$ 3,314,996</u> | <u>\$ -</u>                     | <u>\$ -</u>      |
| <b>Accounts Receivable:</b>         |                     |                                 |                  |
| Other                               | \$ 133,977          | \$ -                            | \$ -             |
| EMS/Landfill/Airport sales          | 964,885             | 246,682                         | 47,450           |
| Allowance for doubtful accounts     | (129,777)           | (17,735)                        | (5,247)          |
| Total accounts receivable           | <u>\$ 969,085</u>   | <u>\$ 228,947</u>               | <u>\$ 42,203</u> |
| <b>Due from Other Governments:</b>  |                     |                                 |                  |
| Local option sales tax distribution | \$ 2,681,541        | \$ -                            | \$ -             |
| Sales tax refund                    | 298,357             | 57,974                          | 29,950           |
| Motor vehicle tax                   | 386,004             | -                               | -                |
| Grants                              | -                   | -                               | 1,838            |
| Total due from other governments    | <u>\$ 3,365,902</u> | <u>\$ 57,974</u>                | <u>\$ 31,788</u> |

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

|  | <u>Balance</u>       |                     |                     |                  |  | <u>Balance</u>       |
|--|----------------------|---------------------|---------------------|------------------|--|----------------------|
|  | <u>June 30, 2016</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Transfers</u> |  | <u>June 30, 2017</u> |
| <b>Governmental Activities:</b>                |                      |                     |                     |                  |  |                      |
| <b>Non-Depreciable Capital Assets:</b>         |                      |                     |                     |                  |  |                      |
| Land   | \$ 2,004,649         | \$ -                | \$ -                | \$ -             |  | \$ 2,004,649         |
| Construction in progress                       | <u>1,646,439</u>     | <u>-</u>            | <u>1,646,439</u>    | <u>-</u>         |  | <u>-</u>             |
| Total non-depreciable capital assets           | <u>3,651,088</u>     | <u>-</u>            | <u>1,646,439</u>    | <u>-</u>         |  | <u>2,004,649</u>     |
| <b>Depreciable Capital Assets:</b>             |                      |                     |                     |                  |  |                      |
| Buildings                                      | 30,032,825           | -                   | 109,421             | -                |  | 29,923,404           |
| Other improvements                             | 7,035,030            | 898,564             | 196,912             | -                |  | 7,736,682            |
| Equipment                                      | <u>15,633,269</u>    | <u>940,503</u>      | <u>3,363,436</u>    | <u>-</u>         |  | <u>13,210,336</u>    |
| Total depreciable capital assets               | <u>52,701,124</u>    | <u>1,839,067</u>    | <u>3,669,769</u>    | <u>-</u>         |  | <u>50,870,422</u>    |
| <b>Less Accumulated Depreciation:</b>          |                      |                     |                     |                  |  |                      |
| Buildings                                      | 7,175,625            | 690,456             | 44,688              | -                |  | 7,821,393            |
| Other improvements                             | 1,557,957            | 385,290             | 107,605             | -                |  | 1,835,642            |
| Equipment                                      | <u>9,069,389</u>     | <u>979,242</u>      | <u>2,087,300</u>    | <u>-</u>         |  | <u>7,961,331</u>     |
| Total accumulated depreciation                 | <u>17,802,971</u>    | <u>\$ 2,054,988</u> | <u>\$ 2,239,593</u> | <u>\$ -</u>      |  | <u>17,618,366</u>    |
| Total depreciable capital assets, net          | <u>34,898,153</u>    |                     |                     |                  |  | <u>33,252,056</u>    |
| Governmental activities<br>capital assets, net | <u>\$ 38,549,241</u> |                     |                     |                  |  | <u>\$ 35,256,705</u> |

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

|                           |                     |
|---------------------------|---------------------|
| General government        | \$ 730,654          |
| Public safety             | 1,076,301           |
| Environmental protection  | 21,438              |
| Human services            | 81,522              |
| Social Services           | 53,372              |
| Cultural and recreational | <u>91,701</u>       |
| Total                     | <u>\$ 2,054,988</u> |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

|  | <b>Balance</b>      | <b>Increases</b> | <b>Decreases</b> | <b>Transfers</b> | <b>Balance</b>       |
|--|---------------------|------------------|------------------|------------------|----------------------|
|  | <b>July 1, 2016</b> |                  |                  |                  | <b>June 30, 2017</b> |
| <b>Business-Type Activities:</b>             |                     |                  |                  |                  |                      |
| <b>Landfill:</b>                             |                     |                  |                  |                  |                      |
| <b>Non-Depreciable Capital Assets:</b>       |                     |                  |                  |                  |                      |
| Land   | \$ 2,557,068        | \$ -             | \$ -             | \$ -             | \$ 2,557,068         |
| Total non-depreciable assets                 | 2,557,068           | -                | -                | -                | 2,557,068            |
| <b>Depreciable Capital Assets:</b>           |                     |                  |                  |                  |                      |
| Buildings                                    | 363,638             | -                | -                | -                | 363,638              |
| Other improvements                           | 5,329,532           | 436,837          | -                | -                | 5,766,369            |
| Equipment                                    | 4,244,014           | 219,115          | -                | -                | 4,463,129            |
| Total depreciable capital assets             | 9,937,184           | 655,952          | -                | -                | 10,593,136           |
| <b>Less Accumulated Depreciation:</b>        |                     |                  |                  |                  |                      |
| Buildings                                    | 350,249             | 1,223            | -                | -                | 351,472              |
| Other improvements                           | 3,277,097           | 271,200          | -                | -                | 3,548,297            |
| Equipment                                    | 3,056,766           | 209,605          | -                | -                | 3,266,371            |
| Total accumulated depreciation               | 6,684,112           | \$ 482,028       | \$ -             | \$ -             | 7,166,140            |
| Total depreciable capital assets, net        | 3,253,072           |                  |                  |                  | 3,426,996            |
| Landfill capital assets, net                 | 5,810,140           |                  |                  |                  | 5,984,064            |
| <b>Airport:</b>                              |                     |                  |                  |                  |                      |
| <b>Non-Depreciable Capital Assets:</b>       |                     |                  |                  |                  |                      |
| Land   | 2,843,877           | \$ -             | \$ -             | \$ -             | 2,843,877            |
| Construction in progress                     | 4,158,821           | 80,186           | -                | (4,239,007)      | -                    |
| Total non-depreciable capital assets         | 7,002,698           | 80,186           | -                | (4,239,007)      | 2,843,877            |
| <b>Depreciable Capital Assets:</b>           |                     |                  |                  |                  |                      |
| Buildings                                    | 429,099             | -                | -                | 4,239,007        | 4,668,106            |
| Other improvements                           | 16,825,299          | 8,500            | -                | -                | 16,833,799           |
| Equipment                                    | 258,256             | 14,775           | -                | -                | 273,031              |
| Total depreciable capital assets             | 17,512,654          | 23,275           | -                | 4,239,007        | 21,774,936           |
| <b>Less Accumulated Depreciation:</b>        |                     |                  |                  |                  |                      |
| Buildings                                    | 147,007             | 12,800           | -                | -                | 159,807              |
| Other improvements                           | 8,446,908           | 621,791          | -                | -                | 9,068,699            |
| Equipment                                    | 139,625             | 23,699           | -                | -                | 163,324              |
| Total accumulated depreciation               | 8,733,540           | \$ 658,290       | \$ -             | \$ -             | 9,391,830            |
| Total depreciable capital assets, net        | 8,779,114           |                  |                  |                  | 12,383,106           |
| Airport capital assets, net                  | 15,781,812          |                  |                  |                  | 15,226,983           |
| Business-type activities capital assets, net | \$ 21,591,952       |                  |                  |                  | \$ 21,211,047        |

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2017 is composed of the following elements:

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|---|------------------------------------|-------------------------------------|
| Capital assets                                    | \$ 35,256,705                      | \$ 21,211,047                       |
| Long-term debt                                    | (38,743,553)                       | -                                   |
| Long-term debt for assets not owned by the County | 27,370,000                         | -                                   |
| Net investment in capital assets                  | <u>\$ 23,883,152</u>               | <u>\$ 21,211,047</u>                |

The \$567,750 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, 2017 were as follows:

|                        | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
|------------------------|------------------------------------|-------------------------------------|---------------------|
| Vendors                | \$ 1,564,733                       | \$ 137,160                          | \$ 1,701,893        |
| Other expenses         | 76,490                             | 51                                  | 76,541              |
| Total accounts payable | <u>\$ 1,641,223</u>                | <u>\$ 137,211</u>                   | <u>\$ 1,778,434</u> |

**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](http://www.osc.nc.gov).

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.34% 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 \$1,307,592 for the year ended June 30, 2017.

*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.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

At June 30, 2017, the County reported a liability of \$6,106,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .288%, which was an increase of .010% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,651,869. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 114,736                                    | \$ 213,989                                   |
| Changes of assumptions  | 418,262                                       | -  |
| Net difference between projected and actual earnings on pension plan investments                            | 3,376,295                                     | -  |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 31,037  | 19,671                                       |
| County contributions subsequent to the measurement date   | <u>1,307,592</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 5,247,922</u>                           | <u>\$ 233,660</u>                            |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$1,307,592 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ending</b> |                     |
|--------------------|---------------------|
| <b>June 30</b>     | <b>Total</b>        |
| 2018               | \$ 560,983          |
| 2019               | 561,546             |
| 2020               | 1,611,476           |
| 2021               | 972,665             |
| 2022               | -                   |
| Thereafter         | -                   |
| Total              | <u>\$ 3,706,670</u> |

**Actuarial Assumptions.** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increase           | 3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

| <b>Asset Class</b>   | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|----------------------|--------------------------|---|
| Fixed Income         | 29.0%                    | 1.4%  |
| Global Equity        | 42.0%                    | 5.3%  |
| Real Estate          | 8.0%                     | 4.3%  |
| Alternatives         | 8.0%                     | 8.9%  |
| Credit               | 7.0%                     | 6.0%  |
| Inflation Protection | 6.0%                     | 4.0%  |
| Total                | <u>100.0%</u>            |   |

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. 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.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*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:

|   | <b>1%<br/>Decrease<br/>(6.25%)</b> | <b>Discount<br/>Rate<br/>(7.25%)</b> | <b>1%<br/>Increase<br/>(8.25%)</b> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 14,494,301                      | \$ 6,106,807                         | \$ (899,052)                       |

**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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the plan.

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         | 80 |
| Total                       | 91 |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Summary of Significant Accounting Policies

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

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

### Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                 |  |
|-----------------|--|
| Inflation       | 3.0 percent  |
| Salary increase | 3.50 to 7.35 percent, including inflation<br>and productivity factor |
| Discount rate   | 3.86 percent   |

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

**Deaths After Retirement (Healthy):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths Before Retirement:** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**Deaths After Retirement (Beneficiary):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

**Deaths After Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**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. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$150,097 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported at total pension liability of \$1,907,407. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$138,106.

|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Changes of assumptions  | \$ -  | \$ 31,329                                    |
| County benefit payments and plan administrative expense made subsequent to the measurement date | <u>81,459</u>                                 | <u>-</u>                                     |
| Total   | <u>\$ 81,459</u>                              | <u>\$ 31,329</u>                             |

\$81,459 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|       | <b>Year Ending</b> |              |
|-------|--------------------|--------------|
|       | <b>June 30</b>     | <b>Total</b> |
| 2018  | \$ 6,342           |              |
| 2019  | 6,342              |              |
| 2020  | 6,342              |              |
| 2021  | 6,342              |              |
| 2022  | <u>5,961</u>       |              |
| Total | <u>\$ 31,329</u>   |              |

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

\$80,640 paid as benefits came due and \$819 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the County's total pension liability to changes in the discount rate.* The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

|                         | <b>1%<br/>Decrease<br/>(2.86%)</b> | <b>Discount<br/>Rate<br/>(3.86%)</b> | <b>1%<br/>Increase<br/>(4.86%)</b> |
|-------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total pension liability | <u>\$ 2,041,155</u>                | <u>\$ 1,907,407</u>                  | <u>\$ 1,784,299</u>                |

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

|   | <b>2017</b>         |
|---|---------------------|
| Beginning balance                             | \$ 1,951,036        |
| Service cost                                  | 77,166              |
| Interest on the total pension liability       | 66,973              |
| Changes of assumptions or other inputs        | (37,671)            |
| Benefit payments                              | <u>(150,097)</u>    |
| Ending balance of the total pension liability | <u>\$ 1,907,407</u> |

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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.

The County contributed \$151,787 for the reporting year. No amounts were forfeited.

### **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](http://www.osc.nc.gov).

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,962 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$115,788 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .619%, which was a decrease of .016% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$6,099. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 124  | \$ 1,499                                     |
| Changes of assumptions  | 30,848  | -  |
| Net difference between projected and actual earnings on pension plan investments                            | 198   | -  |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 2,723   | 1,322  |
| County contributions subsequent to the measurement date   | <u>3,962</u>                                  | <u>-</u>                                     |
| <b>Total</b>  | <b><u>\$ 37,855</u></b>                       | <b><u>\$ 2,821</u></b>                       |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$3,962 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, 2018. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ending</b> |                  |
|--------------------|------------------|
| <b>June 30</b>     | <b>Total</b>     |
| 2018               | \$ 12,350        |
| 2019               | 14,181           |
| 2020               | 5,834            |
| 2021               | (1,293)          |
| 2022               | -                |
| Total              | <u>\$ 31,072</u> |

**Actuarial Assumptions.** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increase           | 3.50 to 7.75 percent, including inflation and productivity factor         |
| Investment rate of return | 3.75 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2016 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

|   | 1%<br>Decrease<br>(2.75%) | Discount<br>Rate<br>(3.75%) | 1%<br>Increase<br>(4.75%) |
|---|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability (asset) | \$ (93,362)               | \$ (115,788)                | \$ (134,628)              |

**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, 2017**

**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, 2017, the County made payments for post-retirement health benefit contributions of \$926,521. 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 12.43% of annual covered payroll. For fiscal year 2017, the County contributed \$926,521 or 5.34% of annual covered payroll. Contributions by employees for the fiscal year ended June 30, 2017 were \$98,526. 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, 2017**

**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               | \$ 1,928,075               |
| Interest on net OPEB obligation            | 288,090                    |
| Adjustment to annual required contribution | <u>(275,215)</u>           |
| Annual OPEB cost (expense)                 | 1,940,950                  |
| Contributions made                         | <u>926,521</u>             |
| Increase (decrease) in net OPEB obligation | 1,014,429                  |
| Net OPEB obligation:                       |                            |
| Beginning of year - July 1                 | <u>7,202,251</u>           |
| End of year - June 30                      | <u><u>\$ 8,216,680</u></u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 were as follows:

| <b>Year Ended<br/>June 30</b> | <b>Annual<br/>OPEB<br/>Cost</b> | <b>Percentage<br/>of Annual<br/>OPEB Cost<br/>Contributed</b> | <b>Net<br/>OPEB<br/>Obligation</b> |
|-------------------------------|---------------------------------|---|------------------------------------|
| 2015                          | \$ 1,559,097                    | 85.20%  | \$ 6,296,055                       |
| 2016                          | 1,773,836                       | 48.91%  | 7,202,251                          |
| 2017                          | 1,940,950                       | 47.74%  | 8,216,680                          |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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 \$15,513,754 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, 2017**

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 \$7,235,000 reported as landfill closure and post-closure care liability at June 30, 2017 represents a cumulative amount reported to date based on the use of 100% of cell 1, 100% of cell 2, and 75% 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 2017. 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 \$4,098,662 (market value \$4,098,662) 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, 2017

### 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 | \$ 1,393,013        |
| Charge on refunding                                  | 567,750             |
| Pension deferrals                                    | 3,974,223           |
| Total  | <u>\$ 5,934,986</u> |

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

|  |                     |
|--|---------------------|
| Prepaid taxes not yet earned (General)     | \$ 53,346           |
| Taxes receivable, net (General)            | 3,045,613           |
| Taxes receivable, net (Fire District Fund) | 269,383             |
| Pension deferrals                          | 267,810             |
| Other receivables, net (General)           | 835,108             |
| Total                                      | <u>\$ 4,471,260</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 \$61,093,521.

