

**WILKES COUNTY  
NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**



# WILKES COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows 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 7 to the financial statements, for fiscal year ending June 30, 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 Changes in the Total OPEB Liability and Related Ratios, 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 November 20, 2018 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  
November 20, 2018

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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, 2018. 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

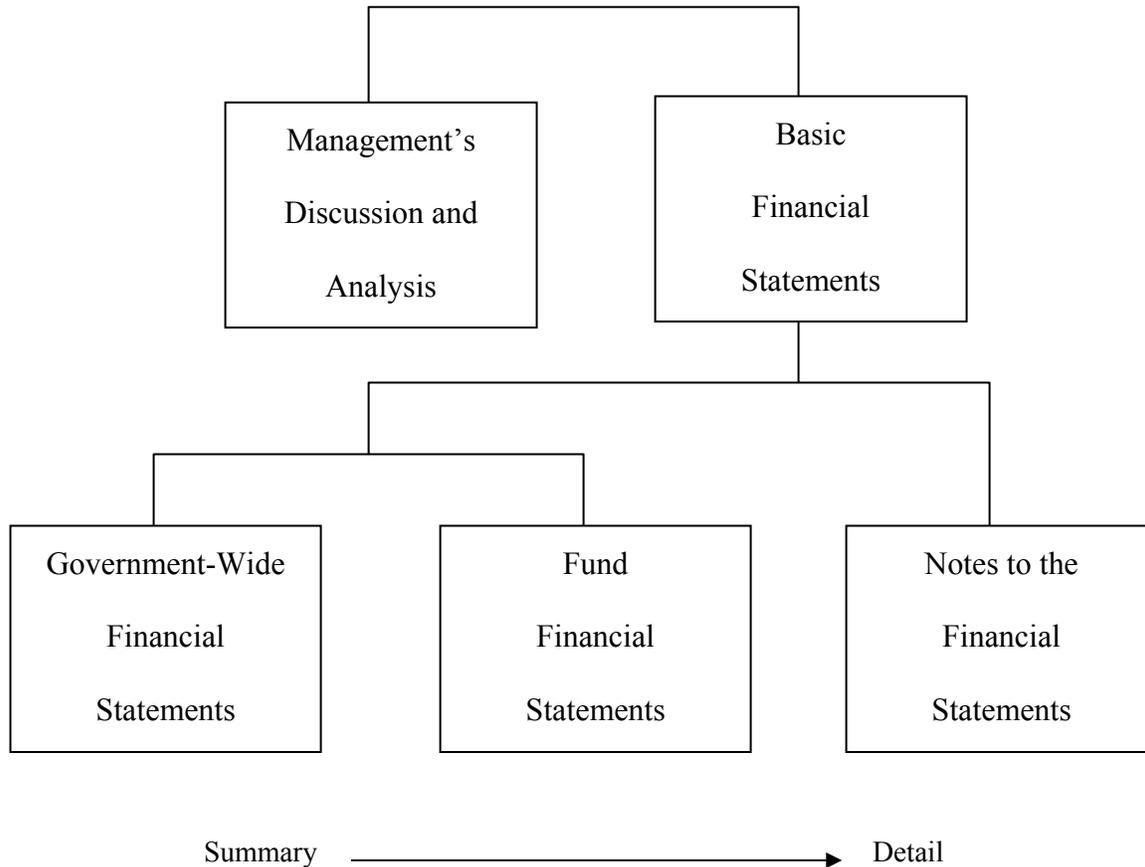
- The assets and deferred outflows of resources of Wilkes County exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,434,771 (*net position*).
- The government's total net position increased by \$5,274,779.
- As of the close of the current fiscal year, Wilkes County's governmental funds reported combined ending fund balances of \$37,066,174. Approximately 15 percent of this total amount, or \$5,606,985, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$25,716,482, or 37 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets:</b>						
Current and other assets	\$ 42,554,684	\$ 38,725,059	\$ 7,023,137	\$ 6,503,390	\$ 49,577,821	\$ 45,228,449
Capital assets, net	35,189,099	35,256,705	20,843,350	21,211,047	56,032,449	56,467,752
Total assets	<u>77,743,783</u>	<u>73,981,764</u>	<u>27,866,487</u>	<u>27,714,437</u>	<u>105,610,270</u>	<u>101,696,201</u>
<b>Deferred Outflows of Resources</b>						
	<u>4,571,657</u>	<u>5,734,252</u>	<u>151,264</u>	<u>200,734</u>	<u>4,722,921</u>	<u>5,934,986</u>
<b>Liabilities:</b>						
Long-term liabilities	71,685,085	52,232,222	9,063,564	7,798,986	80,748,649	60,031,208
Other liabilities	6,393,761	6,813,020	327,990	217,438	6,721,751	7,030,458
Total liabilities	<u>78,078,846</u>	<u>59,045,242</u>	<u>9,391,554</u>	<u>8,016,424</u>	<u>87,470,400</u>	<u>67,061,666</u>
<b>Deferred Inflows of Resources</b>						
	<u>3,297,856</u>	<u>312,219</u>	<u>130,164</u>	<u>8,937</u>	<u>3,428,020</u>	<u>321,156</u>
<b>Net Position:</b>						
Net investment in capital assets	24,796,760	23,883,152	20,843,350	21,211,047	45,640,110	45,094,199
Restricted	5,744,244	4,608,928	-	-	5,744,244	4,608,928
Unrestricted	<u>(29,602,266)</u>	<u>(8,133,525)</u>	<u>(2,347,317)</u>	<u>(1,321,237)</u>	<u>(31,949,583)</u>	<u>(9,454,762)</u>
Total net position	<u>\$ 938,738</u>	<u>\$ 20,358,555</u>	<u>\$ 18,496,033</u>	<u>\$ 19,889,810</u>	<u>\$ 19,434,771</u>	<u>\$ 40,248,365</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 \$19,434,771 as of June 30, 2018. The County's net position increased by \$5,274,779 for the fiscal year ended June 30, 2018. 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, \$5,744,244, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted deficit of \$31,949,583. This deficit is a presentation of the fact that Wilkes County carries \$24,795,000 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 96.45%
- 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**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>						
Program revenues:						
Charges from services	\$ 9,322,650	\$ 10,541,657	\$ 3,820,554	\$ 3,405,678	\$ 13,143,204	\$ 13,947,335
Operating grants and contributions	10,053,727	10,955,695	-	-	10,053,727	10,955,695
Capital grants and contributions	852,286	634,110	293,976	329,281	1,146,262	963,391
General revenues:						
Property taxes	40,781,418	40,070,559	-	-	40,781,418	40,070,559
Local option sales tax	16,409,119	15,575,900	-	-	16,409,119	15,575,900
Other	468,250	262,179	50,450	17,503	518,700	279,682
Total revenues	<u>77,887,450</u>	<u>78,040,100</u>	<u>4,164,980</u>	<u>3,752,462</u>	<u>82,052,430</u>	<u>81,792,562</u>
<b>Expenses:</b>						
General government	7,473,823	10,677,294	-	-	7,473,823	10,677,294
Public safety	21,385,376	20,616,575	-	-	21,385,376	20,616,575
Economic and physical development	1,420,320	1,563,407	-	-	1,420,320	1,563,407
Environmental protection	96,559	157,844	-	-	96,559	157,844
Human services	19,852,090	22,427,649	-	-	19,852,090	22,427,649
Cultural and recreation	1,562,037	1,514,583	-	-	1,562,037	1,514,583
Education	19,209,008	18,194,436	-	-	19,209,008	18,194,436
Interest on long-term debt	1,301,972	1,361,923	-	-	1,301,972	1,361,923
Airport	-	-	1,842,638	1,516,666	1,842,638	1,516,666
Landfill	-	-	2,633,828	2,642,084	2,633,828	2,642,084
Total expenses	<u>72,301,185</u>	<u>76,513,711</u>	<u>4,476,466</u>	<u>4,158,750</u>	<u>76,777,651</u>	<u>80,672,461</u>
Change in net position before transfers	5,586,265	1,526,389	(311,486)	(406,288)	5,274,779	1,120,101
Transfers in (out)	-	(127,938)	-	127,938	-	-
Change in net position	<u>5,586,265</u>	<u>1,398,451</u>	<u>(311,486)</u>	<u>(278,350)</u>	<u>5,274,779</u>	<u>1,120,101</u>
<b>Net Position:</b>						
Net position, beginning	20,358,555	20,205,272	19,889,810	20,168,160	40,248,365	40,373,432
Restatement	(25,006,082)	(1,245,168)	(1,082,291)	-	(26,088,373)	(1,245,168)
Net position, beginning, restated	<u>(4,647,527)</u>	<u>18,960,104</u>	<u>18,807,519</u>	<u>20,168,160</u>	<u>14,159,992</u>	<u>39,128,264</u>
End of year - June 30	<u>\$ 938,738</u>	<u>\$ 20,358,555</u>	<u>\$ 18,496,033</u>	<u>\$ 19,889,810</u>	<u>\$ 19,434,771</u>	<u>\$ 40,248,365</u>