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 \$1,000,000.

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, 2017

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>2016</u>        | <u>2017</u>        |
|---|--------------------|--------------------|
| Balance, beginning of year                                    | \$ 775,695         | \$ 790,661         |
| Incurred claims (including IBNRs)<br>and changes in estimates | 4,786,536          | 4,182,700          |
| Less claims payments  | <u>(4,771,570)</u> | <u>(4,294,071)</u> |
| Balance, end of year  | <u>\$ 790,661</u>  | <u>\$ 679,290</u>  |

### Contingent Liabilities

At June 30, 2017, 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.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Long-Term Obligations**

**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   | \$ 98,657                  |
| \$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   | 9,295,000                  |
| \$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 | 22,065,000                 |
| \$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>5,305,000</u>           |
| Total installment purchase agreements  | <u><u>\$36,763,657</u></u> |

For Wilkes County, the future minimum payments as of June 30, 2017 are as follows:

| <b>Year Ending</b> | <b>Governmental Activities</b> |                            |                            |
|--------------------|--------------------------------|----------------------------|----------------------------|
| <b>June 30</b>     | <b>Principal</b>               | <b>Interest</b>            | <b>Total</b>               |
| 2018               | \$ 3,452,009                   | \$ 1,272,949               | \$ 4,724,958               |
| 2019               | 3,432,873                      | 1,161,057                  | 4,593,930                  |
| 2020               | 3,403,775                      | 1,037,758                  | 4,441,533                  |
| 2021               | 3,310,000                      | 951,839                    | 4,261,839                  |
| 2022               | 2,020,000                      | 854,701                    | 2,874,701                  |
| 2023-2027          | 12,470,000                     | 2,732,860                  | 15,202,860                 |
| 2028-2032          | 4,350,000                      | 1,141,693                  | 5,491,693                  |
| 2033-2036          | <u>4,325,000</u>               | <u>395,050</u>             | <u>4,720,050</u>           |
| Total              | <u><u>\$36,763,657</u></u>     | <u><u>\$ 9,547,907</u></u> | <u><u>\$46,311,564</u></u> |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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, 2017:

|   | <u>Balance</u><br><u>July 1, 2016</u> | <u>Increases</u>     | <u>Decreases</u>     | <u>Balance</u><br><u>June 30, 2017</u> | <u>Current</u><br><u>Portion of</u><br><u>Balance</u> |
|---|---------------------------------------|----------------------|----------------------|--|---|
| <b>Governmental Activities:</b>                         |                                       |                      |                      |  |   |
| Installment purchase                                    | \$ 40,224,241                         | \$ -                 | \$ 3,460,584         | \$ 36,763,657                          | \$ 3,452,009  |
| Compensated absences                                    | 1,956,152                             | 1,545,814            | 1,467,114            | 2,034,852                              | 1,467,114   |
| Incurred, but not reported,<br>health claims            | 790,661                               | 4,182,700            | 4,294,071            | 679,290                                | -   |
| Total pension liability                                 | 555,462                               | 1,395,574            | 43,629               | 1,907,407                              | -   |
| Net pension liability (LGERS)                           | 1,197,422                             | 4,675,801            | -                    | 5,873,223                              | -   |
| Net OPEB obligation                                     | 6,937,137                             | 1,867,199            | 891,316              | 7,913,020                              | -   |
| Unamortized premiums                                    | 2,084,101                             | -                    | 104,205              | 1,979,896                              | -   |
| Total governmental activities                           | <u>\$ 53,745,176</u>                  | <u>\$ 13,667,088</u> | <u>\$ 10,260,919</u> | <u>\$ 57,151,345</u>                   | <u>\$ 4,919,123</u>                                   |
| <b>Business-Type Activities:</b>                        |                                       |                      |                      |  |   |
| <b>Landfill Fund:</b>                                   |                                       |                      |                      |  |   |
| Capital lease   | \$ 12,991                             | \$ -                 | \$ 12,991            | \$ -                                   | \$ -  |
| Accrued landfill closure and<br>post-closure care costs | 6,860,000                             | 375,000              | -                    | 7,235,000                              | -   |
| Compensated absences                                    | 88,426                                | 71,119               | 66,320               | 93,225                                 | 69,919  |
| Net pension liability (LGERS)                           | 38,907                                | 151,930              | -                    | 190,837                                | -   |
| Net OPEB obligation                                     | 220,928                               | 55,763               | 26,618               | 250,073                                | -   |
| Total Landfill Fund                                     | <u>\$ 7,221,252</u>                   | <u>\$ 653,812</u>    | <u>\$ 105,929</u>    | <u>\$ 7,769,135</u>                    | <u>\$ 69,919</u>                                      |
| <b>Airport Fund:</b>                                    |                                       |                      |                      |  |   |
| Compensated absences                                    | \$ 12,873                             | \$ 10,526            | \$ 9,655             | \$ 13,744                              | \$ 10,308   |
| Net pension liability (LGERS)                           | 8,715                                 | 34,032               | -                    | 42,747                                 | -   |
| Net OPEB obligation                                     | 44,186                                | 17,987               | 8,586                | 53,587                                 | -   |
| Total Airport Fund                                      | <u>\$ 65,774</u>                      | <u>\$ 62,545</u>     | <u>\$ 18,241</u>     | <u>\$ 110,078</u>                      | <u>\$ 10,308</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, 2017, Wilkes County had a legal debt margin of approximately \$455,200,000.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**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. The 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. On June 30, 2017 \$23,180,000 of bonds outstanding is considered defeased.

**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, 2017, there were no industrial revenue bonds outstanding.

**3. Interfund Transactions**

**Transfers**

In fiscal year 2017, the County made the following transfers within its fund structure.

|                             | <u>Transfers</u>  |                   |  |
|-----------------------------|-------------------|-------------------|--|
|                             | <u>From</u>       | <u>To</u>         | <u>Purpose</u>                                     |
| <b>Operating Transfers</b>  |                   |                   |  |
| <b>From/To Other Funds:</b> |                   |                   |  |
| General Fund                | \$ 127,938        | \$ 37,380         |  |
| Capital Project Fund        | 37,380            | -                 | To close project                                   |
| Airport Fund                | -                 | <u>127,938</u>    | Required local match for<br>capital grant projects |
| Total transfers             | <u>\$ 165,318</u> | <u>\$ 165,318</u> |  |

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Due to/from Other Funds

Balances due to/from other funds at June 30, 2017, consist of the following:

| <u>Due to/Due from Other Funds:</u>   | <u>Amount</u>     |
|---|-------------------|
| Due to the General Fund from the Airport Fund<br>to repay funds to cover cash flow shortage | \$ 400,000        |
| Total   | <u>\$ 400,000</u> |

### 4. 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.

### 5. 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 \$3,700,495 and \$150,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2017. 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, 2017. 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 VAYA Health 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 VAYA Health. The County has an ongoing financial responsibility for the joint venture because the VAYA Health's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the VAYA Health, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$254,200 to VAYA Health to supplement its activities. Complete financial statements for VAYA Health can be obtained from VAYA Health's offices at 44 Bonnie Lane, Sylva, North Carolina 28779.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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.

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, 2017. 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.

### **6. 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 \$35,212 to the Council during the fiscal year ended June 30, 2017.

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.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 7. 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                                   | \$ 81,295,892        | \$ 43,073,737        |
| Temporary Assistance to Needy Families     | 646,294              | -                    |
| LINKS                                      | 20,714               | -                    |
| Foster Care                                | 711,672              | 701,389              |
| Adoption Assistance                        | 911,884              | 228,963              |
| State/County Special Assistance for Adults | -                    | 435,451              |
| CWS Adoption Subsidy                       | -                    | <u>543,612</u>       |
| Total                                      | <u>\$ 83,586,456</u> | <u>\$ 44,983,152</u> |

### 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.

### 8. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$1,245,168.

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

|   | <u>2017</u>         |
|---|---------------------|
| Beginning balance                             | \$ 1,951,036        |
| Service cost                                  | 77,166              |
| Interest on the total pension liability       | 66,973              |
| Changes of assumptions or other inputs        | (37,671)            |
| Benefit payments                              | <u>(150,097)</u>    |
| Ending balance of the total pension liability | <u>\$ 1,907,407</u> |

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

\*Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF  
 OF COVERED PAYROLL  
 LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2017**

|  | <u>2017</u>  |
|--|--------------|
| Total pension liability                                    | \$ 1,907,407 |
| Covered payroll  | 3,064,964    |
| Total pension liability as a percentage of covered payroll | 62.23%       |

Wilkes County has no assets accumulated in a trust meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

\*Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

## WILKES COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017

## Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>A | Actuarial<br>Accrued<br>Liability (AAL) -<br>Projected Unit<br>Credit |  | Unfunded<br>AAL<br>(UAAL)<br>B - A | Funded<br>Ratio<br>A / B | Covered<br>Payroll<br>C | UAAL as a<br>% of<br>Covered<br>Payroll<br>(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<br>June 30 | Annual<br>Required<br>Contribution<br>(ARC) |           | Percentage<br>of ARC<br>Contributed |
|-----------------------|---|-----------|-------------------------------------|
|                       |   |           |                                     |
| 2017                  | \$  | 1,928,075 | 48.05%                              |
| 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%                              |

## 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 FOUR FISCAL YEARS\***

**Local Government Employees' Retirement System**

|  | <u>2017</u>   | <u>2016</u>   | <u>2015</u>    | <u>2014</u>   |
|--|---------------|---------------|----------------|---------------|
| Wilkes' proportion of the net pension liability (asset) (%)  | 0.28774%      | 0.27742%      | 0.27346%       | 0.27346%      |
| Wilkes' proportion of the net pension liability (asset) (\$)   | \$ 6,106,807  | \$ 1,245,044  | \$ (1,612,722) | \$ 3,360,611  |
| Wilkes' covered-employee payroll   | \$ 16,786,999 | \$ 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 | 36.38%        | 7.84%         | ( 10.47%)      | 22.75%        |
| Plan fiduciary net position as a percentage of the total pension liability**                                     | 91.47%        | 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.

Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

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

|  | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 1,307,592     | \$ 1,147,444     | \$ 1,131,485     | \$ 1,094,518     |
| Contributions in relation to the contractually required contribution | <u>1,307,592</u> | <u>1,147,444</u> | <u>1,131,485</u> | <u>1,094,518</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Wilkes' covered-employee payroll                                     | \$ 17,627,739    | \$ 16,786,999    | \$ 15,873,019    | \$ 15,404,189    |
| Contributions as a percentage of covered-employee payroll            | 7.42%            | 6.84%            | 7.13%            | 7.11%            |

Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

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

|  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|--------------|--------------|
| Wilkes' proportion of the net pension liability (asset) (%)  | 0.61932%     | 0.63542%     | 0.62699%     | 0.58181%     |
| Wilkes' proportion of the net pension liability (asset) (\$)   | \$ (115,788) | \$ (147,252) | \$ (142,114) | \$ (124,275) |
| Wilkes' covered-employee payroll   | \$ 63,251    | \$ 41,854    | \$ 63,511    | \$ 62,593    |
| Wilkes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | (183.06%)    | (351.82%)    | (223.76%)    | (198.54%)    |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 160.17%      | 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 FOUR FISCAL YEARS**

**Register of Deeds' Supplemental Pension Fund**

|   | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|--------------|
| Contractually required contribution                                     | \$ 3,962     | \$ 3,962     | \$ 2,928     | \$ 5,119     |
| Contributions in relation to the contractually<br>required contribution | <u>3,962</u> | <u>3,962</u> | <u>2,928</u> | <u>5,119</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| Wilkes' covered-employee payroll  | \$ 62,770    | \$ 63,251    | \$ 41,854    | \$ 63,511    |
| Contributions as a percentage of covered-employee payroll               | 6.31%        | 6.26%        | 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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|  | 2017              |                   |                         | 2016              |
|--|-------------------|-------------------|-------------------------|-------------------|
|  | Budget            | Actual            | Variance<br>Over /Under | Actual            |
| <b>Revenues:</b>                       |                   |                   |                         |                   |
| <b>Ad Valorem Taxes:</b>               |                   |                   |                         |                   |
| Taxes                                  | \$ 35,853,046     | \$ 36,276,233     | \$ 423,187              | \$ 36,814,608     |
| Penalties and interest                 | 455,050           | 440,431           | (14,619)                | 509,181           |
| Total                                  | <u>36,308,096</u> | <u>36,716,664</u> | <u>408,568</u>          | <u>37,323,789</u> |
| <b>Local Option Sales Taxes:</b>       |                   |                   |                         |                   |
| Article 39 one percent                 | 5,503,179         | 5,498,992         | (4,187)                 | 5,101,764         |
| Article 40 one-half of one percent     | 4,534,205         | 4,455,064         | (79,141)                | 4,329,488         |
| Article 42 one-half of one percent     | 2,991,124         | 2,996,440         | 5,316                   | 2,793,422         |
| Article 44 one-half of one percent     | -                 | 1,169,673         | 1,169,673               | 505               |
| Article 46 one-fourth of one percent   | 1,295,809         | 1,455,731         | 159,922                 | 1,295,354         |
| Total                                  | <u>14,324,317</u> | <u>15,575,900</u> | <u>1,251,583</u>        | <u>13,520,533</u> |
| <b>Other Taxes and Licenses:</b>       |                   |                   |                         |                   |
| Real estate transfer taxes             | <u>140,000</u>    | <u>160,789</u>    | <u>20,789</u>           | <u>140,717</u>    |
| <b>Unrestricted Intergovernmental:</b> |                   |                   |                         |                   |
| Payments in lieu of taxes              | 30,000            | 26,770            | (3,230)                 | 32,433            |
| Beer and wine tax                      | <u>275,000</u>    | <u>276,139</u>    | <u>1,139</u>            | <u>269,296</u>    |
| Total                                  | <u>305,000</u>    | <u>302,909</u>    | <u>(2,091)</u>          | <u>301,729</u>    |
| <b>Restricted Intergovernmental:</b>   |                   |                   |                         |                   |
| Federal and State grants               | 12,110,675        | 10,412,893        | (1,697,782)             | 10,050,512        |
| Lottery proceeds                       | 475,000           | 475,000           | -                       | 534,000           |
| Court facility fees                    | 125,000           | 126,994           | 1,994                   | 131,821           |
| Fines and forfeitures                  | 10,000            | 17,420            | 7,420                   | 22,753            |
| CDBG, 12-C-2446                        | -                 | -                 | -                       | 30,000            |
| Other                                  | <u>354,846</u>    | <u>171,654</u>    | <u>(183,192)</u>        | <u>158,142</u>    |
| Total                                  | <u>13,075,521</u> | <u>11,203,961</u> | <u>(1,871,560)</u>      | <u>10,927,228</u> |
| <b>Permits and Fees:</b>               |                   |                   |                         |                   |
| Building permits                       | 231,500           | 203,094           | (28,406)                | 221,799           |
| Register of Deeds                      | <u>194,000</u>    | <u>198,987</u>    | <u>4,987</u>            | <u>186,144</u>    |
| Total                                  | <u>425,500</u>    | <u>402,081</u>    | <u>(23,419)</u>         | <u>407,943</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                 | 2017       |            | Variance<br>Over /Under | 2016       |
|---------------------------------|------------|------------|-------------------------|------------|
|                                 | Budget     | Actual     |                         | Actual     |
| <b>Sales and Services:</b>      |            |            |                         |            |
| Ambulance and rescue squad fees | 2,963,531  | 3,049,258  | 85,727                  | 2,974,406  |
| Jail fees                       | 525,000    | 553,718    | 28,718                  | 392,578    |
| Rents and fees                  | 4,984,945  | 5,226,968  | 242,023                 | 4,498,607  |
| Recreation fees                 | 96,000     | 83,908     | (12,092)                | 87,693     |
| Total                           | 8,569,476  | 8,913,852  | 344,376                 | 7,953,284  |
| <b>Investment Earnings:</b>     |            |            |                         |            |
| Investment earnings             | 50,100     | 99,519     | 49,419                  | 33,729     |
| <b>Miscellaneous:</b>           |            |            |                         |            |
| Other                           | 1,303,258  | 902,311    | (400,947)               | 767,188    |
| Total revenues                  | 74,501,268 | 74,277,986 | (223,282)               | 71,376,140 |
| <b>Expenditures:</b>            |            |            |                         |            |
| <b>General Government:</b>      |            |            |                         |            |
| <b>Governing Body:</b>          |            |            |                         |            |
| Salaries and employee benefits  | 111,950    | 109,620    |                         | 110,826    |
| Other operating expenditures    | 310,500    | 295,672    |                         | 280,990    |
| Total                           | 422,450    | 405,292    | 17,158                  | 391,816    |
| <b>Administration:</b>          |            |            |                         |            |
| Salaries and employee benefits  | 343,247    | 336,293    |                         | 322,447    |
| Other operating expenditures    | 19,196     | 16,029     |                         | 18,737     |
| Total                           | 362,443    | 352,322    | 10,121                  | 341,184    |
| <b>Elections:</b>               |            |            |                         |            |
| Salaries and employee benefits  | 233,876    | 221,354    |                         | 244,716    |
| Other operating expenditures    | 93,400     | 76,897     |                         | 97,576     |
| Total                           | 327,276    | 298,251    | 29,025                  | 342,292    |
| <b>Finance:</b>                 |            |            |                         |            |
| Salaries and employee benefits  | 405,763    | 403,197    |                         | 334,917    |
| Other operating expenditures    | 20,005     | 13,400     |                         | 11,532     |
| Total                           | 425,768    | 416,597    | 9,171                   | 346,449    |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                | 2017      |           | Variance<br>Over /Under | 2016      |
|--------------------------------|-----------|-----------|-------------------------|-----------|
|                                | Budget    | Actual    |                         | Actual    |
| <b>Tax Administration:</b>     |           |           |                         |           |
| Salaries and employee benefits | 954,404   | 951,322   |                         | 934,698   |
| Other operating expenditures   | 209,990   | 190,278   |                         | 243,528   |
| Capital outlay                 | 45,000    | 42,419    |                         | 7,210     |
| Total                          | 1,209,394 | 1,184,019 | 25,375                  | 1,185,436 |
| <b>Legal:</b>                  |           |           |                         |           |
| Professional services          | 230,000   | 204,132   | 25,868                  | 224,316   |
| <b>Register of Deeds:</b>      |           |           |                         |           |
| Salaries and employee benefits | 258,993   | 258,594   |                         | 256,877   |
| Other operating expenditures   | 247,192   | 194,619   |                         | 81,629    |
| Total                          | 518,790   | 465,818   | 52,972                  | 338,506   |
| <b>Public Buildings:</b>       |           |           |                         |           |
| Salaries and employee benefits | 138,476   | 119,494   |                         | 135,646   |
| Other operating expenditures   | 340,500   | 244,972   |                         | 290,229   |
| Capital outlay                 | 300,000   | 296,911   |                         | 1,512,477 |
| Total                          | 778,976   | 661,377   | 117,599                 | 1,938,352 |
| <b>Court Facilities:</b>       |           |           |                         |           |
| Salaries and employee benefits | 120,007   | 119,428   |                         | 115,747   |
| Other operating expenditures   | 723,000   | 700,677   |                         | 439,250   |
| Total                          | 843,007   | 820,105   | 22,902                  | 554,997   |
| <b>Central Services:</b>       |           |           |                         |           |
| <b>Data Processing:</b>        |           |           |                         |           |
| Salaries and employee benefits | 141,619   | 140,333   |                         | 135,232   |
| Other operating expenditures   | 218,253   | 213,458   |                         | 170,984   |
| Capital outlay                 | -         | -         |                         | 20,625    |
| Total                          | 359,872   | 353,791   | 6,081                   | 326,841   |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                   | 2017      |           | Variance<br>Over /Under | 2016      |
|-----------------------------------|-----------|-----------|-------------------------|-----------|
|                                   | Budget    | Actual    |                         | Actual    |
| <b>Central Garage:</b>            |           |           |                         |           |
| Salaries and employee benefits    | 287,750   | 279,500   |                         | 272,614   |
| Other operating expenditures      | 576,560   | 533,297   |                         | 350,791   |
| Capital outlay                    | 28,825    | 28,825    |                         | 5,394     |
| Total                             | 893,135   | 841,622   | 51,513                  | 628,799   |
| <b>Purchasing:</b>                |           |           |                         |           |
| Salaries and employee benefits    | 99,434    | 99,336    |                         | 96,323    |
| Other operating expenditures      | 6,808     | 4,418     |                         | 6,459     |
| Total                             | 106,242   | 103,754   | 2,488                   | 102,782   |
| <b>Other Central Services:</b>    |           |           |                         |           |
| Other expenditures                | 904,937   | 744,771   |                         | 704,720   |
| Group insurance                   | 1,266,533 | 798,930   |                         | 1,184,157 |
| Total                             | 2,171,470 | 1,543,701 | 627,769                 | 1,888,877 |
| Total general government          | 8,648,823 | 7,650,781 | 998,042                 | 8,610,647 |
| <b>Public Safety:</b>             |           |           |                         |           |
| <b>Sheriff:</b>                   |           |           |                         |           |
| Salaries and employee benefits    | 4,505,269 | 4,406,947 |                         | 4,077,012 |
| Other operating expenditures      | 440,540   | 383,935   |                         | 366,134   |
| Capital outlay                    | 158,310   | 156,609   |                         | 266,464   |
| Total                             | 5,104,119 | 4,947,491 | 156,628                 | 4,709,610 |
| <b>Drug Crime Prevention:</b>     |           |           |                         |           |
| Other operating expenditures      | 225,000   | 60,234    |                         | 71,570    |
| Capital outlay                    | -         | -         |                         | 29,099    |
| Total                             | 225,000   | 60,234    | 164,766                 | 100,669   |
| <b>JAG Critical Response GRA:</b> |           |           |                         |           |
| Other operating expenditures      | 70,928    | 55,334    | 15,594                  | 74,778    |
| Total                             | 70,928    | 55,334    | 15,594                  | 74,778    |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                      | 2017      |           | Variance<br>Over /Under | 2016      |
|--------------------------------------|-----------|-----------|-------------------------|-----------|
|                                      | Budget    | Actual    |                         | Actual    |
| <b>Animal Control:</b>               |           |           |                         |           |
| Salaries and employee benefits       | 513,962   | 503,451   |                         | 481,392   |
| Other operating expenditures         | 142,960   | 106,982   |                         | 100,986   |
| Capital outlay                       | 28,500    | 27,501    |                         | 27,470    |
| Total                                | 685,422   | 637,934   | 47,488                  | 609,848   |
| <b>Internet Crimes:</b>              |           |           |                         |           |
| Other operating expenditures         | 23,482    | 14,552    |                         | 5,651     |
| Capital outlay                       | 10,872    | 10,872    |                         | -         |
| Total                                | 34,354    | 25,424    | 8,930                   | 5,651     |
| <b>Jail:</b>                         |           |           |                         |           |
| Salaries and employee benefits       | 1,920,215 | 1,915,716 |                         | 1,867,929 |
| Other operating expenditures         | 1,701,400 | 1,649,676 |                         | 1,569,104 |
| Capital outlay                       | -         | -         |                         | 27,626    |
| Total                                | 3,621,615 | 3,565,392 | 56,223                  | 3,464,659 |
| <b>Emergency Management:</b>         |           |           |                         |           |
| Salaries and employee benefits       | 63,608    | 63,448    |                         | 62,059    |
| Other operating expenditures         | 36,222    | 32,450    |                         | 40,990    |
| Total                                | 99,830    | 95,898    | 3,932                   | 103,049   |
| <b>Fire:</b>                         |           |           |                         |           |
| Salaries and employee benefits       | 122,943   | 122,702   |                         | 115,489   |
| Other operating expenditures         | 86,404    | 77,450    |                         | 78,474    |
| Assistance to local fire departments | 1,800     | 1,778     |                         | 800       |
| Total                                | 211,147   | 201,930   | 9,217                   | 194,763   |
| <b>Inspections:</b>                  |           |           |                         |           |
| Salaries and employee benefits       | 509,886   | 473,479   |                         | 474,210   |
| Other operating expenditures         | 30,500    | 15,949    |                         | 24,836    |
| Capital outlay                       | -         | -         |                         | 27,385    |
| Total                                | 540,386   | 489,428   | 50,958                  | 526,431   |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|   | 2017       |            | Variance<br>Over /Under | 2016       |
|---|------------|------------|-------------------------|------------|
|   | Budget     | Actual     |                         | Actual     |
| <b>Medical Examiner:</b>                  |            |            |                         |            |
| Other operating expenditures              | 144,000    | 133,660    |                         | 111,158    |
| Total                                     | 144,000    | 133,660    | 10,340                  | 111,158    |
| <b>Emergency Medical Services:</b>        |            |            |                         |            |
| Salaries and employee benefits            | 3,101,181  | 3,088,152  |                         | 2,939,626  |
| Other operating expenditures              | 797,054    | 763,051    |                         | 864,959    |
| Capital outlay                            | 380,200    | 377,618    |                         | 675,891    |
| Total                                     | 4,278,435  | 4,228,821  | 49,614                  | 4,480,476  |
| <b>Emergency Communications Center:</b>   |            |            |                         |            |
| Salaries and employee benefits            | 812,768    | 793,832    |                         | 811,222    |
| Other operating expenditures              | 439,900    | 421,509    |                         | 268,489    |
| Capital outlay                            | -          | -          |                         | 13,368     |
| Total                                     | 1,252,668  | 1,215,341  | 37,327                  | 1,093,079  |
| Total public safety                       | 16,267,904 | 15,656,887 | 611,017                 | 15,474,171 |
| <b>Environmental Protection:</b>          |            |            |                         |            |
| Reservoir expenditures                    | 160,000    | 136,406    | 23,594                  | 130,907    |
| Total environmental protection            | 160,000    | 136,406    | 23,594                  | 130,907    |
| <b>Economic and Physical Development:</b> |            |            |                         |            |
| <b>Economic Development:</b>              |            |            |                         |            |
| Other operating expenditures              | 604,100    | 526,338    |                         | 495,148    |
| Total                                     | 604,100    | 526,338    | 77,762                  | 495,148    |
| <b>Planning and Zoning:</b>               |            |            |                         |            |
| Salaries and employee benefits            | 202,968    | 193,465    |                         | 189,830    |
| Other operating expenditures              | 40,010     | 22,603     |                         | 34,178     |
| Total                                     | 242,978    | 216,068    | 26,910                  | 224,008    |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|   | 2017      |           | Variance<br>Over /Under | 2016      |
|---|-----------|-----------|-------------------------|-----------|
|   | Budget    | Actual    |                         | Actual    |
| <b>Agricultural Extension:</b>          |           |           |                         |           |
| Salaries and employee benefits          | 186,183   | 172,027   |                         | 192,344   |
| Other operating expenditures            | 32,600    | 22,546    |                         | 24,489    |
| Total                                   | 218,783   | 194,573   | 24,210                  | 216,833   |
| <b>Extension Local:</b>                 |           |           |                         |           |
| Other operating expenditures            | 69,500    | 23,254    |                         | 24,912    |
| Total                                   | 69,500    | 23,254    | 46,246                  | 24,912    |
| <b>Forestry:</b>                        |           |           |                         |           |
| Salaries and employee benefits          | 738       | 736       |                         | 1,636     |
| Other operating expenditures            | 110,662   | 106,567   |                         | 99,701    |
| Total                                   | 111,400   | 107,303   | 4,097                   | 101,337   |
| <b>Soil Conservation:</b>               |           |           |                         |           |
| Salaries and employee benefits          | 240,690   | 240,689   |                         | 233,305   |
| Other operating expenditures            | 55,984    | 55,984    |                         | 56,250    |
| Capital outlay                          | -         | -         |                         | 24,897    |
| Total                                   | 296,674   | 296,673   | 1                       | 314,452   |
| <b>Community Development:</b>           |           |           |                         |           |
| Other operating expenditures            | 161,757   | 160,969   |                         | 160,974   |
| Total                                   | 161,757   | 160,969   | 788                     | 160,974   |
| Total economic and physical development | 1,705,192 | 1,525,178 | 180,014                 | 1,537,664 |
| <b>Human Services:</b>                  |           |           |                         |           |
| <b>Health:</b>                          |           |           |                         |           |
| <b>Administration:</b>                  |           |           |                         |           |
| Salaries and employee benefits          | 1,692,624 | 1,575,614 |                         | 1,633,006 |
| Other operating expenditures            | 476,359   | 450,905   |                         | 392,030   |
| Capital outlay                          | 127,563   | 127,131   |                         | 55,400    |
| Total                                   | 2,296,546 | 2,153,650 | 142,896                 | 2,080,436 |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                   | 2017    |         |                         | 2016    |
|-----------------------------------|---------|---------|-------------------------|---------|
|                                   | Budget  | Actual  | Variance<br>Over /Under | Actual  |
| <b>Program Salaries:</b>          |         |         |                         |         |
| Salaries and employee benefits    | 141,768 | 133,633 | 8,135                   | -       |
| <b>Environmental Health:</b>      |         |         |                         |         |
| Other operating expenditures      | 6,100   | 6,018   |                         | 45,044  |
| Total                             | 6,100   | 6,018   | 82                      | 45,044  |
| <b>Food and Lodging:</b>          |         |         |                         |         |
| Other operating expenditures      | 2,500   | 2,500   | -                       | -       |
| <b>Tuberculosis:</b>              |         |         |                         |         |
| Salaries and employee benefits    | 9,534   | 9,534   |                         | 877     |
| Other operating expenditures      | 3,355   | 2,358   |                         | 711     |
| Total                             | 12,889  | 11,892  | 997                     | 1,588   |
| <b>Bioterrorism:</b>              |         |         |                         |         |
| Salaries and employee benefits    | 31,657  | 31,669  |                         | 27,804  |
| Other operating expenditures      | 3,000   | 2,988   |                         | 4,587   |
| Total                             | 34,657  | 34,657  | -                       | 32,391  |
| <b>Health Immunization Other:</b> |         |         |                         |         |
| Salaries and employee benefits    | 26,350  | 26,350  |                         | 14,089  |
| Total                             | 26,350  | 26,350  | -                       | 14,089  |
| <b>Health Case Management:</b>    |         |         |                         |         |
| Salaries and employee benefits    | 38,594  | 38,594  |                         | 94,660  |
| Other operating expenditures      | 2,800   | 2,328   |                         | 1,952   |
| Total                             | 41,394  | 40,922  | 472                     | 96,612  |
| <b>Adult Health:</b>              |         |         |                         |         |
| Salaries and employee benefits    | 389,978 | 389,100 |                         | 356,039 |
| Other operating expenditures      | 106,605 | 105,767 |                         | 91,493  |
| Capital outlay                    | -       | -       |                         | 13,850  |
| Total                             | 496,583 | 494,867 | 1,716                   | 461,382 |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                      | 2017    |         | Variance<br>Over /Under | 2016    |
|--------------------------------------|---------|---------|-------------------------|---------|
|                                      | Budget  | Actual  |                         | Actual  |
| <b>Health Care Connection:</b>       |         |         |                         |         |
| Salaries and employee benefits       | 96,360  | 96,360  |                         | 123,318 |
| Other operating expenditures         | 51,504  | 51,504  |                         | 51,504  |
| Total                                | 147,864 | 147,864 | -                       | 174,822 |
| <b>Communicable Disease:</b>         |         |         |                         |         |
| Salaries and employee benefits       | 8,900   | 8,892   |                         | 9,364   |
| Other operating expenditures         | 7,293   | 2,293   |                         | 6,793   |
| Total                                | 16,193  | 11,185  | 5,008                   | 16,157  |
| <b>Comprehensive Cancer Control:</b> |         |         |                         |         |
| Salaries and employee benefits       | 4,000   | 3,739   |                         | 139     |
| Other operating expenditures         | 32,190  | 19,492  |                         | 18,608  |
| Total                                | 36,190  | 23,231  | 12,959                  | 18,747  |
| <b>Family Planning:</b>              |         |         |                         |         |
| Salaries and employee benefits       | 115,000 | 112,009 |                         | 97,340  |
| Other operating expenditures         | 60,455  | 55,359  |                         | 60,258  |
| Total                                | 175,455 | 167,368 | 8,087                   | 157,598 |
| <b>Health Diabetes Grant:</b>        |         |         |                         |         |
| Salaries and employee benefits       | 110,000 | 109,326 |                         | 44,019  |
| Other operating expenditures         | 31,250  | 28,757  |                         | 71,738  |
| Total                                | 141,250 | 138,083 | 3,167                   | 115,757 |
| <b>Health Promotion:</b>             |         |         |                         |         |
| Salaries and employee benefits       | 41,000  | 40,717  |                         | 38,416  |
| Other operating expenditures         | 7,550   | 7,532   |                         | 6,670   |
| Total                                | 48,550  | 48,249  | 301                     | 45,086  |
| <b>Drug Overdose Prevention:</b>     |         |         |                         |         |
| Operating expenditures               | 6,000   | 2,272   | 3,728                   | -       |