**Governmental Activities.** Governmental activities increased the County's net position by \$5,586,265. Key elements of this increase are as follows:

- Maintaining a collection percentage of 96.45% 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 \$311,486. Key elements of this decrease are as follows:

- Increase in operation expenses at the airport 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 \$31,768,969 while total fund balance reached \$36,346,081. 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 45% of total General Fund expenditures and transfers to other funds, while total fund balance represents 52% of that same amount.

At June 30, 2018, the governmental funds of Wilkes County reported a combined fund balance of \$37,066,174, 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 \$378,770 and \$23,855 for June 30, 2018 and 2017, 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 \$864,679 (1.13%). 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 \$(444,230). Unrestricted net position of the Landfill Fund at the end of the fiscal year totaled \$(1,903,087).

## Capital Asset and Debt Administration

**Capital Assets.** Wilkes County’s capital assets for its governmental and business–type activities as of June 30, 2018 totaled \$56,032,449 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Purchase of equipment for the Landfill of roughly \$630,000
- Working on capital projects at the airport of roughly \$316,000

### Wilkes County’s Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,004,649	\$ 2,004,649	\$ 5,400,945	\$ 5,400,945	\$ 7,405,594	\$ 7,405,594
Buildings	29,723,145	29,923,404	5,031,744	5,031,744	34,754,889	34,955,148
Improvements	8,811,439	7,736,682	22,652,486	22,600,168	31,463,925	30,336,850
Machinery and equipment	13,620,676	13,210,336	5,303,361	4,736,160	18,924,037	17,946,496
Construction in progress	-	-	315,564	-	315,564	-
Total	54,159,909	52,875,071	38,704,100	37,769,017	92,864,009	90,644,088
Accumulated depreciation	<u>(18,970,810)</u>	<u>(17,618,366)</u>	<u>(17,860,750)</u>	<u>(16,557,970)</u>	<u>(36,831,560)</u>	<u>(34,176,336)</u>
Capital assets, net	<u>\$ 35,189,099</u>	<u>\$ 35,256,705</u>	<u>\$ 20,843,350</u>	<u>\$ 21,211,047</u>	<u>\$ 56,032,449</u>	<u>\$ 56,467,752</u>

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

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

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Installment purchase	\$ 33,311,648	\$ 36,763,657	\$ -	\$ -	\$ 33,311,648	\$ 36,763,657

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 \$460,300,000.

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, 2019**

**Governmental Activities.** The General Fund's original adopted revenue budget totals \$79,825,732 which is \$5.3 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 2017-2018 budget. There is an appropriation of \$3.848 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. Chris Huffman, 110 North Street, Wilkesboro, North Carolina 28697, or [chuffman@wilkescounty.net](mailto:chuffman@wilkescounty.net).

## WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 33,837,094	\$ 2,570,281	\$ 36,407,375
Taxes receivable, net	3,139,550	-	3,139,550
Accounts receivable, net	1,351,628	315,850	1,667,478
Due from other governments	3,726,768	306,486	4,033,254
Inventories	-	27,605	27,605
Internal balances	400,000	(400,000)	-
Cash and cash equivalents, restricted	-	4,202,915	4,202,915
Total current assets	42,455,040	7,023,137	49,478,177
Other assets:			
Pension asset, restricted	99,644	-	99,644
Capital assets:			
Land, improvements, and construction in progress	2,004,649	5,716,509	7,721,158
Other capital assets, net	33,184,450	15,126,841	48,311,291
Total assets	77,743,783	27,866,487	105,610,270
<b>Deferred Outflows of Resources:</b>			
Charge on refunding	504,667	-	504,667
OPEB deferrals	585,227	24,384	609,611
Pension deferrals	2,051,360	72,018	2,123,378
Contributions to pension plan	1,430,403	54,862	1,485,265
Total deferred outflows of resources	4,571,657	151,264	4,722,921
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	1,231,320	247,763	1,479,083
Prepaid fees	194,188	-	194,188
Advances from grantors	9,241	-	9,241
Due within one year	4,959,012	80,227	5,039,239
Total current liabilities	6,393,761	327,990	6,721,751
Long-term liabilities:			
Total pension liability - LEOSSA	1,919,108	-	1,919,108
Net pension liability - LGERS	4,291,735	167,688	4,459,423
Total OPEB Liability	32,462,349	1,352,598	33,814,947
Due in more than one year	33,011,893	7,543,278	40,555,171
Total liabilities	78,078,846	9,391,554	87,470,400
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	2,995,635	124,818	3,120,453
Pension deferrals	236,375	5,346	241,721
Prepaid taxes	65,846	-	65,846
Total deferred inflows of resources	3,297,856	130,164	3,428,020
<b>Net Position:</b>			
Net investment in capital assets	24,796,760	20,843,350	45,640,110
Restricted for:			
Stabilization by state statute	4,645,029	-	4,645,029
Crime prevention	174,882	-	174,882
Register of Deeds	134,898	-	134,898
Register of Deeds' pension plan	137,259	-	137,259
Public safety	652,176	-	652,176
Unrestricted	(29,602,266)	(2,347,317)	(31,949,583)
Total net position	\$ 938,738	\$ 18,496,033	\$ 19,434,771