**WILKES COUNTY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2017**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

|                                    | <u>2017</u>    |                | <u>Variance<br/>Over /Under</u> | <u>2016</u>    |
|------------------------------------|----------------|----------------|---------------------------------|----------------|
|                                    | <u>Budget</u>  | <u>Actual</u>  |                                 | <u>Actual</u>  |
| <b>Mesh Units - Schools:</b>       |                |                |                                 |                |
| Salaries and employee benefits     | 150,000        | 149,485        |                                 | 145,211        |
| Other operating expenditures       | 37,650         | 29,117         |                                 | 25,702         |
| Total                              | <u>187,650</u> | <u>178,602</u> | 9,048                           | <u>170,913</u> |
| <b>Health-Brenner Fit:</b>         |                |                |                                 |                |
| Other operating expenditures       | -              | -              | -                               | 2,740          |
| <b>Wilkes Dental Clinic:</b>       |                |                |                                 |                |
| Other operating expenditures       | 1,800,000      | 1,629,491      | 170,509                         | 1,344,122      |
| <b>Maternal Clinic:</b>            |                |                |                                 |                |
| Salaries and employee benefits     | 6,200          | 6,115          |                                 | 18,952         |
| Other operating expenditures       | 2,189          | 2,189          |                                 | 957            |
| Total                              | <u>8,389</u>   | <u>8,304</u>   | 85                              | <u>19,909</u>  |
| <b>Infant Mortality Reduction:</b> |                |                |                                 |                |
| Other operating expenditures       | 59,610         | 50,493         |                                 | 53,663         |
| Total                              | <u>59,610</u>  | <u>50,493</u>  | 9,117                           | <u>53,663</u>  |
| <b>MCC and MOW:</b>                |                |                |                                 |                |
| Salaries and employee benefits     | 108,000        | 107,603        |                                 | 100,768        |
| Other operating expenditures       | 3,200          | 3,189          |                                 | 2,008          |
| Total                              | <u>111,200</u> | <u>110,792</u> | 408                             | <u>102,776</u> |
| <b>Child Health:</b>               |                |                |                                 |                |
| Salaries and employee benefits     | 190,000        | 189,290        |                                 | 189,571        |
| Other operating expenditures       | 48,600         | 48,072         |                                 | 51,738         |
| Total                              | <u>238,600</u> | <u>237,362</u> | 1,238                           | <u>241,309</u> |
| <b>CSC and MOW:</b>                |                |                |                                 |                |
| Salaries and employee benefits     | 100,000        | 76,939         |                                 | 103,716        |
| Other operating expenditures       | 6,200          | 6,128          |                                 | 5,711          |
| Total                              | <u>106,200</u> | <u>83,067</u>  | 23,133                          | <u>109,427</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                      | 2017    |         | Variance<br>Over /Under | 2016    |
|--------------------------------------|---------|---------|-------------------------|---------|
|                                      | Budget  | Actual  |                         | Actual  |
| <b>Women, Infants, and Children:</b> |         |         |                         |         |
| Salaries and employee benefits       | 235,000 | 230,543 |                         | 191,511 |
| Other operating expenditures         | 56,042  | 55,208  |                         | 67,304  |
| Total                                | 291,042 | 285,751 | 5,291                   | 258,815 |
| <b>School Nurse Funding:</b>         |         |         |                         |         |
| Other operating expenditures         | 150,000 | 150,000 | -                       | 150,000 |
| <b>Smart Start:</b>                  |         |         |                         |         |
| Salaries and employee benefits       | 44,983  | 38,665  |                         | 33,041  |
| Other operating expenditures         | 5,390   | 4,924   |                         | 4,761   |
| Total                                | 50,373  | 43,589  | 6,784                   | 37,802  |
| <b>Wilkes County Health Center</b>   |         |         |                         |         |
| Salaries                             | 231,817 | -       |                         | -       |
| Operating expenditures               | 41,432  | 22,317  |                         | -       |
| Total                                | 273,249 | 22,317  | 250,932                 | -       |
| <b>HIV &amp; STD:</b>                |         |         |                         |         |
| Salaries and employee benefits       | 36,000  | 35,486  |                         | 37,683  |
| Other operating expenditures         | 4,784   | 4,784   |                         | 3,562   |
| Total                                | 40,784  | 40,270  | 514                     | 41,245  |
| <b>WIC/BPCP:</b>                     |         |         |                         |         |
| Salaries and employee benefits       | 13,481  | 8,943   |                         | 14,116  |
| Other operating expenditures         | 3,100   | 1,800   |                         | 531     |
| Total                                | 16,581  | 10,743  | 5,838                   | 14,647  |
| <b>Maternal Child Health:</b>        |         |         |                         |         |
| Salaries and employee benefits       | -       | -       |                         | 2,106   |
| Total                                | -       | -       | -                       | 2,106   |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|  | 2017      |           | Variance<br>Over /Under | 2016      |
|--|-----------|-----------|-------------------------|-----------|
|  | Budget    | Actual    |                         | Actual    |
| <b>Immunization Action Plan:</b>             |           |           |                         |           |
| Salaries and employee benefits               |           |           |                         |           |
| Other operating expenditures                 | 500       | 500       | -                       | -         |
| Total health                                 | 6,964,467 | 6,294,022 | 670,445                 | 5,809,183 |
| <b>Mental Health:</b>                        |           |           |                         |           |
| Contribution to other agencies               | 538,754   | 537,002   | 1,752                   | 536,294   |
| Total mental health                          | 538,754   | 537,002   | 1,752                   | 536,294   |
| <b>Social Services:</b>                      |           |           |                         |           |
| <b>Administration:</b>                       |           |           |                         |           |
| Salaries and employee benefits               | 6,159,439 | 5,919,741 |                         | 5,587,255 |
| Other operating expenditures                 | 522,422   | 427,846   |                         | 427,257   |
| Capital outlay                               | 48,971    | 48,020    |                         | 83,941    |
| Total  | 6,730,832 | 6,395,607 | 335,225                 | 6,098,453 |
| <b>Medicaid Program:</b>                     |           |           |                         |           |
| County participation only                    | 1,993,500 | 1,550,901 |                         | 1,590,344 |
| Total  | 1,993,500 | 1,550,901 | 442,599                 | 1,590,344 |
| <b>Food Stamps Program:</b>                  |           |           |                         |           |
| Other operating expenditures                 | 504,221   | 443,652   |                         | 648,372   |
| Total  | 504,221   | 443,652   | 60,569                  | 648,372   |
| <b>Low Income Energy Assistance Program:</b> |           |           |                         |           |
| Other operating expenditures                 | 351,867   | 338,700   | 13,167                  | 357,900   |
| <b>WorkFirst:</b>                            |           |           |                         |           |
| Contract services                            | 190,000   | 90,198    |                         | 112,321   |
| Total  | 190,000   | 90,198    | 99,802                  | 112,321   |

**WILKES COUNTY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2017**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

|                                  | <u>2017</u>       |                   |                                 | <u>2016</u>       |
|----------------------------------|-------------------|-------------------|---------------------------------|-------------------|
|                                  | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Over /Under</u> | <u>Actual</u>     |
| <b>Daycare Operations:</b>       |                   |                   |                                 |                   |
| Contract services                | 1,997,453         | 1,804,961         |                                 | 1,908,424         |
| Total                            | <u>1,997,453</u>  | <u>1,804,961</u>  | 192,492                         | <u>1,908,424</u>  |
| <b>In-Home Service:</b>          |                   |                   |                                 |                   |
| Other operating expenditures     | 56,000            | 21,295            |                                 | 11,474            |
| Total                            | <u>56,000</u>     | <u>21,295</u>     | 34,705                          | <u>11,474</u>     |
| <b>Foster Care:</b>              |                   |                   |                                 |                   |
| Salaries and employee benefits   | 6,459             | 2,600             |                                 | 2,930             |
| Other operating expenditures     | 4,079,146         | 2,908,109         |                                 | 2,734,094         |
| Total                            | <u>4,085,605</u>  | <u>2,910,709</u>  | 1,174,896                       | <u>2,737,024</u>  |
| <b>Other Assistance:</b>         |                   |                   |                                 |                   |
| Other operating expenditures     | 112,500           | 64,924            |                                 | 59,256            |
| Total                            | <u>112,500</u>    | <u>64,924</u>     | 47,576                          | <u>59,256</u>     |
| Total social services            | <u>16,021,978</u> | <u>13,620,947</u> | 2,401,031                       | <u>13,523,568</u> |
| <b>Other Human Services:</b>     |                   |                   |                                 |                   |
| <b>Veterans Service Officer:</b> |                   |                   |                                 |                   |
| Salaries and employee benefits   | 154,754           | 153,513           |                                 | 166,856           |
| Other operating expenditures     | 12,500            | 9,907             |                                 | 6,808             |
| Total                            | <u>167,254</u>    | <u>163,420</u>    | 3,834                           | <u>173,664</u>    |
| <b>Youth Services:</b>           |                   |                   |                                 |                   |
| Salaries and employee benefits   | 17,331            | 13,703            |                                 | 14,944            |
| Other operating expenditures     | 12,716            | 11,449            |                                 | 16,885            |
| Contributions to other agencies  | 303,559           | 257,585           |                                 | 304,813           |
| Total                            | <u>333,606</u>    | <u>282,737</u>    | 50,869                          | <u>336,642</u>    |
| <b>Senior Citizens Services:</b> |                   |                   |                                 |                   |
| Contributions to other services  | 650,000           | 539,328           | 110,672                         | 518,964           |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|   | 2017       |            | Variance<br>Over /Under | 2016       |
|---|------------|------------|-------------------------|------------|
|   | Budget     | Actual     |                         | Actual     |
| <b>Other Services:</b>                    |            |            |                         |            |
| Contributions to other agencies           | 585,515    | 546,205    | 39,310                  | 528,107    |
| Total other human services                | 1,736,375  | 1,531,690  | 204,685                 | 1,557,377  |
| Total human services                      | 25,261,574 | 21,983,661 | 3,277,913               | 21,426,422 |
| <b>Cultural and Recreation:</b>           |            |            |                         |            |
| <b>Recreation:</b>                        |            |            |                         |            |
| Salaries and employee benefits            | 541,439    | 541,338    |                         | 523,670    |
| Other operating expenditures              | 257,859    | 229,735    |                         | 241,929    |
| Capital outlay                            | -          | -          |                         | 19,000     |
| Total                                     | 799,298    | 771,073    | 28,225                  | 784,599    |
| <b>Libraries:</b>                         |            |            |                         |            |
| Contribution to regional library          | 591,735    | 591,735    | -                       | 561,888    |
| <b>Museums and Art</b>                    |            |            |                         |            |
|   | 34,588     | 34,588     | -                       | 34,588     |
| Total cultural and recreation             | 1,425,621  | 1,397,396  | 28,225                  | 1,381,075  |
| <b>Education:</b>                         |            |            |                         |            |
| Public schools - current expenses         | 11,778,330 | 11,778,330 |                         | 11,746,728 |
| Public schools - capital outlay           | 2,635,713  | 2,090,611  |                         | 1,374,729  |
| Public schools - (lottery) capital outlay | 475,000    | 475,000    |                         | 534,000    |
| Community colleges - current              | 3,700,495  | 3,700,495  |                         | 3,603,373  |
| Community colleges - capital outlay       | 150,000    | 150,000    |                         | 150,000    |
| Total education                           | 18,739,538 | 18,194,436 | 545,102                 | 17,408,830 |
| <b>Debt Service:</b>                      |            |            |                         |            |
| Principal retirement                      | 3,460,585  | 3,460,584  |                         | 3,410,173  |
| Interest and fees                         | 1,386,916  | 1,386,328  |                         | 1,012,554  |
| Bond Issuance costs                       | -          | -          |                         | 310,371    |
| Advance refunding escrow                  | -          | -          |                         | 567,598    |
| Total debt service                        | 4,847,501  | 4,846,912  | 589                     | 5,300,696  |