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 7,473,823	\$ 1,530,419	\$ 309,964	\$ 55,851
Public safety	21,385,376	4,630,723	318,239	-
Environmental protection	96,559	156,517	57,500	-
Economic and physical development	1,420,320	-	-	92,857
Human services	19,852,090	2,933,706	9,322,472	-
Cultural and recreational	1,562,037	71,285	-	-
Education	19,209,008	-	45,552	703,578
Interest on long-term debt	1,301,972	-	-	-
Total governmental activities	<u>72,301,185</u>	<u>9,322,650</u>	<u>10,053,727</u>	<u>852,286</u>
<b>Business-Type Activities:</b>				
Landfill	2,633,828	2,776,987	-	-
Airport	1,842,638	1,043,567	-	293,976
Total business-type activities	<u>4,476,466</u>	<u>3,820,554</u>	<u>-</u>	<u>293,976</u>
Total primary government	<u>\$ 76,777,651</u>	<u>\$ 13,143,204</u>	<u>\$ 10,053,727</u>	<u>\$ 1,146,262</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, 2018**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Functions/Programs</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (5,577,589)	\$ -	\$ (5,577,589)
Public safety	(16,436,414)	-	(16,436,414)
Environmental protection	117,458	-	117,458
Economic and physical development	(1,327,463)	-	(1,327,463)
Human services	(7,595,912)	-	(7,595,912)
Cultural and recreational	(1,490,752)	-	(1,490,752)
Education	(18,459,878)	-	(18,459,878)
Interest on long-term debt	(1,301,972)	-	(1,301,972)
Total governmental activities	<u>(52,072,522)</u>	<u>-</u>	<u>(52,072,522)</u>
<b>Business-Type Activities:</b>			
Landfill	-	143,159	143,159
Airport	-	(505,095)	(505,095)
Total business-type activities	<u>-</u>	<u>(361,936)</u>	<u>(361,936)</u>
Total primary government	<u>(52,072,522)</u>	<u>(361,936)</u>	<u>(52,434,458)</u>
<b>General Revenues:</b>			
Ad valorem taxes	40,781,418	-	40,781,418
Local option sales tax	16,409,119	-	16,409,119
Other taxes and licenses	164,324	-	164,324
Investment earnings	303,926	50,450	354,376
Total general revenues	<u>57,658,787</u>	<u>50,450</u>	<u>57,709,237</u>
Change in net position	<u>5,586,265</u>	<u>(311,486)</u>	<u>5,274,779</u>
<b>Net Position:</b>			
Beginning of year - July 1	20,358,555	19,889,810	40,248,365
Restatement	(25,006,082)	(1,082,291)	(26,088,373)
Beginning of year, restated	<u>(4,647,527)</u>	<u>18,807,519</u>	<u>14,159,992</u>
End of year - June 30	<u>\$ 938,738</u>	<u>\$ 18,496,033</u>	<u>\$ 19,434,771</u>

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

**WILKES COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General Fund</u>	<u>Fire District Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 33,012,876	\$ 473,681	\$ 350,537	\$ 33,837,094
Receivables, net	1,351,628	-	-	1,351,628
Taxes receivable, net	2,885,205	254,345	-	3,139,550
Due from other governments	3,658,851	40,225	27,692	3,726,768
Due from other funds	400,000	-	-	400,000
Total assets	<u>\$ 41,308,560</u>	<u>\$ 768,251</u>	<u>\$ 378,229</u>	<u>\$ 42,455,040</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 974,632	\$ 135,136	\$ 36,906	\$ 1,146,674
Prepaid fees	194,188	-	-	194,188
Advance from grantors	9,241	-	-	9,241
Total liabilities	<u>1,178,061</u>	<u>135,136</u>	<u>36,906</u>	<u>1,350,103</u>
<b>Deferred Inflows of Resources</b>	<u>3,784,418</u>	<u>254,345</u>	<u>-</u>	<u>4,038,763</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by state statute	4,577,112	40,225	27,692	4,645,029
Restricted, all other	309,780	338,545	313,631	961,956
Committed	1,919,108	-	-	1,919,108
Assigned:				
Subsequent year's expenditures	3,823,599	-	-	3,823,599
Unassigned	25,716,482	-	-	25,716,482
Total fund balances	<u>36,346,081</u>	<u>378,770</u>	<u>341,323</u>	<u>37,066,174</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,308,560</u>	<u>\$ 768,251</u>	<u>\$ 378,229</u>	

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

**WILKES COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u><b>Total</b></u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Premiums related to debt issuance, net of accumulated amortization, are not a current use of resources and, therefore, are not reported in the funds.	(1,875,691)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,189,099
Net pension asset	99,644
Net pension liability - LGERS	(4,291,735)
Total pension liability - LEOSSA	(1,919,108)
Total OPEB Liability	(32,462,349)
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	1,430,403
Deferred outflows of resources related to pensions are not reported in the funds.	2,051,360
Deferred outflows of resources related to OPEB are not reported in the funds.	585,227
Deferred inflows of resources related to pensions are not reported in the funds.	(236,375)
Deferred inflows of resources related to OPEB are not reported in the funds.	(2,995,635)
Charges related to refunding	504,667
Accrued interest expense	(84,646)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(36,095,214)
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	<u>3,972,917</u>
Net position of governmental activities (Exhibit A)	<u><u>\$ 938,738</u></u>

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

## WILKES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	<b>General Fund</b>	<b>Fire District Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 37,268,758	\$ 3,688,106	\$ -	\$ 40,956,864
Local option sales taxes	16,409,119	-	-	16,409,119
Other taxes and licenses	164,324	-	-	164,324
Unrestricted intergovernmental revenues	307,789	-	-	307,789
Restricted intergovernmental revenues	10,765,937	-	-	10,765,937
Permits and fees	413,976	-	-	413,976
Sales and services	7,151,831	-	429,627	7,581,458
Interest earned on investments	300,947	-	2,979	303,926
Miscellaneous	1,161,244	-	-	1,161,244
Total revenues	<u>73,943,925</u>	<u>3,688,106</u>	<u>432,606</u>	<u>78,064,637</u>
<b>Expenditures:</b>				
Current:				
General government	8,018,315	-	-	8,018,315
Public safety	16,266,872	3,676,902	543,290	20,487,064
Environmental protection	126,365	-	-	126,365
Economic and physical development	1,366,794	-	-	1,366,794
Human services	19,165,816	-	-	19,165,816
Cultural and recreation	1,484,930	-	-	1,484,930
Education	19,209,008	-	-	19,209,008
Debt service:				
Principal repayments	3,452,009	-	-	3,452,009
Interest	1,275,165	-	-	1,275,165
Total expenditures	<u>70,365,274</u>	<u>3,676,902</u>	<u>543,290</u>	<u>74,585,466</u>
Revenues over (under) expenditures	3,578,651	11,204	(110,684)	3,479,171
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	714,651	-	-	714,651
Net change in fund balances	<u>4,293,302</u>	<u>11,204</u>	<u>(110,684)</u>	<u>4,193,822</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	32,052,779	23,855	452,007	32,528,641
Restatement	-	343,711	-	343,711
Beginning of year, restated	<u>32,052,779</u>	<u>367,566</u>	<u>452,007</u>	<u>32,872,352</u>
End of year - June 30	<u>\$ 36,346,081</u>	<u>\$ 378,770</u>	<u>\$ 341,323</u>	<u>\$ 37,066,174</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, 2018**

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) \$ 4,193,822

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:

Property taxes	(175,446)
Sales and services	(1,741)

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.	2,089,097
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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.	(259,618)
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Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,897,085)
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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.	(69,424)
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Change in deferred outflows - pension	(1,772,300)
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Change in deferred inflows - pension	88,566
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Change in net pension asset and liability	1,565,344
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Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	9,792
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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.	3,452,009
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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.	104,205
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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.	(67,929)
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Amortization of deferred charges on refunding	(63,083)
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OPEB plan expense	<u>(1,609,944)</u>
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Total changes in net position of governmental activities	<u>\$ 5,586,265</u>
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*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, 2018

	Budgeted Amounts		Actual	Final Budget Over/(Under)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 36,990,717	\$ 36,990,717	\$ 37,268,758	\$ 278,041
Local option sales tax	15,559,227	15,559,227	16,409,119	849,892
Other taxes and licenses	145,000	145,000	164,324	19,324
Unrestricted intergovernmental revenues	305,000	305,000	307,789	2,789
Restricted intergovernmental revenues	13,493,524	14,027,088	10,765,937	(3,261,151)
Permits and fees	414,500	414,500	413,976	(524)
Sales and services	8,288,102	8,595,849	7,151,831	(1,444,018)
Investment earnings	50,100	50,100	300,947	250,847
Miscellaneous	1,204,950	1,228,318	1,161,244	(67,074)
Total revenues	<u>76,451,120</u>	<u>77,315,799</u>	<u>73,943,925</u>	<u>(3,371,874)</u>
<b>Expenditures:</b>				
General government	9,359,804	8,993,804	8,018,315	975,489
Public safety	17,137,314	17,373,668	16,266,872	1,106,796
Environmental protection	160,000	126,463	126,365	98
Economic and physical development	1,535,922	1,563,922	1,366,794	197,128
Human services	24,888,048	25,475,648	19,165,816	6,309,832
Cultural and recreation	1,512,375	1,513,375	1,484,930	28,445
Education	19,670,020	19,345,020	19,209,008	136,012
Debt service:				
Principal repayments	3,452,009	3,452,009	3,452,009	-
Interest	500,912	1,275,449	1,275,165	284
Total expenditures	<u>78,216,404</u>	<u>79,119,358</u>	<u>70,365,274</u>	<u>8,754,084</u>
Revenues over (under) expenditures	<u>(1,765,284)</u>	<u>(1,803,559)</u>	<u>3,578,651</u>	<u>5,382,210</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	21,000	23,625	714,651	691,026
Appropriated fund balance	1,744,284	1,779,934	-	(1,779,934)
Total other financing sources (uses)	<u>1,765,284</u>	<u>1,803,559</u>	<u>714,651</u>	<u>(1,088,908)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,293,302	<u>\$ 4,293,302</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>32,052,779</u>	
End of year - June 30			<u>\$ 36,346,081</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,713,865	\$ 3,780,865	\$ 3,688,106	\$ (92,759)
<b>Expenditures:</b>				
Public safety:				
Tax collection fees	15,460	15,560	15,511	49
Distribution to fire districts	<u>3,698,405</u>	<u>3,765,305</u>	<u>3,661,391</u>	<u>103,914</u>
Total expenditures	<u>3,713,865</u>	<u>3,780,865</u>	<u>3,676,902</u>	<u>103,963</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>11,204</u>	<u>\$ 11,204</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			23,855	
Restatement			<u>343,711</u>	
Beginning of year, restated			<u>367,566</u>	
End of year - June 30			<u>\$ 378,770</u>	

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

## WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	<b>Major Enterprise Funds</b>		<b>Total</b>
	<b>Landfill Fund</b>	<b>Airport Fund</b>	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 2,548,402	\$ 21,879	\$ 2,570,281
Receivables, net	254,950	60,900	315,850
Inventories	-	27,605	27,605
Due from other governments	58,153	248,333	306,486
Total current assets	<u>2,861,505</u>	<u>358,717</u>	<u>3,220,222</u>
Non-current assets:			
Restricted cash and cash equivalents	4,202,915	-	4,202,915
Capital assets:			
Land, improvements, and construction in progress	2,557,068	3,159,441	5,716,509
Other capital assets, net	3,544,189	11,582,652	15,126,841
Total capital assets	<u>6,101,257</u>	<u>14,742,093</u>	<u>20,843,350</u>
Total non-current assets	<u>10,304,172</u>	<u>14,742,093</u>	<u>25,046,265</u>
Total assets	<u>13,165,677</u>	<u>15,100,810</u>	<u>28,266,487</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	18,288	6,096	24,384
Pension deferrals	64,044	7,974	72,018
Contributions to pension plan	44,565	10,297	54,862
Total deferred outflows of resources	<u>126,897</u>	<u>24,367</u>	<u>151,264</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position:</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	227,491	20,272	247,763
Due to other funds	-	400,000	400,000
Current portion of compensated absences	69,919	10,308	80,227
Net pension liability	141,415	26,273	167,688
Total current liabilities	<u>438,825</u>	<u>456,853</u>	<u>895,678</u>
Non-current liabilities:			
Accrued landfill closure and post-closure care costs	7,520,000	-	7,520,000
Compensated absences - non-current	22,908	370	23,278
Total OPEB liability	1,014,448	338,150	1,352,598
Total non-current liabilities	<u>8,557,356</u>	<u>338,520</u>	<u>8,895,876</u>
Total liabilities	<u>8,996,181</u>	<u>795,373</u>	<u>9,791,554</u>
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	93,614	31,204	124,818
Pension deferrals	4,609	737	5,346
Total deferred inflows of resources	<u>98,223</u>	<u>31,941</u>	<u>130,164</u>
<b>Net Position:</b>			
Net investment in capital assets	6,101,257	14,742,093	20,843,350
Unrestricted	<u>(1,903,087)</u>	<u>(444,230)</u>	<u>(2,347,317)</u>
Total net position	<u>\$ 4,198,170</u>	<u>\$ 14,297,863</u>	<u>\$ 18,496,033</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, 2018