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|  | <u>2017</u>        |                      |                                 | <u>2016</u>          |
|--|--------------------|----------------------|---------------------------------|----------------------|
|  | <u>Budget</u>      | <u>Actual</u>        | <u>Variance<br/>Over /Under</u> | <u>Actual</u>        |
| Total expenditures                     | <u>77,056,153</u>  | <u>71,391,657</u>    | <u>5,664,496</u>                | <u>71,270,412</u>    |
| Revenues over (under) expenditures     | <u>(2,554,885)</u> | <u>2,886,329</u>     | <u>5,441,214</u>                | <u>105,728</u>       |
| <b>Other Financing Sources (Uses):</b> |                    |                      |                                 |                      |
| Transfers in                           | 37,380             | 37,380               | -                               | 404,628              |
| Transfers out                          | (127,938)          | (127,938)            | -                               | (406,780)            |
| Sale of capital assets                 | 21,000             | 85,054               | 64,054                          | 14,958               |
| Premium on debt issued                 | -                  | -                    | -                               | 2,136,204            |
| Refunding debt issued                  | -                  | -                    | -                               | 24,425,000           |
| Payment to refunding bond escrow agent | -                  | -                    | -                               | (26,250,833)         |
| Appropriated fund balance              | <u>2,624,443</u>   | <u>-</u>             | <u>(2,624,443)</u>              | <u>-</u>             |
| Total other financing sources (uses)   | <u>2,554,885</u>   | <u>(5,504)</u>       | <u>(2,560,389)</u>              | <u>323,177</u>       |
| Net change in fund balance             | <u>\$ -</u>        | <u>2,880,825</u>     | <u>\$ 2,880,825</u>             | <u>428,905</u>       |
| <b>Fund Balance:</b>                   |                    |                      |                                 |                      |
| Beginning of year - July 1             |                    | <u>29,171,954</u>    |                                 | <u>28,743,049</u>    |
| End of year - June 30                  |                    | <u>\$ 32,052,779</u> |                                 | <u>\$ 29,171,954</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|  | 2017             |                  |                        | 2016             |
|--|------------------|------------------|------------------------|------------------|
|  | Budget           | Actual           | Variance<br>Over/Under | Actual           |
| <b>Revenues:</b>                       |                  |                  |                        |                  |
| Ad valorem taxes                       | \$ 3,451,069     | \$ 3,388,198     | \$ (62,871)            | \$ 3,198,723     |
| Total revenues                         | <u>3,451,069</u> | <u>3,388,198</u> | <u>(62,871)</u>        | <u>3,198,723</u> |
| <b>Expenditures:</b>                   |                  |                  |                        |                  |
| Public safety:                         |                  |                  |                        |                  |
| Tax collection fees                    | 16,008           | 15,976           | 32                     | 14,006           |
| Distribution to fire districts         | <u>3,435,061</u> | <u>3,375,375</u> | <u>59,686</u>          | <u>3,178,732</u> |
| Total expenditures                     | <u>3,451,069</u> | <u>3,391,351</u> | <u>59,718</u>          | <u>3,192,738</u> |
| Revenues over (under) expenditures     | -                | (3,153)          | (3,153)                | 5,985            |
| <b>Other Financing Sources (Uses):</b> |                  |                  |                        |                  |
| Transfers in                           | -                | -                | -                      | 21,023           |
| Total other financing sources (uses)   | -                | -                | -                      | <u>21,023</u>    |
| Net change in fund balance             | <u>\$ -</u>      | <u>(3,153)</u>   | <u>\$ (3,153)</u>      | 27,008           |
| <b>Fund Balance:</b>                   |                  |                  |                        |                  |
| Beginning of year - July 1             |                  | <u>27,008</u>    |                        | -                |
| End of year - June 30                  |                  | <u>\$ 23,855</u> |                        | <u>\$ 27,008</u> |

## WILKES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

|                                | <b>Total<br/>Nonmajor<br/>Special<br/>Revenue<br/>Funds</b> | <b>Total<br/>Nonmajor<br/>Capital<br/>Project<br/>Fund</b> | <b>Total</b>      |
|--------------------------------|---|--|-------------------|
| <b>Assets:</b>                 |   |  |                   |
| Cash and cash equivalents      | \$ 421,533  | \$ -   | \$ 421,533        |
| Due from other governments     | <u>30,474</u>   | <u>-</u>   | <u>30,474</u>     |
| Total assets                   | <u>\$ 452,007</u>   | <u>\$ -</u>  | <u>\$ 452,007</u> |
| <b>Fund Balances:</b>          |   |  |                   |
| Restricted:                    |   |  |                   |
| Stabilization by State statute | \$ 30,474   | \$ -   | \$ 30,474         |
| Restricted, all other          | <u>421,533</u>  | <u>-</u>   | <u>421,533</u>    |
| Total fund balances            | <u>\$ 452,007</u>   | <u>\$ -</u>  | <u>\$ 452,007</u> |

## WILKES, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2017**

|  | <u>Nonmajor</u>                      |                                     | <u>Total</u>      |
|--|--------------------------------------|-------------------------------------|-------------------|
|  | <u>Special<br/>Revenue<br/>Funds</u> | <u>Capital<br/>Project<br/>Fund</u> |                   |
| <b>Revenues:</b>                       |                                      |                                     |                   |
| Sales and services                     | \$ 262,503                           | \$ -                                | \$ 262,503        |
| Investment earnings                    | 1,871                                | -                                   | 1,871             |
| Total revenues                         | <u>264,374</u>                       | <u>-</u>                            | <u>264,374</u>    |
| <b>Expenditures:</b>                   |                                      |                                     |                   |
| Public safety                          | <u>675,103</u>                       | <u>-</u>                            | <u>675,103</u>    |
| Revenues over (under) expenditures     | (410,729)                            | -                                   | (410,729)         |
| <b>Other Financing Sources (Uses):</b> |                                      |                                     |                   |
| Transfers out                          | <u>-</u>                             | <u>(37,380)</u>                     | <u>(37,380)</u>   |
| Net change in fund balances            | (410,729)                            | (37,380)                            | (448,109)         |
| <b>Fund Balances:</b>                  |                                      |                                     |                   |
| Beginning of year - July 1             | <u>862,736</u>                       | <u>37,380</u>                       | <u>900,116</u>    |
| End of year - June 30                  | <u>\$ 452,007</u>                    | <u>\$ -</u>                         | <u>\$ 452,007</u> |

## WILKES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017

|                                | <b>Law<br/>Enforcement<br/>Restricted<br/>Fund</b> | <b>Wireless<br/>E-911<br/>Telephone<br/>System<br/>Fund</b> | <b>Total</b>            |
|--------------------------------|--|---|-------------------------|
|                                | <u>          </u>                                  | <u>          </u>   | <u>          </u>       |
| <b>Assets:</b>                 |  |   |                         |
| Cash and cash equivalents      | \$ 5,050   | \$ 416,483  | \$ 421,533              |
| Due from other governments     | <u>          -</u>                                 | <u>          30,474</u>                                     | <u>          30,474</u> |
| <br>Total assets               | <br><u>\$ 5,050</u>                                | <br><u>\$ 446,957</u>                                       | <br><u>\$ 452,007</u>   |
| <br><b>Fund Balances:</b>      |  |   |                         |
| Restricted:                    |  |   |                         |
| Stabilization by State statute | -  | 30,474  | 30,474                  |
| Restricted, all other          | <u>5,050</u>                                       | <u>416,483</u>  | <u>421,533</u>          |
| <br>Total fund balances        | <br><u>\$ 5,050</u>                                | <br><u>\$ 446,957</u>                                       | <br><u>\$ 452,007</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, 2017**

|                                    | <b>Law<br/>Enforcement<br/>Restricted<br/>Fund</b> | <b>E-911<br/>Telephone<br/>System<br/>Fund</b> | <b>Total</b>      |
|------------------------------------|--|--|-------------------|
| <b>Revenues:</b>                   |  |  |                   |
| Sales and services                 | \$ -   | \$ 262,503                                     | \$ 262,503        |
| Investment earnings                | <u>13</u>  | <u>1,858</u>                                   | <u>1,871</u>      |
| Total revenues                     | <u>13</u>  | <u>264,361</u>                                 | <u>264,374</u>    |
| <b>Expenditures:</b>               |  |  |                   |
| Public safety                      | <u>-</u>   | <u>675,103</u>                                 | <u>675,103</u>    |
| Total expenditures                 | <u>-</u>   | <u>675,103</u>                                 | <u>675,103</u>    |
| Revenues over (under) expenditures | 13   | (410,742)                                      | (410,729)         |
| <b>Fund Balances:</b>              |  |  |                   |
| Beginning of year - July 1         | <u>5,037</u>                                       | <u>857,699</u>                                 | <u>862,736</u>    |
| End of year - June 30              | <u>\$ 5,050</u>                                    | <u>\$ 446,957</u>                              | <u>\$ 452,007</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, 2017**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

|  | <u>2017</u>   |               |                                | <u>2016</u>   |
|--|---------------|---------------|--------------------------------|---------------|
|  | <u>Budget</u> | <u>Actual</u> | <u>Variance<br/>Over/Under</u> | <u>Actual</u> |
| <b>Revenues:</b>                       |               |               |                                |               |
| Investment earnings                    | \$ -          | \$ 13         | \$ 13                          | \$ 12         |
| <b>Expenditures:</b>                   |               |               |                                |               |
| Public safety:                         |               |               |                                |               |
| Law enforcement restricted             | 5,000         | -             | 5,000                          | 23,503        |
| Revenues over (under) expenditures     | (5,000)       | 13            | 5,013                          | (23,491)      |
| <b>Other Financing Sources (Uses):</b> |               |               |                                |               |
| Appropriated fund balance              | 5,000         | -             | (5,000)                        | -             |
| Net change in fund balance             | \$ -          | 13            | \$ 13                          | (23,491)      |
| <b>Fund Balance:</b>                   |               |               |                                |               |
| Beginning of year - July 1             |               | 5,037         |                                | 28,528        |
| End of year - June 30                  |               | \$ 5,050      |                                | \$ 5,037      |

## 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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

|  | 2017           |                   |                          | 2016              |
|--|----------------|-------------------|--------------------------|-------------------|
|  | Budget         | Actual            | Variance<br>Over/(Under) | Actual            |
| <b>Revenues:</b>                       |                |                   |                          |                   |
| E-911 telephone surcharge              | \$ 289,503     | \$ 262,503        | \$ (27,000)              | \$ 504,897        |
| Investment earnings                    | 500            | 1,858             | 1,358                    | 838               |
| Total revenues                         | <u>290,003</u> | <u>264,361</u>    | <u>(25,642)</u>          | <u>505,735</u>    |
| <b>Expenditures:</b>                   |                |                   |                          |                   |
| Public safety:                         |                |                   |                          |                   |
| Other operating expenditures           | 690,003        | 675,103           | 14,900                   | 403,994           |
| Capital outlay                         | <u>300,000</u> | <u>-</u>          | <u>300,000</u>           | <u>-</u>          |
| Total expenditures                     | <u>990,003</u> | <u>675,103</u>    | <u>314,900</u>           | <u>403,994</u>    |
| Revenues over (under) expenditures     | (700,000)      | (410,742)         | 289,258                  | 101,741           |
| <b>Other Financing Sources (Uses):</b> |                |                   |                          |                   |
| Appropriated fund balance              | <u>700,000</u> | <u>-</u>          | <u>(700,000)</u>         | <u>-</u>          |
| Net change in fund balance             | <u>\$ -</u>    | <u>(410,742)</u>  | <u>\$ (410,742)</u>      | <u>101,741</u>    |
| <b>Fund Balance:</b>                   |                |                   |                          |                   |
| Beginning of year - July 1             |                | <u>857,699</u>    |                          | <u>755,958</u>    |
| End of year - June 30                  |                | <u>\$ 446,957</u> |                          | <u>\$ 857,699</u> |

## 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, 2017

|  | <u>Project<br/>Authorization</u> | <u>Prior<br/>Years</u> | <u>Actual</u>           |                          | <u>Variance<br/>Over/(Under)</u> |
|--|----------------------------------|------------------------|-------------------------|--------------------------|----------------------------------|
|  |                                  |                        | <u>Current<br/>Year</u> | <u>Total to<br/>Date</u> |                                  |
| <b>Revenues:</b>                       |                                  |                        |                         |                          |                                  |
| Restricted intergovernmental:          |                                  |                        |                         |                          |                                  |
| Total revenues                         | \$ 975,029                       | \$ 975,028             | \$ -                    | \$ 975,028               | \$ (1)                           |
| <b>Expenditures:</b>                   |                                  |                        |                         |                          |                                  |
| Economic development:                  |                                  |                        |                         |                          |                                  |
| Administration                         | 23,925                           | 23,924                 | -                       | 23,924                   | 1                                |
| Project construction                   | 913,724                          | 913,724                | -                       | 913,724                  | -                                |
| Total expenditures                     | 937,649                          | 937,648                | -                       | 937,648                  | 1                                |
| Revenues over (under) expenditures     | 37,380                           | 37,380                 | -                       | 37,380                   | -                                |
| <b>Other Financing Sources (Uses):</b> |                                  |                        |                         |                          |                                  |
| Transfers to other funds               | (37,380)                         | -                      | (37,380)                | (37,380)                 | -                                |
| Net change in fund balance             | <u>\$ -</u>                      | <u>\$ 37,380</u>       | <u>\$ (37,380)</u>      | <u>\$ 37,380</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, 2017