	<b>Major Enterprise Funds</b>		<b>Total</b>
	<b>Landfill Fund</b>	<b>Airport Fund</b>	
<b>Operating Revenues:</b>			
Charges for services	\$ 2,504,780	\$ 937,878	\$ 3,442,658
Rents	-	101,930	101,930
Scrap tire disposal grant	24,980	-	24,980
Other operating revenues	247,227	3,759	250,986
Total operating revenues	<u>2,776,987</u>	<u>1,043,567</u>	<u>3,820,554</u>
<b>Operating Expenses:</b>			
Airport operations	-	1,042,184	1,042,184
Landfill operations	1,834,002	-	1,834,002
Landfill closure and post-closure care costs	285,000	-	285,000
Depreciation	514,826	800,454	1,315,280
Total operating expenses	<u>2,633,828</u>	<u>1,842,638</u>	<u>4,476,466</u>
Operating income (loss)	<u>143,159</u>	<u>(799,071)</u>	<u>(655,912)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest earned on investments	50,145	305	50,450
Insurance reimbursements	-	52,274	52,274
Total non-operating revenues (expenses)	<u>50,145</u>	<u>52,579</u>	<u>102,724</u>
Income (loss) before capital contributions	193,304	(746,492)	(553,188)
Capital contributions	<u>-</u>	<u>241,702</u>	<u>241,702</u>
Change in net position	<u>193,304</u>	<u>(504,790)</u>	<u>(311,486)</u>
<b>Net Position:</b>			
Beginning of year - July 1	4,794,256	15,095,554	19,889,810
Restatement	<u>(789,390)</u>	<u>(292,901)</u>	<u>(1,082,291)</u>
Beginning of year, restated	<u>4,004,866</u>	<u>14,802,653</u>	<u>18,807,519</u>
End of year - June 30	<u>\$ 4,198,170</u>	<u>\$ 14,297,863</u>	<u>\$ 18,496,033</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, 2018

	<b>Major Enterprise Funds</b>		<b>Total</b>
	<b>Landfill Fund</b>	<b>Airport Fund</b>	
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 2,750,984	\$ 1,024,870	\$ 3,775,854
Cash paid for goods and services	(692,376)	(750,289)	(1,442,665)
Cash paid to employees for services	(976,798)	(254,979)	(1,231,777)
Net cash provided (used) by operating activities	<u>1,081,810</u>	<u>19,602</u>	<u>1,101,412</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Other non-operating revenues	-	52,274	52,274
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital grants received	-	25,157	25,157
Acquisition and construction of capital assets	(632,019)	(315,564)	(947,583)
Net cash provided (used) for capital and related financing activities	<u>(632,019)</u>	<u>(290,407)</u>	<u>(922,426)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	50,145	305	50,450
Net increase (decrease) in cash and cash equivalents	499,936	(218,226)	281,710
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	6,251,381	240,105	6,491,486
End of year - June 30	<u>\$ 6,751,317</u>	<u>\$ 21,879</u>	<u>\$ 6,773,196</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 143,159	\$ (799,071)	\$ (655,912)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	514,826	800,454	1,315,280
Landfill closure and post-closure care costs	285,000	-	285,000
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	49,144	6,411	55,555
(Increase) decrease in deferred outflows of resources - pension	73,678	24,560	98,238
(Increase) decrease in deferred outflows of resources - OPEB	(18,288)	(6,096)	(24,384)
Increase (decrease) in net pension liability	(49,422)	(16,474)	(65,896)
Increase (decrease) in deferred inflows of resources - pensions	(2,693)	(898)	(3,591)
(Increase) decrease in inventory	-	23,387	23,387
Increase (decrease) in accounts payable and accrued liabilities	111,819	(1,267)	110,552
Increase (decrease) in OPEB liability	(25,015)	(8,338)	(33,353)
Increase (decrease) in accrued vacation pay	(398)	(3,066)	(3,464)
Total adjustments	<u>938,651</u>	<u>818,673</u>	<u>1,757,324</u>
Net cash provided (used) by operating activities	<u>\$ 1,081,810</u>	<u>\$ 19,602</u>	<u>\$ 1,101,412</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, 2018**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 188,857
Taxes receivable	<u>288,711</u>
Total assets	<u>\$ 477,568</u>
<b>Liabilities:</b>	
Miscellaneous liabilities	<u>\$ 477,568</u>
Total liabilities	<u>\$ 477,568</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, 2018

### 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, 2018

***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 2 legally budgeted nonmajor funds. The Law Enforcement Restricted Fund, and Emergency Telephone System Fund are reported as non-major special revenue funds.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **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, 2018**

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, 2018

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) government money market fund, 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	\$ 4,202,915
Total business-type activities	<u>\$ 4,202,915</u>
Total restricted cash	<u>\$ 4,202,915</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, 2017. 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, 2018

### 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, 2018**

### **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 four items that meet this criterion, charge on refunding, contributions made to the pension plan in the current fiscal year, and pension and OPEB 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 five items that meet the criterion for this category – prepaid taxes, other receivables, property taxes receivable, OPEB deferrals and 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, 2018

Restricted net position as of June 30, 2018 is as follows:

	<b>Governmental Activities</b>
Stabilization by state statute	\$ 4,645,029
Crime prevention	174,882
Register of Deeds	134,898
Register of Deeds pension plan	137,259
Public safety	652,176
Total	<u>\$ 5,744,244</u>

### Unrestricted Net Position

The County has \$24,795,000 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, 2018**

**Restricted Fund Balance**

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

	<u>General Fund</u>	<u>Fire District Fund</u>	<u>Special Revenue Funds</u>
<i>Restricted for Stabilization of State Statute –</i> portion of fund balance that is restricted by state statute [G.S. 159-8(a)].	\$ 4,577,112	\$ 40,225	\$ 27,692
<i>Restricted for Public Safety - Crime Prevention –</i> portion of fund balance that is restricted by revenue source for crime prevention expenditures.	174,882	-	-
<i>Restricted for Register of Deeds -</i> 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.	134,898	-	-
<i>Restricted for Public Safety - Law Enforcement –</i> portion of fund balance that is restricted by revenue source for law enforcement expenditures.	-	-	5,089
<i>Restricted for Public Safety - Fire Districts –</i> portion of fund balance that is restricted by revenue source for fire district expenditures.	-	338,545	-
<i>Restricted for Public Safety - E-911 –</i> portion of fund balance that is restricted by revenue source for E911 expenditures.	-	-	308,542
	<u>\$ 4,886,892</u>	<u>\$ 378,770</u>	<u>\$ 341,323</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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 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>\$ 1,919,108</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 Fund</b>
Subsequent year's expenditures	<u>\$ 3,823,599</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, 2018

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)	\$ 36,346,081
Less:	
Stabilization by state statute	<u>(4,577,112)</u>
Available for appropriation	<u>\$ 31,768,969</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 Cost-Sharing 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, 2018

### 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, 2018, the County's deposits had a carrying amount of \$11,469,108 and a bank balance of \$14,593,315. Of the bank balance, \$786,907 was covered by federal depository insurance and \$13,806,408 was covered by collateral held under the Pooling Method.

At June 30, 2018, Wilkes County had \$5,480 cash on hand.

##### Investments

As of June 30, 2018, the County had the following investments and maturities.

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>Greater than 12 Months</u>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 26,862,559	N/A	N/A	N/A
US Treasuries	Fair Value - Level 1	1,209,934	220,059	-	989,875
US Government Agencies	Fair Value - Level 2	1,252,066	109,634	547,819	594,613
		<u>\$ 29,324,559</u>	<u>\$ 329,693</u>	<u>\$ 547,819</u>	<u>\$ 1,584,488</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*Level of Fair Value Hierarchy:* Level one debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*Interest Rate Risk:* The County has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's internal investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

*Credit Risk:* The County has no formal policy, but limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018 the County's investments in NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poors. The County's investments in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corp, and Federal National Mortgage Association) are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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>
2015	\$ 3,851,010	\$ 924,242	\$ 4,775,252
2016	4,021,183	603,177	4,624,360
2017	4,092,625	245,557	4,338,182
2018	4,091,418	-	4,091,418
Total	<u>\$ 16,056,236</u>	<u>\$ 1,772,976</u>	<u>\$ 17,829,212</u>

### Receivables

Receivables at the government-wide level at June 30, 2018 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	\$ 4,343,911	\$ -	\$ -
Allowance for doubtful accounts	(1,204,361)	-	-
Total taxes receivable	<u>\$ 3,139,550</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Accounts Receivable:</b>			
Other	\$ 518,261	\$ -	\$ -
EMS/Landfill/Airport sales	995,422	274,090	66,197
Allowance for doubtful accounts	(162,055)	(19,140)	(5,297)
Total accounts receivable	<u>\$ 1,351,628</u>	<u>\$ 254,950</u>	<u>\$ 60,900</u>
<b>Due from Other Governments:</b>			
Local option sales tax distribution	\$ 2,993,846	\$ -	\$ -
Sales tax refund	330,219	58,153	2,631
Motor vehicle tax	402,703	-	-
Grants	-	-	245,702
Total due from other governments	<u>\$ 3,726,768</u>	<u>\$ 58,153</u>	<u>\$ 248,333</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 2,004,649	\$ -	\$ -	\$ 2,004,649
Total non-depreciable capital assets	<u>2,004,649</u>	<u>-</u>	<u>-</u>	<u>2,004,649</u>
<b>Depreciable Capital Assets:</b>				
Buildings	29,923,404	-	200,259	29,723,145
Other improvements	7,736,682	1,074,757	-	8,811,439
Equipment	<u>13,210,336</u>	<u>1,014,340</u>	<u>604,000</u>	<u>13,620,676</u>
Total depreciable capital assets	<u>50,870,422</u>	<u>2,089,097</u>	<u>804,259</u>	<u>52,155,260</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	7,821,393	684,468	24,452	8,481,409
Other improvements	1,835,642	392,943	-	2,228,585
Equipment	<u>7,961,331</u>	<u>819,674</u>	<u>520,189</u>	<u>8,260,816</u>
Total accumulated depreciation	<u>17,618,366</u>	<u>\$ 1,897,085</u>	<u>\$ 544,641</u>	<u>18,970,810</u>
Total depreciable capital assets, net	<u>33,252,056</u>			<u>33,184,450</u>
Governmental activities capital assets, net	<u>\$ 35,256,705</u>			<u>\$ 35,189,099</u>

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

General government	\$ 749,298
Public safety	912,876
Environmental protection	15,208
Human services	77,420
Social Services	50,915
Cultural and recreational	<u>91,368</u>
Total	<u>\$ 1,897,085</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<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	<u>2,557,068</u>	<u>-</u>	<u>-</u>	<u>2,557,068</u>
<b>Depreciable Capital Assets:</b>				
Buildings	363,638	-	-	363,638
Other improvements	5,766,369	52,318	-	5,818,687
Equipment	4,463,129	579,701	12,500	5,030,330
Total depreciable capital assets	<u>10,593,136</u>	<u>632,019</u>	<u>12,500</u>	<u>11,212,655</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	351,472	1,224	-	352,696
Other improvements	3,548,297	296,350	-	3,844,647
Equipment	3,266,371	217,252	12,500	3,471,123
Total accumulated depreciation	<u>7,166,140</u>	<u>\$ 514,826</u>	<u>\$ 12,500</u>	<u>7,668,466</u>
Total depreciable capital assets, net	<u>3,426,996</u>			<u>3,544,189</u>
Landfill capital assets, net	<u>5,984,064</u>			<u>6,101,257</u>
<b>Airport:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	2,843,877	\$ -	\$ -	2,843,877
Construction in progress	-	315,564	-	315,564
Total non-depreciable capital assets	<u>2,843,877</u>	<u>315,564</u>	<u>-</u>	<u>3,159,441</u>
<b>Depreciable Capital Assets:</b>				
Buildings	4,668,106	-	-	4,668,106
Other improvements	16,833,799	-	-	16,833,799
Equipment	273,031	-	-	273,031
Total depreciable capital assets	<u>21,774,936</u>	<u>-</u>	<u>-</u>	<u>21,774,936</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	159,807	12,800	-	172,607
Other improvements	9,068,699	765,446	-	9,834,145
Equipment	163,324	22,208	-	185,532
Total accumulated depreciation	<u>9,391,830</u>	<u>\$ 800,454</u>	<u>\$ -</u>	<u>10,192,284</u>
Total depreciable capital assets, net	<u>12,383,106</u>			<u>11,582,652</u>
Airport capital assets, net	<u>15,226,983</u>			<u>14,742,093</u>
Business-type activities capital assets, net	<u>\$ 21,211,047</u>			<u>\$ 20,843,350</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2018 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 35,189,099	\$ 20,843,350
Long-term debt	(35,187,339)	-
Long-term debt for assets not owned by the County	<u>24,795,000</u>	<u>-</u>
Net investment in capital assets	<u>\$ 24,796,760</u>	<u>\$ 20,843,350</u>

The \$504,667 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, 2018 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Vendors	\$ 1,022,732	\$ 247,483	\$ 1,270,215
Other expenses	<u>208,588</u>	<u>280</u>	<u>208,868</u>
Total accounts payable	<u>\$ 1,231,320</u>	<u>\$ 247,763</u>	<u>\$ 1,479,083</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, 2018

**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, 2018, was 8.25% of compensation for law enforcement officers and 7.57% 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 \$1,403,879 for the year ended June 30, 2018.