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|                                | 2017             |                  |                          | 2016             |
|--------------------------------|------------------|------------------|--------------------------|------------------|
|                                | Budget           | Actual           | Variance<br>Over/(Under) | Actual           |
| <b>Revenues:</b>               |                  |                  |                          |                  |
| Operating revenues:            |                  |                  |                          |                  |
| Charges for services:          |                  |                  |                          |                  |
| Sales                          | \$ 890,078       | \$ 760,403       | \$ (129,675)             | \$ 706,881       |
| Rents                          | 115,000          | 128,570          | 13,570                   | 85,470           |
| Other operating revenues       | 5,550            | 4,243            | (1,307)                  | 7,182            |
| Total operating revenues       | <u>1,010,628</u> | <u>893,216</u>   | <u>(117,412)</u>         | <u>799,533</u>   |
| Non-operating revenues:        |                  |                  |                          |                  |
| Restricted intergovernmental   | 2,476,804        | 329,281          | (2,147,523)              | 2,715,494        |
| Investment income              | -                | 480              | 480                      | -                |
| Total non-operating revenues   | <u>2,476,804</u> | <u>329,761</u>   | <u>(2,147,043)</u>       | <u>2,715,494</u> |
| Total revenues                 | <u>3,487,432</u> | <u>1,222,977</u> | <u>(2,264,455)</u>       | <u>3,515,027</u> |
| <b>Expenditures:</b>           |                  |                  |                          |                  |
| Airport operations:            |                  |                  |                          |                  |
| Salaries and employee benefits | 173,418          | 168,389          | 5,029                    | 159,832          |
| Fuel and oil purchases         | 612,325          | 472,598          | 139,727                  | 424,700          |
| Other operating expenditures   | 201,610          | 181,432          | 20,178                   | 87,158           |
| Capital outlay                 | 23,275           | 23,275           | -                        | 70,275           |
| Airport capital projects:      |                  |                  |                          |                  |
| Construction                   | <u>2,604,742</u> | <u>80,186</u>    | <u>2,524,556</u>         | <u>3,517,975</u> |
| Total expenditures             | <u>3,615,370</u> | <u>925,880</u>   | <u>2,689,490</u>         | <u>4,259,940</u> |

WILKES COUNTY, NORTH CAROLINA

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|  | 2017      |            |                          | 2016         |
|--|-----------|------------|--------------------------|--------------|
|  | Budget    | Actual     | Variance<br>Over/(Under) | Actual       |
| Revenues over (under) expenditures   | (127,938) | 297,097    | 425,035                  | (744,913)    |
| <b>Other Financing Sources (Uses):</b>   |           |            |                          |              |
| Transfers in   | 127,938   | 127,938    | -                        | 385,757      |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ -      | \$ 425,035 | \$ 425,035               | \$ (359,156) |

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

|  |              |
|--|--------------|
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ 425,035   |
| Reconciling items:   |              |
| Depreciation   | (658,290)    |
| Capital outlay   | 103,461      |
| Decrease in deferred outflows of resources - pensions                                      | 28,521       |
| Increase in net pension liability  | (34,032)     |
| Decrease in deferred inflows of resources - pensions                                       | 3,101        |
| Change in accrual for unfunded OPEB  | (9,401)      |
| Change in accrual for compensated absences   | (871)        |
| Total reconciling items  | (567,511)    |
| Change in net position   | \$ (142,476) |

WILKES COUNTY, NORTH CAROLINA

LANDFILL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|  | 2017             |                  | Variance<br>Over/(Under) | 2016              |
|--|------------------|------------------|--------------------------|-------------------|
|  | Budget           | Actual           |                          | Actual            |
| <b>Revenues:</b>   |                  |                  |                          |                   |
| Operating revenues:  |                  |                  |                          |                   |
| Solid waste charges  | \$ 2,300,274     | \$ 2,223,044     | \$ (77,230)              | \$ 2,261,858      |
| Scrap tire disposal tax  | 10,000           | 45,075           | 35,075                   | 42,685            |
| Other operating revenues   | 197,000          | 221,068          | 24,068                   | 205,670           |
| Total operating revenues   | <u>2,507,274</u> | <u>2,489,187</u> | <u>(18,087)</u>          | <u>2,510,213</u>  |
| Non-operating revenues:  |                  |                  |                          |                   |
| Interest earnings  | <u>1,000</u>     | <u>5,737</u>     | <u>4,737</u>             | <u>1,781</u>      |
| Total revenues   | <u>2,508,274</u> | <u>2,494,924</u> | <u>(13,350)</u>          | <u>2,511,994</u>  |
| <b>Expenditures:</b>   |                  |                  |                          |                   |
| Landfill operations:   |                  |                  |                          |                   |
| Salaries and employee benefits   | 867,217          | 844,712          | 22,505                   | 813,812           |
| Other operating expenditures   | 1,025,100        | 882,594          | 142,506                  | 888,071           |
| Capital outlay   | 679,181          | 655,952          | 23,229                   | 427,074           |
| Total landfill operations  | <u>2,571,498</u> | <u>2,383,258</u> | <u>188,240</u>           | <u>2,128,957</u>  |
| Debt service:  |                  |                  |                          |                   |
| Principal retirement   | 13,000           | 12,991           | 9                        | 153,734           |
| Interest and fees  | <u>13,049</u>    | <u>13,048</u>    | <u>1</u>                 | <u>2,498</u>      |
| Total debt service   | <u>26,049</u>    | <u>26,039</u>    | <u>10</u>                | <u>156,232</u>    |
| Total expenditures   | <u>2,597,547</u> | <u>2,409,297</u> | <u>188,250</u>           | <u>2,285,189</u>  |
| Revenues over (under) expenditures   | <u>(89,273)</u>  | <u>85,627</u>    | <u>174,900</u>           | <u>226,805</u>    |
| <b>Other Financing Sources (Uses):</b>   |                  |                  |                          |                   |
| Transfer out - Landfill Reserve Fund   | (10,727)         | -                | (10,727)                 | -                 |
| Transfer in - Landfill Reserve Fund  | <u>100,000</u>   | <u>-</u>         | <u>100,000</u>           | <u>-</u>          |
| Total other financing sources (uses)   | <u>89,273</u>    | <u>-</u>         | <u>89,273</u>            | <u>-</u>          |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>      | <u>\$ 85,627</u> | <u>\$ 85,627</u>         | <u>\$ 226,805</u> |

**WILKES COUNTY, NORTH CAROLINA**

**LANDFILL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

|  | 2017   |                     | 2016   |
|--|--------|---------------------|--------|
|  | Budget | Actual              | Actual |
|  |        | Variance            |        |
|  |        | Over/(Under)        |        |
| <b>Reconciliation from Budgetary Basis<br/>(Modified Accrual) to Full Accrual:</b>         |        |                     |        |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses |        | \$ 85,627           |        |
| Reconciling items:   |        |                     |        |
| Capital outlay   |        | 655,952             |        |
| Long-term debt principal repayments  |        | 12,991              |        |
| Depreciation   |        | (482,028)           |        |
| Increase in accrued landfill closure/post-closure costs                                    |        | (375,000)           |        |
| (Increase) decrease in deferred outflows of resources - pension                            |        | 127,328             |        |
| Increase in net pension liability  |        | (151,930)           |        |
| Decrease in deferred inflows of resources - pensions                                       |        | 13,844              |        |
| Change in accrual for unfunded OPEB  |        | (29,145)            |        |
| Change in accrual for compensated absences   |        | (4,799)             |        |
| Interest from Landfill Closure and Post-Closure Reserve Fund                               |        | <u>11,286</u>       |        |
| Total reconciling items  |        | <u>(221,501)</u>    |        |
| Change in net position   |        | <u>\$ (135,874)</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, 2017  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

|  | 2017      |           |                        | 2016     |
|--|-----------|-----------|------------------------|----------|
|  | Budget    | Actual    | Variance<br>Over/Under | Actual   |
| <b>Revenues:</b>   |           |           |                        |          |
| Interest earnings  | \$ 3,000  | \$ 11,286 | \$ 8,286               | \$ 4,035 |
| <b>Other Financing Sources (Uses):</b>   |           |           |                        |          |
| Sinking reserve  | (13,727)  | -         | (13,727)               | -        |
| Transfers in   | 10,727    | -         | 10,727                 | -        |
| Transfers out  | (100,000) | -         | (100,000)              | -        |
| Appropriated fund balance  | 100,000   | -         | 100,000                | -        |
| Total other financing sources (uses)   | (3,000)   | -         | (3,000)                | -        |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ -      | \$ 11,286 | \$ 11,286              | \$ 4,035 |

## WILKES COUNTY, NORTH CAROLINA

## AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2017

|   | <u>Balance<br/>July 1, 2016</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance<br/>June 30, 2017</u> |
|---|---------------------------------|---------------------|---------------------|----------------------------------|
| <b>Social Services:</b>                       |                                 |                     |                     |                                  |
| <b>Assets:</b>                                |                                 |                     |                     |                                  |
| Cash and cash equivalents                     | \$ 73,315                       | \$ 203,163          | \$ 204,424          | \$ 72,054                        |
| <b>Liabilities:</b>                           |                                 |                     |                     |                                  |
| Miscellaneous liabilities                     | \$ 73,315                       | \$ 203,163          | \$ 204,424          | \$ 72,054                        |
| <b>Ad Valorem Tax - Other Municipalities:</b> |                                 |                     |                     |                                  |
| <b>Assets:</b>                                |                                 |                     |                     |                                  |
| Cash and cash equivalents                     | \$ 262,594                      | \$ 2,679,617        | \$ 2,526,408        | \$ 415,803                       |
| Taxes receivable                              | 333,115                         | -                   | 31,924              | 301,191                          |
| Total assets                                  | <u>\$ 595,709</u>               | <u>\$ 2,679,617</u> | <u>\$ 2,558,332</u> | <u>\$ 716,994</u>                |
| <b>Liabilities:</b>                           |                                 |                     |                     |                                  |
| Miscellaneous liabilities                     | <u>\$ 595,709</u>               | <u>\$ 2,679,617</u> | <u>\$ 2,558,332</u> | <u>\$ 716,994</u>                |
| <b>Fines and Forfeitures:</b>                 |                                 |                     |                     |                                  |
| <b>Assets:</b>                                |                                 |                     |                     |                                  |
| Cash and cash equivalents                     | \$ -                            | \$ 367,548          | \$ 367,548          | \$ -                             |
| <b>Liabilities:</b>                           |                                 |                     |                     |                                  |
| Miscellaneous liabilities                     | <u>\$ -</u>                     | <u>\$ 367,548</u>   | <u>\$ 367,548</u>   | <u>\$ -</u>                      |
| <b>Total All Agency Funds:</b>                |                                 |                     |                     |                                  |
| <b>Assets:</b>                                |                                 |                     |                     |                                  |
| Cash and cash equivalents                     | \$ 335,909                      | \$ 3,250,328        | \$ 3,098,380        | \$ 487,857                       |
| Taxes receivable                              | 333,115                         | -                   | 31,924              | 301,191                          |
| Total assets                                  | <u>\$ 669,024</u>               | <u>\$ 3,250,328</u> | <u>\$ 3,130,304</u> | <u>\$ 789,048</u>                |
| <b>Liabilities:</b>                           |                                 |                     |                     |                                  |
| Miscellaneous liabilities                     | \$ 669,024                      | \$ 2,882,780        | \$ 2,762,756        | \$ 789,048                       |
| Intergovernmental payable                     | -                               | 367,548             | 367,548             | -                                |
| Total liabilities                             | <u>\$ 669,024</u>               | <u>\$ 3,250,328</u> | <u>\$ 3,130,304</u> | <u>\$ 789,048</u>                |

## WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2017**

| <u>Fiscal Year</u>  | <u>Uncollected<br/>Balance<br/>July 1, 2016</u> | <u>Additions</u>     | <u>Collections<br/>and Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2017</u> |
|---|---|----------------------|------------------------------------|--|
| 2016-2017   | \$ -  | \$ 36,738,610        | \$ (35,331,848)                    | \$ 1,406,762                                     |
| 2015-2016   | 1,358,240                                       | -                    | (666,538)                          | 691,702  |
| 2014-2015   | 670,549   | -                    | (202,359)                          | 468,190  |
| 2013-2014   | 501,014   | -                    | (116,321)                          | 384,693  |
| 2012-2013   | 403,052   | -                    | (83,589)                           | 319,463  |
| 2011-2012   | 377,817   | -                    | (53,649)                           | 324,168  |
| 2010-2011   | 282,445   | -                    | (45,913)                           | 236,532  |
| 2009-2010   | 159,988   | -                    | (29,042)                           | 130,946  |
| 2008-2009   | 121,621   | -                    | (19,933)                           | 101,688  |
| 2007-2008   | 95,835  | -                    | (11,938)                           | 83,897   |
| 2006-2007   | 72,580  | -                    | (72,580)                           | -  |
| Total   | <u>\$ 4,043,141</u>                             | <u>\$ 36,738,610</u> | <u>\$ (36,633,710)</u>             | <u>4,148,041</u>                                 |
| Less: Allowance for uncollectible accounts - General Fund |   |                      |                                    | <u>(1,102,428)</u>                               |
| Ad valorem taxes receivable, net - General Fund           |   |                      |                                    | <u>\$ 3,045,613</u>                              |
| <b>Reconciliation with Revenues:</b>                      |   |                      |                                    |  |
| Ad valorem taxes - General Fund                           |   |                      |                                    | <u>\$ 36,716,664</u>                             |
| Reconciling items:  |   |                      |                                    |  |
| Penalties and interest collected                          |   |                      |                                    | (440,431)  |
| Discounts taken   |   |                      |                                    | 254,471  |
| Prior year releases and write offs                        |   |                      |                                    | 28,361   |
| Miscellaneous   |   |                      |                                    | 74,645   |
| Total reconciling items                                   |   |                      |                                    | <u>(82,954)</u>                                  |
| Total collections and credits                             |   |                      |                                    | <u>\$ 36,633,710</u>                             |