*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, 2018**

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

At June 30, 2018, the County reported a liability of \$4,459,423 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was .292%, which was an increase of .0042% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,513,075. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>          </u>	<u>          </u>
Differences between expected and actual experience	\$ 256,904	\$ 126,232
Changes of assumptions	636,867	-
Net difference between projected and actual earnings on pension plan investments	1,082,754	-
Changes in proportion and differences between County contributions and proportionate share of contributions	21,162	17,651
County contributions subsequent to the measurement date	<u>1,403,879</u>	<u>-</u>
Total	<u>\$ 3,401,566</u>	<u>\$ 143,883</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$1,403,879 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, 2019. 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>
2019	\$ 235,364
2020	1,300,334
2021	652,396
2022	(334,290)
2023	-
Thereafter	-
Total	<u>\$ 1,853,804</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2016 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	7.20 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, 2016 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, 2018

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, 2017 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 7.20%. 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, 2018**

*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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 13,387,290</u>	<u>\$ 4,459,423</u>	<u>\$ (2,992,527)</u>

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	11
Active plan members	<u>77</u>
Total	<u><u>88</u></u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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 normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 year High Grade Rate Index.

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

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

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

**Deaths After Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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, 2018

### 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 \$157,286 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, 2018, the County reported a total pension liability of \$1,919,108. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$143,499.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 72,410
Changes of assumptions	91,556	24,987
County benefit payments and plan administrative expense made subsequent to the measurement date	77,465	-
<b>Total</b>	<b>\$ 169,021</b>	<b>\$ 97,397</b>

The County paid \$76,646 in benefit payments and \$819 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. 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>Total</b>
<u>June 30</u>	<u>Total</u>
2019	\$ (2,143)
2020	(2,143)
2021	(2,143)
2022	(1,762)
2023	2,350
<b>Total</b>	<b>\$ (5,841)</b>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	\$ 2,062,242	\$ 1,919,108	\$ 1,787,688

### Schedule of Changes in Total Pension Liability

#### Law Enforcement Officer's Special Separation Allowance

	<b>2018</b>
Beginning balance	\$ 1,907,407
Service cost	75,052
Interest on the total pension liability	70,590
Differences between expected and actual	(88,289)
Changes of assumptions or other inputs	111,634
Benefit payments	(157,286)
Ending balance of the total pension liability	\$ 1,919,108

*Changes of assumptions.* Changes of assumptions and other inputs reflects a change in the discount rate from 3.86 percent at June 30, 2016 to 3.16 percent at June 30, 2017.

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, 2016 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, 2018

### **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 \$153,300 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, 2018

**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 \$3,921 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$99,644 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was .584%, which was a decrease of .036% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$17,487. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,710	\$ 321
Changes of assumptions	16,813	-
Net difference between projected and actual earnings on pension plan investments	8,471	-
Changes in proportion and differences between County contributions and proportionate share of contributions	7,141	120
County contributions subsequent to the measurement date	3,921	-
Total	\$ 38,056	\$ 441

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$3,921 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, 2019. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
<u>June 30</u>	<u>Total</u>
2019	\$ 19,247
2020	11,317
2021	969
2022	2,161
2023	<u>-</u>
Total	<u>\$ 33,694</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2016 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, 2016 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, 2018

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, 2017 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (78,319)	\$ (99,644)	\$ (117,577)

**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, 2018**

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

The following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$ 4,459,423	\$ (99,644)	\$ -	\$ 4,359,779
Proportion of the net pension liability (asset)	0.29190%	0.58377%	n/a	-
Total pension liability	-	-	1,919,108	1,919,108
Pension expense	1,513,075	17,487	143,499	1,674,061

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Differences between expected and actual experience	\$ 256,904	\$ 1,710	\$ -	\$ 258,614
Changes of assumptions	636,867	16,813	91,556	745,236
Net difference between projected and actual earnings on pension plan investments	1,082,754	8,471	-	1,091,225
Changes in proportion and differences between County contributions and proportionate share of contributions	21,162	7,141	-	28,303
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>1,403,879</u>	<u>3,921</u>	<u>77,465</u>	<u>1,485,265</u>
Total deferred outflows of resources	<u>\$ 3,401,566</u>	<u>\$ 38,056</u>	<u>\$ 169,021</u>	<u>\$ 3,608,643</u>

<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 126,232	\$ 321	\$ 72,410	\$ 198,963
Changes of assumptions	-	-	24,987	24,987
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>17,651</u>	<u>120</u>	<u>-</u>	<u>17,771</u>
Total deferred inflows of resources	<u>\$ 143,883</u>	<u>\$ 441</u>	<u>\$ 97,397</u>	<u>\$ 241,721</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Other Post-Employment Benefits

**Plan Description.** The County (by local ordinance) provides post-employment healthcare benefits to retirees of the County as a single-employer, defined, benefit plan, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least thirty years of creditable service with the County. The County pays 50% of the cost of coverage for these benefits through private insurers until the retiree reaches the age for Medicare eligibility. Also, the County's retirees can purchase coverage for their dependents at the County's group rates if that dependent was previously covered at the time of retirement. New dependents cannot be added after retirement. The County Commissioners may amend the benefit provisions. A separate report was not issued for the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Management of the HCB Plan is vested in the Wilkes County Board of Commissioners.

Membership of the Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	101
Active members	<u>453</u>
Total	<u><u>554</u></u>

### Total OPEB Liability

The County's total OPEB liability of \$33,814,947 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 percent
Salary increase	
General Employees	3.50 to 7.75 percent, including inflation
Law Enforcement Officers	3.50 to 7.35 percent, including inflation
Discount rate	3.56 percent
Health care cost trend rates	Pre-Medicare - 7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023. Medicare - 5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020.

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2017</b>	<u>\$ 35,832,343</u>
<b>Changes for the year:</b>	
Service cost	1,302,991
Interest	1,060,873
Differences between expected and actual experience	400,636
Changes of assumptions or other inputs	(3,598,317)
Benefit payments	<u>(1,183,579)</u>
Net changes	<u>(2,017,396)</u>
<b>Balance at June 30, 2018</b>	<u><u>\$ 33,814,947</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.01% to 3.56%.