## WILKES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2017

|   | County-Wide             |         |                      | Total Levy           |                     |
|---|-------------------------|---------|----------------------|----------------------|---------------------|
|   | Property                | Rate    | Amount of            | Property             | Registered          |
|   | Valuation               |         |                      | Levy                 | Excluding           |
|   |                         |         |                      | Registered           | Motor               |
|   |                         |         |                      | Motor                | Motor               |
|   |                         |         |                      | Vehicles             | Vehicles            |
| <b>Original Levy:</b>                     |                         |         |                      |                      |                     |
| Property taxed at current year's rate     | \$ 6,120,402,279        | \$ 0.67 | \$ 36,479,833        | \$ 32,413,765        | \$ 4,066,068        |
| Penalties                                 | -                       |         | 36,961               | 23,355               | 13,606              |
| Total                                     | <u>6,120,402,279</u>    |         | <u>36,516,794</u>    | <u>32,437,120</u>    | <u>4,079,674</u>    |
| <b>Discoveries:</b>                       |                         |         |                      |                      |                     |
| Current year taxes                        | 38,237,029              | 0.67    | 258,224              | 258,224              | -                   |
| Penalties                                 | -                       |         | 26,292               | 26,292               | -                   |
| Total                                     | <u>38,237,029</u>       |         | <u>284,516</u>       | <u>284,516</u>       | <u>-</u>            |
| <b>Abatements</b>                         | <u>(9,358,209)</u>      | 0.67    | <u>(62,700)</u>      | <u>(62,700)</u>      | <u>-</u>            |
| Total property valuation                  | <u>\$ 6,149,281,099</u> |         |                      |                      |                     |
| <b>Net Levy</b>                           |                         |         | 36,738,610           | 32,658,936           | 4,079,674           |
| Less: Uncollected tax at June 30, 2017    |                         |         | <u>1,406,762</u>     | <u>1,406,762</u>     | <u>-</u>            |
| <b>Current Year's Taxes Collected</b>     |                         |         | <u>\$ 35,331,848</u> | <u>\$ 31,252,174</u> | <u>\$ 4,079,674</u> |
| <b>Current Levy Collection Percentage</b> |                         |         | <u>96.17%</u>        | <u>95.69%</u>        | <u>100.00%</u>      |

**WILKES COUNTY NORTH CAROLINA**

**SECONDARY MARKET DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Assessed Valuation:**

|   |                         |
|---|-------------------------|
| Assessment ratio                                      | 100%                    |
| Real property   | \$ 4,959,756,806        |
| Personal property                                     | 998,180,303             |
| Public service companies                              | <u>191,343,990</u>      |
| Total assessed valuation                              | <u>\$ 6,149,281,099</u> |
| Tax rate per \$100                                    | 0.67                    |
| Levy (includes discoveries, releases, and abatements) | <u>\$ 36,738,610</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, 2017:

|                           |                            |
|---------------------------|----------------------------|
| Fire protection districts | <u><u>\$ 3,021,673</u></u> |
|---------------------------|----------------------------|

**WILKES COUNTY, NORTH CAROLINA**

**TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Taxpayer</u>                    | <u>Type of Business</u>         | <u>2017<br/>Assessed<br/>Valuation</u> | <u>Percentage<br/>of Total<br/>Assessed<br/>Valuation</u> |
|------------------------------------|---------------------------------|--|---|
| Duke Energy Carolinas, LLC         | Utility Company                 | \$ 108,362,297                         | 1.76%   |
| Tyson Farms, Inc.                  | Food processor                  | 58,901,016                             | 0.96%   |
| Lowes Home Center, Inc. #1         | Retail sales                    | 48,618,355                             | 0.79%   |
| Louisiana Pacific                  | Building products manufacturing | 35,844,191                             | 0.58%   |
| Carolina West Wireless Inc.        | Phone company                   | 28,706,047                             | 0.47%   |
| Jed-Wen Inc.                       | Building products manufacturing | 17,094,535                             | 0.28%   |
| James R Vannoy & Sons Construction | Construction Company            | 23,918,583                             | 0.39%   |
| Interflex Group Inc                | Packagin Processing             | 20,903,471                             | 0.34%   |
| Faw, JC                            | Real Estate                     | 23,265,650                             | 0.38%   |
| Elementia USA/Plycem USA           | Building products manufacturing | <u>15,500,351</u>                      | 0.25%   |
| Total                              |                                 | <u>\$ 381,114,496</u>                  | <u>6.20%</u>  |

**WILKES COUNTY, NORTH CAROLINA****EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE  
JUNE 30, 2017**

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   | \$ 446,957               |
| Cumulative prior period revenues and expenditures not reported in the PSAP report<br>(difference in beginning Fund Balance-budget to actual vs. PSAP report) | <u>(4)</u>               |
| Ending balance, PSAP Revenue - Expenditure Report  | <u><u>\$ 446,953</u></u> |

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# 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, 2017, 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 15, 2017.

### **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.

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

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001 that we consider 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Wilkes County's Response to Finding**

Wilkes County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **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 15, 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, 2017. 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, OMB 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, 2017.

## **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 OMB 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 item 2017-002 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 15, 2017

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

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

## **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, 2017. 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, 2017.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the accompanying Schedule of Findings and Questioned Costs as item 2017-002 that we consider to be a material weakness.

Wilkes County's response to the internal control over compliance findings 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 noncompliance 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 15, 2017

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**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? No
- Significant deficiency identified? Yes

Non-compliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified? Yes
- Significant deficiencies identified? No

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:

| <b><u>Program Name</u></b> | <b><u>CFDA#</u></b>    |
|----------------------------|------------------------|
| Medicaid Cluster           | 93.775, 93.777, 93.778 |
| Foster Care Title IV-E     | 93.658                 |
| Adoption Assistance        | 93.659                 |

Dollar threshold used to distinguish between Type A and Type B Programs \$2,550,707

Auditee qualified as low-risk auditee? No

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**State Awards**

Internal control over major State programs:

- Material weaknesses identified? Yes
- Significant deficiencies identified? No

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
- CWS Adoption Subsidy
- Fostercare and Adoption Cluster

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2. Financial Statement Findings**

**Significant Deficiency**

**Finding 2017-001**

**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, 2016-001.

**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 119 in this report.

# WILKES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

### 3. Federal Award Findings and Questioned Costs

#### US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services  
Program Name: Medical Assistance Program (Medicaid; Title XIX)  
CFDA # 93.778  
Grant Number: XIX-MAP17

#### Finding 2017-002

##### Material Weakness

**Criteria:** In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific eligibility standards, and documentation must be maintained to support eligibility determinations. Management should have an adequate system of internal control procedures in place to ensure casefiles are complete for determining eligibility, including residency forms, citizenship verification, and income verification.

**Condition:** Three of the applicant's did not have AVS reports in their file. Upon further review applicants were determined to be eligible.

**Context:** Of the 5,012 casefiles we examined 79 and determined that three (4%) applicant's file did not contain an AVS. Upon further review and examination, the applicant was eligible.

**Effect:** Casefiles could be missing required documentation which would allow benefits to be provided to individuals who were not eligible.

**Cause:** Caseworker failed to obtain an AVS that should have been used in determining eligibility. Caseworker did not properly retain eligibility determination documentation.

**Recommendation:** Caseworker should review and ensure that AVS, reports are obtained during application process and retained in the participant's file.

**Views of Responsible Officials and Planned Corrective Actions:** The County agrees with this finding and will adhere to the correction action plan on page 119 in this audit report.

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**4. State Award Findings and Questioned Costs**

**Finding 2017-002** – Management should have an adequate system of internal control procedures in place to ensure that eligibility documents are obtained and retained in the applicant’s casefile. See more details at Finding 2017-002 in Section III – Federal Award Findings and Questioned Costs.

# COUNTY OF WILKES

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## Wilkes County Corrective Action Plan

June 30, 2017

**Finding:** 2017-001

**Name of Contact Person:** Jerry Shepherd

**Corrective Action:** Management is aware of the weakness, but due to the cost benefit analysis, we 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:** 2017-002

**Name of Contact Person:** Kevin Brown/Jerry Shepherd

**Corrective Action:** Wilkes County Department of Social Services has trained all Medicaid staff on AVS policy- *DMA Administrative Letter No: 03-14, Asset Verification System (AVS)*, which provides guidance for appropriate use of AVS. DSS will continue to include this as part of training for all Medicaid staff.

To monitor compliance, correct use of AVS is part of the mandatory 2<sup>nd</sup> Party Review requirements completed by Medicaid supervisors and lead workers and is listed on the checklist. Results of 2<sup>nd</sup> Party Reviews for Medicaid must be submitted to the state Division of Medical Assistance (DMA) once per quarter.

**Proposed Completion Date:** Immediately

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Finding: 2016-001**

**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: 2016-002**

**Status:** Corrected.

**Finding: 2016-003**

**Status:** Corrected.

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

| Grantor / Pass-through Grantor / Program Title  | CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Expenditures      |                   | Passed-through<br>to<br>Subrecipients | Local<br>Expenditures |
|---|----------------|---|-------------------|-------------------|---------------------------------------|-----------------------|
|   |                |   | Federal           | State             |                                       |                       |
| <b>Federal Awards:</b>  |                |   |                   |                   |                                       |                       |
| <b>U.S. Department of Health and Human Services</b>   |                |   |                   |                   |                                       |                       |
| Passed-through the N.C. Department of Health and Human Services   |                |   |                   |                   |                                       |                       |
| <b>Division of Social Services:</b>   |                |   |                   |                   |                                       |                       |
| Child Support Enforcement - Administration  | 93.563         | 1704NC4005                                    | \$ 373,871        | \$ -              | \$ -                                  | \$ -                  |
| Total Child Support Enforcement   |                |   | <u>373,871</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Administration of Children and Families passed through the<br>NC Department of Health and Human Services      |                |   |                   |                   |                                       |                       |
| Temporary Assistance for Needy Families Cluster:  |                |   |                   |                   |                                       |                       |
| Temporary Assistance for Needy Families - Administration  | 93.558         | 1701NCTANF                                    | 317,514           | -                 | -                                     | -                     |
| Temporary Assistance for Needy Families - Direct Benefits   | 93.558         | 1701NCTANF                                    | <u>648,997</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Total Temporary Assistance for Needy Families Cluster   |                |   | <u>966,511</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Foster Care and Adoption Cluster  |                |   |                   |                   |                                       |                       |
| Foster Care Title IV-E:   |                |   |                   |                   |                                       |                       |
| Foster Care Title IV-E - Administration   | 93.658         | 1701NCFOST                                    | 327,258           | 18,392            | -                                     | -                     |
| Foster Care Title IV-E - Direct Benefits  | 93.658         | 1701NCFOST                                    | <u>897,575</u>    | <u>262,357</u>    | <u>-</u>                              | <u>-</u>              |
| Total Foster Care Title IV-E  |                |   | <u>1,224,833</u>  | <u>280,749</u>    | <u>-</u>                              | <u>-</u>              |
| Adoption Assistance:  |                |   |                   |                   |                                       |                       |
| Adoption Assistance - Administration  | 93.659         | 1801NCADPT                                    | 11,949            | -                 | -                                     | -                     |
| Adoption Assistance - Direct Benefit  | 93.659         | 1801NCADPT                                    | <u>912,148</u>    | <u>227,661</u>    | <u>-</u>                              | <u>-</u>              |
| Total Adoption Assistance   |                |   | <u>924,097</u>    | <u>227,661</u>    | <u>-</u>                              | <u>-</u>              |
| Total Foster Care and Adoption Cluster  |                |   | <u>2,148,930</u>  | <u>508,410</u>    | <u>-</u>                              | <u>-</u>              |
| Low-Income Home Energy Assistance:  |                |   |                   |                   |                                       |                       |
| Low-Income Home Energy Assistance - Administration  | 93.568         | G17BINCLIEA                                   | <u>743,084</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Total Low-Income Home Energy Assistance   |                |   | <u>743,084</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Chafee Foster Care Independence Program - Administration  |                |   |                   |                   |                                       |                       |
| Refugee and Entrant Assistance - State Administered Program   | 93.566         | 1701NCRMA                                     | 243               | -                 | -                                     | -                     |
| Refugee and Entrant Assistance - State Administered Program - Direct Payments                                 | 93.566         | 1701NCRMA                                     | <u>1,810</u>      | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Chafee Foster Care Independence Program - Direct Benefit  | 93.674         | 1701NC1420                                    | 21,214            | -                 | -                                     | -                     |
| Social Services Block Grant - Administration  | 93.667         | G1701NCSOSR                                   | <u>338,857</u>    | <u>30,592</u>     | <u>-</u>                              | <u>-</u>              |
| Promoting Safe and Stable Families - Administration   | 93.556         | G1711NCFPCV                                   | <u>63,143</u>     | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Stephanie Tubbs Jones Child Welfare Services Program - Administration   | 93.645         | G1701NCCWSS                                   | <u>21,778</u>     | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Sub total   |                |   | <u>482,224</u>    | <u>39,387</u>     | <u>-</u>                              | <u>-</u>              |
| <b>Administration for Children and Families:</b>  |                |   |                   |                   |                                       |                       |
| Passed through the NC Department of Health and Human Services   |                |   |                   |                   |                                       |                       |
| Subsidized Child Care (Note 4)  |                |   |                   |                   |                                       |                       |
| <b>Child Care Development Fund Cluster</b>  |                |   |                   |                   |                                       |                       |
| <b>Division of Social Services:</b>   |                |   |                   |                   |                                       |                       |
| Child Care Mandatory and Matching Funds of the Child Care and<br>Child Care Development Fund - Administration |                |   |                   |                   |                                       |                       |
| Child Care Development Fund - Administration  | 93.596         | 1701NCRMA                                     | 86,919            | -                 | -                                     | -                     |
| <b>Division of Child Development:</b>   |                |   |                   |                   |                                       |                       |
| Child Care and Development Block Grant  |                |   |                   |                   |                                       |                       |
| Child Care Mandatory and Matching Funds of the Child Care and<br>Child Care and Development Fund -- Mandatory | 93.575         | G1701NCCCDF                                   | <u>525,945</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Child Care Mandatory and Matching Funds of the Child Care and<br>Child Care and Development Fund -- Matching  | 93.596         | G1801NCCCDF                                   | <u>228,084</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Child Care Mandatory and Matching Funds of the Child Care and<br>Child Care and Development Fund -- Matching  | 93.596         | G1801NCCCDF                                   | <u>448,473</u>    | <u>171,675</u>    | <u>-</u>                              | <u>-</u>              |
| Total Child Care Development Fund Cluster   |                |   | <u>1,289,421</u>  | <u>171,675</u>    | <u>-</u>                              | <u>-</u>              |
| Temporary Assistance for Needy Families   |                |   |                   |                   |                                       |                       |
| Foster Care - Title IV-E  | 93.558         | 1701NCTANF                                    | 156,323           | -                 | -                                     | -                     |
| State Appropriations  | 93.658         | 1701NCFOST                                    | <u>18,905</u>     | <u>9,386</u>      | <u>-</u>                              | <u>-</u>              |
| TANF-MOE  |                |   | <u>-</u>          | <u>103,477</u>    | <u>-</u>                              | <u>-</u>              |
| Total Subsidized Child Care Cluster   |                |   | <u>1,464,649</u>  | <u>585,764</u>    | <u>-</u>                              | <u>-</u>              |
| Division of Food and Drug Administration  |                |   |                   |                   |                                       |                       |
| Food and Drug Administration Research   | 93.103         | G-MP 1509-02643                               | <u>19,589</u>     | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Total U.S. Department of Health and Human Services  |                |   | <u>6,198,858</u>  | <u>1,133,561</u>  | <u>-</u>                              | <u>-</u>              |
| <b>U.S. Department of Transportation</b>  |                |   |                   |                   |                                       |                       |
| Federal Aviation Administration   |                |   |                   |                   |                                       |                       |
| Passed through the N.C. Department of Transportation  |                |   |                   |                   |                                       |                       |
| Airport Improvement Program   | 20.106         | 36244.67                                      | <u>244,946</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| Total U.S. Department of Transportation   |                |   | <u>244,946</u>    | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| <b>U.S. Department of Agriculture:</b>  |                |   |                   |                   |                                       |                       |
| Passed-through N.C. Department of Health & Human Services   |                |   |                   |                   |                                       |                       |
| <b>Division of Public Health:</b>   |                |   |                   |                   |                                       |                       |
| Special Supplemental Nutrition Program for<br>Women, Infants, and Children                                    |                |   |                   |                   |                                       |                       |
| Special Supplemental Nutrition Program for Women<br>Infant and Children - Direct Benefit                      | 10.557         | 403 13A2                                      | 341,870           | -                 | -                                     | -                     |
| Total Division of Public Health   | 10.557         | NC700705                                      | <u>1,125,225</u>  | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
|   |                |   | <u>1,467,095</u>  | <u>-</u>          | <u>-</u>                              | <u>-</u>              |
| <b>Health Care Financing Administration:</b>  |                |   |                   |                   |                                       |                       |
| Passed-through the N.C. Department of Health and Human Services   |                |   |                   |                   |                                       |                       |
| <b>Division of Medical Assistance:</b>  |                |   |                   |                   |                                       |                       |
| Medicaid Cluster  |                |   |                   |                   |                                       |                       |
| Direct Benefit Payments:  |                |   |                   |                   |                                       |                       |
| Medical Assistance Program - Direct Benefits<br>Administration:   | 93.778         | XIX-MAP17                                     | 72,754,710        | 38,721,158        | -                                     | -                     |
| Medical Assistance Program - Administration   | 93.778         | XIX-MAP17                                     | <u>1,265,475</u>  | <u>5,015</u>      | <u>-</u>                              | <u>-</u>              |
| Total Medicaid Cluster  |                |   | <u>74,020,185</u> | <u>38,726,173</u> | <u>-</u>                              | <u>-</u>              |

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

| Grantor / Pass-through Grantor / Program Title   | CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Expenditures |            | Passed-through<br>to<br>Subrecipients | Local<br>Expenditures |
|--|----------------|---|--------------|------------|---------------------------------------|-----------------------|
|  |                |   | Federal      | State      |                                       |                       |
| Direct Benefit Payments:   |                |   |              |            |                                       |                       |
| Health Choice  |                |   |              |            |                                       |                       |
| Children's Health Insurance Program - Direct Benefits Administration:  | 93.767         | CHIP17  | 1,817,508    | 12,789     | -                                     | -                     |
| Children's Health Insurance Program - Administration   | 93.767         | CHIP17  | 41,346       | 65         | -                                     | -                     |
| Total Health Choice  |                |   | 1,858,854    | 12,854     | -                                     | -                     |
| Total Division of Medical Assistance   |                |   | 75,879,039   | 38,739,027 | -                                     | -                     |
| <b>U.S. Department of Agriculture:</b>   |                |   |              |            |                                       |                       |
| Passed-through N.C. Department of Health & Human Services  |                |   |              |            |                                       |                       |
| Food and Consumer Service:   |                |   |              |            |                                       |                       |
| <b>Division of Social Services:</b>  |                |   |              |            |                                       |                       |
| Supplemental Nutrition Assistance Program Cluster:   |                |   |              |            |                                       |                       |
| Administration:  |                |   |              |            |                                       |                       |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program   | 10.561         | 175NC406S2514                                 | 361,031      | -          | -                                     | -                     |
| Total Supplemental Nutrition Assistance Program Cluster  |                |   | 361,031      | -          | -                                     | -                     |
| <b>U.S. Department of Justice:</b>   |                |   |              |            |                                       |                       |
| Recovery Act Edward Byrne Justice Assistance Grant   | 16.804         |   | 11,149       | -          | -                                     | -                     |
| Total U.S. Department of Justice   |                |   | 11,149       | -          | -                                     | -                     |
| <b>U.S. Department of Health and Human Services:</b>   |                |   |              |            |                                       |                       |
| <b>Centers for Disease Control and Prevention</b>  |                |   |              |            |                                       |                       |
| Passed-through NC Department of Health and Human Services  |                |   |              |            |                                       |                       |
| Division of Public Health:   |                |   |              |            |                                       |                       |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned  |                |   |              |            |                                       |                       |
| Cooperative Agreements   |                |   |              |            |                                       |                       |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs  | 93.074         | 869 1271 684C                                 | 43,522       | -          | -                                     | -                     |
| Injury Prevention and Control Research and State and Community Based Programs  | 93.116         | 551 1460 272B                                 | 21           | -          | -                                     | -                     |
| Immunization Grants Cooperative Agreements   | 93.136         | 1175 837A DH                                  | 8,423        | -          | -                                     | -                     |
| PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds | 93.268         | 715 1331 613C                                 | 8,454        | -          | -                                     | -                     |
| Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds                    | 93.539         | 067 4399 50                                   | 7,711        | -          | -                                     | -                     |
| State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)  | 93.752         | 1320 310E JS                                  | 14,492       | -          | -                                     | -                     |
| Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)   | 93.757         | 1271586/1271 684                              | 51,710       | -          | -                                     | -                     |
| HIV Prevention Activities - Health Department Based  | 93.758         | 869 1271 684C                                 | 26,707       | -          | -                                     | -                     |
| Assistance Programs for Chronic Disease Prevention and Control   | 93.940         | 610 1311 981D                                 | 3,000        | -          | -                                     | -                     |
| Preventive Health Services - Sexually Transmitted Diseases Control Grants  | 93.945         | 610 1311 462B                                 | 1,075        | -          | -                                     | -                     |
| Preventive Health Services - Sexually Transmitted Diseases Control Grants  | 93.977         | 451 1261 5503                                 | 650          | -          | -                                     | -                     |
| <b>Administration of Children and Families passed through NC Department of Health and Human Services</b>   |                |   |              |            |                                       |                       |
| Division of Social Services:   |                |   |              |            |                                       |                       |
| Temporary Assistance for Needy Families  | 93.558         | 1701NCTANF                                    | 6,841        | -          | -                                     | -                     |
| <b>Health Resources and Service Administration passed through NC Department of Health and Human Services</b>   |                |   |              |            |                                       |                       |
| Division of Public Health  |                |   |              |            |                                       |                       |
| Maternal and Child Health Services Block Grant to the States   | 93.994         | 164 13A1 5700                                 | 108,808      | 34,235     | -                                     | -                     |
| <b>Office of Population Affairs passed through NC Department of Health and Human Services</b>  |                |   |              |            |                                       |                       |
| Office of Population Affairs   |                |   |              |            |                                       |                       |
| Family Planning Services   | 93.217         | 151 13A1 6016                                 | 31,093       | -          | -                                     | -                     |
| Total U.S. Department of Health and Human Services   |                |   | 312,507      | 34,235     | -                                     | -                     |
| <b>Administration of Aging:</b>  |                |   |              |            |                                       |                       |
| Passed-through High Country Council of Governments   |                |   |              |            |                                       |                       |
| <b>Division of Aging:</b>  |                |   |              |            |                                       |                       |
| Aging Cluster:   |                |   |              |            |                                       |                       |
| Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers   | 93.044         | AANCT3SS                                      | 45,943       | 2,703      | 48,646                                | -                     |
| In-Home Services:  |                |   |              |            |                                       |                       |
| Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers   | 93.044         | AANCT3SS                                      | 178,668      | 10,510     | 189,178                               | -                     |
| Congregate Nutrition:  |                |   |              |            |                                       |                       |
| Special Programs for the Aging - Title III, Part C Nutrition Services  | 93.045         | AANCT3CM                                      | 99,663       | 5,863      | 105,526                               | -                     |
| Home Delivered Meals:  |                |   |              |            |                                       |                       |
| Special Programs for the Aging - Title III, Part C Nutrition Services  | 93.045         | AANCT3HD                                      | 185,093      | 10,888     | 195,981                               | -                     |
| Total Aging Cluster  |                |   | 509,367      | 29,964     | 539,331                               | -                     |
| <b>U.S. Department of Homeland Security</b>  |                |   |              |            |                                       |                       |
| Emergency Management Performance Grants  | 97.042         | EMPG-2016-37193                               | 39,584       | -          | -                                     | -                     |
| Total U.S. Department of Homeland Security   |                |   | 39,584       | -          | -                                     | -                     |
| <b>Total Federal Awards</b>  |                |   | 85,023,576   | 39,936,787 | 539,331                               | -                     |
| <b>State Awards:</b>   |                |   |              |            |                                       |                       |
| <b>N.C. Department of Health and Human Services</b>  |                |   |              |            |                                       |                       |
| <b>Division of Social Services:</b>  |                |   |              |            |                                       |                       |
| SC/SA Domiciliary Care Pymt  |                |   |              | 416,037    | -                                     | -                     |
| F/C at Risk Maximization   |                |   |              | 18,003     | -                                     | -                     |
| SFHF Maximization  |                |   |              | 310,404    | -                                     | -                     |
| State Child Welfare/CPS/CS LD  |                |   |              | 54,911     | -                                     | -                     |
| AFDC Incentive/Program Integrity   |                |   |              | 1,499      | -                                     | -                     |
| DCD Smart Start  |                |   |              | 14,913     | -                                     | -                     |
| CWS Adoption Subsidy   |                |   |              | 531,103    | -                                     | -                     |
| SAA/SAD HM 1030  |                |   |              | 25,908     | -                                     | -                     |
| Extended Foster Care Maximization Non Title IV-E   |                |   |              | 3,784      | -                                     | -                     |
| State Foster Home  |                |   |              | 208,917    | -                                     | -                     |
| Total Division of Social Services  |                |   |              | 1,585,479  | -                                     | -                     |

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

| Grantor / Pass-through Grantor / Program Title         | CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Expenditures |               | Passed-through<br>to<br>Subrecipients | Local<br>Expenditures |
|--|----------------|---|--------------|---------------|---------------------------------------|-----------------------|
|  |                |   | Federal      | State         |                                       |                       |
| <b>Division of Public Health</b>                       |                |   |              |               |                                       |                       |
| <b>Other Receipts/State Supported Expenditures</b>     |                |   |              |               |                                       |                       |
| Food and Lodging Fees                                  |                | 874 1153                                      |              | 16,862        | -                                     | -                     |
| Environmental Health                                   |                | 874 1153                                      |              | -             | -                                     | -                     |
| General Aid to Counties                                |                | 110 1161                                      |              | 109,786       | -                                     | -                     |
| General Communicable Disease Control                   |                | 510 1175                                      |              | 2,293         | -                                     | -                     |
| Breast and Cervical Cancer Program                     |                | 452 1320                                      |              | 5,100         | -                                     | -                     |
| Child Health   |                | 351 1271                                      |              | 1,163         | -                                     | -                     |
| HMHC - Family Planning                                 |                | 151 13A1                                      |              | 11,017        | -                                     | -                     |
| Maternal Health (HMHC)                                 |                | 151 13A1                                      |              | 2,958         | -                                     | -                     |
| Women's Health Service Fund                            |                | 151 13A1                                      |              | 2,812         | -                                     | -                     |
| HIV/STD State  |                | 536 1311                                      |              | 100           | -                                     | -                     |
| HIV/STD SSBG Aid                                       |                | 536 1311                                      |              | 400           | -                                     | -                     |
| Sexually Transmitted Diseases                          |                | 894 1311                                      |              | 201           | -                                     | -                     |
| School Health Center                                   |                | 357 1332                                      |              | 45,552        | -                                     | -                     |
| School Nurse Funding Initiative                        |                | 803 1332                                      |              | 256,117       | -                                     | -                     |
| Tuberculosis   |                | 551 1460                                      |              | 2,765         | -                                     | -                     |
| TB Medical Service                                     |                | 554 1460                                      |              | 540           | -                                     | -                     |
| Total Division of Public Health                        |                |   |              | 457,666       | -                                     | -                     |
| Total N.C. Department of Health and Human Services     |                |   |              | 2,043,145     | -                                     | -                     |
| <b>N.C. Department of Administration:</b>              |                |   |              |               |                                       |                       |
| Veterans Service Officer                               |                | DMVA 15/16                                    |              | 2,130         | -                                     | -                     |
| Total N.C. Department of Administration                |                |   |              | 2,130         | -                                     | -                     |
| <b>N.C. Department of Environmental Quality:</b>       |                |   |              |               |                                       |                       |
| Soil & Water Conservation                              |                | G4010029611SSWC                               |              | 25,500        | -                                     | -                     |
| Total N.C. Department of Environmental Quality         |                |   |              | 25,500        | -                                     | -                     |
| <b>N.C. Department of Transportation:</b>              |                |   |              |               |                                       |                       |
| <b>Rural Operating Assistance Program Cluster</b>      |                |   |              |               |                                       |                       |
| Rural General Public                                   |                | DOT-16CL                                      |              | 99,021        | 99,021                                | -                     |
| Elderly and Disabled Transportation                    |                | DOT-16CL                                      |              | 71,490        | 71,490                                | -                     |
| Employment   |                | DOT-16CL                                      |              | 16,879        | 16,879                                | -                     |
| Total Rural Operating Assistance Program Cluster       |                |   |              | 187,390       | 187,390                               | -                     |
| Special Registration Plate - Visitors Center           |                | DOT-13  |              | 92,857        | -                                     | -                     |
| Total N.C. Department of Transportation                |                |   |              | 280,247       | 187,390                               | -                     |
| <b>N.C. Department of Public Instruction:</b>          |                |   |              |               |                                       |                       |
| Public School Building Capital Fund - Lottery Proceeds |                | 7002996                                       |              | 475,000       | 475,000                               | -                     |
| <b>N.C. Department of Public Safety:</b>               |                |   |              |               |                                       |                       |
| JCPC/Youth Grant                                       |                | DPS / JPC 297                                 |              | 186,234       | 186,234                               | -                     |
| JCPC/Psychological Testing                             |                | DPS / JPC 297                                 |              | 1,416         | 1,416                                 | -                     |
| Juvenile Crime Prevention Program                      |                | DPS / JPC 297                                 |              | 2,448         | 2,448                                 | -                     |
| Total N.C. Department of Public Safety:                |                |   |              | 190,098       | 190,098                               | -                     |
| <b>N.C. Department of Commerce</b>                     |                |   |              |               |                                       |                       |
| The One NC Fund  |                | 2013-9811                                     |              | 102,600       | -                                     | -                     |
| Total N.C. Department of Commerce                      |                |   |              | 102,600       | -                                     | -                     |
| <b>Total State Awards</b>                              |                |   |              | 3,118,720     | 852,488                               | -                     |
| <b>Total Federal and State Awards</b>                  |                |   |              | \$ 85,023,576 | \$ 43,055,507                         | \$ 1,391,819          |

**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, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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 Federal Awards (Uniform Guidance) and the State Single Audit 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