Mortality rates were used on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<b>1% Decrease (2.56%)</b>	<b>Discount Rate (3.56%)</b>	<b>1% Increase (4.56%)</b>
Total OPEB liability	<u>\$ 40,776,217</u>	<u>\$ 33,814,947</u>	<u>\$ 28,445,299</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<b>1%</b>		<b>1%</b>
	<b><u>Decrease</u></b>	<b><u>Current</u></b>	<b><u>Increase</u></b>
Total OPEB liability	<u>\$ 28,042,494</u>	<u>\$ 33,814,947</u>	<u>\$ 41,451,364</u>

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

For the year ended June 30, 2018, the County recognized OPEB expense of \$1,944,869. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 347,431	\$ -
Changes of assumptions or other inputs	-	3,120,453
County contributions subsequent to the measurement date	<u>262,180</u>	<u>-</u>
Total	<u>\$ 609,611</u>	<u>\$ 3,120,453</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$262,180 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<u>June 30</u>	<u>Total</u>
2019	\$ (424,659)
2020	(424,659)
2021	(424,659)
2022	(424,659)
2023	(424,659)
Thereafter	<u>(649,727)</u>
Total	<u><u>\$(2,773,022)</u></u>

### **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. 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.

# **WILKES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **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 \$7,520,000 reported as landfill closure and post-closure care liability at June 30, 2018 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 2018. 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 \$4,202,915 (market value \$4,202,915) 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, 2018

#### Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources are comprised of the following:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Charge on refunding	\$ 504,667	\$ -
(OPEB) - Differences between expected and actual experience	347,431	
(OPEB) - Changes of assumptions	-	3,120,453
Benefit payments for the OPEB plan paid subsequent to measurement date	262,180	
(Pensions) - Differences between expected and actual experience	258,614	198,963
(Pensions) - Changes of assumptions	745,236	24,987
(Pensions) - Net difference between projected and actual earnings on pension plan investments	1,091,225	-
(Pensions) - Changes in proportion and differences between County contributions and proportionate share of contributions	28,303	17,771
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	1,407,800	-
Benefit payments and admin costs paid subsequent to the measurement date (LEOSSA)	77,465	-
Prepaid taxes not yet earned (General)	-	65,846
Taxes receivable, net (General)	-	2,885,205
Taxes receivable, net (Fire District Fund)	-	254,345
Other receivables, net (General)	-	833,367
	\$ 4,722,921	\$ 7,400,937

#### 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 \$66,850,257.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

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>2017</u>	<u>2018</u>
Balance, beginning of year	\$ 790,661	\$ 679,290
Incurred claims (including IBNRs) and changes in estimates	4,182,700	4,313,441
Less claims payments	<u>(4,294,071)</u>	<u>(4,234,708)</u>
Balance, end of year	<u>\$ 679,290</u>	<u>\$ 758,023</u>

### Contingent Liabilities

At June 30, 2018, 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, 2018**

**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 \$ 66,648

\$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 8,450,000

\$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 20,850,000

\$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 3,945,000

Total installment purchase agreements \$ 33,311,648

For Wilkes County, the future minimum payments as of June 30, 2018 are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
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	2,020,000	779,558	2,799,558
2024-2028	12,490,000	2,238,645	14,728,645
2029-2033	3,430,000	1,012,950	4,442,950
2034-2036	<u>3,205,000</u>	<u>238,450</u>	<u>3,443,450</u>
Total	<u><u>\$ 33,311,648</u></u>	<u><u>\$ 8,274,958</u></u>	<u><u>\$ 41,586,606</u></u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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, 2018:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Current Portion of Balance</u>
<b>Governmental Activities:</b>					
Installment purchase	\$ 36,763,657	\$ -	\$ 3,452,009	\$ 33,311,648	\$ 3,432,873
Compensated absences	2,034,852	1,516,830	1,526,139	2,025,543	1,526,139
Incurred, but not reported, health claims	679,290	4,313,441	4,234,708	758,023	-
Total pension liability (LEOSSA)	1,907,407	11,701	-	1,919,108	-
Net pension liability (LGERS)	5,873,223	-	1,581,488	4,291,735	-
Total OPEB liability	34,399,049	-	1,936,700	32,462,349	-
Unamortized premiums	1,979,896	-	104,205	1,875,691	-
Total governmental activities	<u>\$ 83,637,374</u>	<u>\$ 5,841,972</u>	<u>\$ 12,835,249</u>	<u>\$ 76,644,097</u>	<u>\$ 4,959,012</u>
<b>Business-Type Activities:</b>					
<b>Landfill Fund:</b>					
Accrued landfill closure and post-closure care costs	\$ 7,235,000	\$ 285,000	\$ -	\$ 7,520,000	\$ -
Compensated absences	93,225	69,521	69,919	92,827	69,919
Net pension liability (LGERS)	190,837	-	49,422	141,415	-
Total OPEB liability	1,074,970	-	60,522	1,014,448	-
Total Landfill Fund	<u>\$ 8,594,032</u>	<u>\$ 354,521</u>	<u>\$ 179,863</u>	<u>\$ 8,768,690</u>	<u>\$ 69,919</u>
<b>Airport Fund:</b>					
Compensated absences	\$ 13,744	\$ 7,242	\$ 10,308	\$ 10,678	\$ 10,308
Net pension liability (LGERS)	42,747	-	16,474	26,273	-
Total OPEB liability	358,324	-	20,174	338,150	-
Total Airport Fund	<u>\$ 414,815</u>	<u>\$ 7,242</u>	<u>\$ 46,956</u>	<u>\$ 375,101</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, 2018, Wilkes County had a legal debt margin of approximately \$460,300,000.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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, 2018 \$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, 2018, there were no industrial revenue bonds outstanding.

### Due to/from Other Funds

Balances due to/from other funds at June 30, 2018, consist of the following:

<u>Due to/Due from Other Funds:</u>	<u>Amount</u>
Due to the General Fund from the Airport Fund to repay funds to cover cash flow shortage during capital project phase	\$ 400,000
Total	<u>\$ 400,000</u>

### 3. 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.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 4. 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 \$3,818,332 and \$150,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2018. 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, 2018. 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, 2018. 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.

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, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$607,189 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, 2018. 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.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 5. 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 \$36,419 to the Council during the fiscal year ended June 30, 2018.

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.

### 6. 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.

### 7. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities and business-type decreased \$25,349,793 and \$1,082,291.

#### Prior Period Adjustment

Fund balance for the Fire District Fund was restated \$343,711 for accounts payable to properly reflect the outstanding accounts payable. As a result, net position for governmental activities increased \$343,711.

**WILKES COUNTY, NORTH CAROLINA**

**WILKES COUNTY'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS\***

**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wilkes' proportion of the net pension liability (asset) (%)	0.29190%	0.28774%	0.27742%	0.27346%	0.27346%
Wilkes' proportion of the net pension liability (asset) (\$)	\$ 4,459,423	\$ 6,106,807	\$ 1,245,044	\$ (1,612,722)	\$ 3,360,611
Wilkes' covered-employee payroll	\$ 17,627,739	\$ 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	25.30%	36.38%	7.84%	( 10.47%)	22.75%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	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 FIVE FISCAL YEARSLocal Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,403,879	\$ 1,307,592	\$ 1,147,444	\$ 1,131,485	\$ 1,094,518
Contributions in relation to the contractually required contribution	<u>1,403,879</u>	<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>				
Wilkes' covered-employee payroll	\$ 18,343,058	\$ 17,627,739	\$ 16,786,999	\$ 15,873,019	\$ 15,404,189
Contributions as a percentage of covered-employee payroll	7.65%	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**

**LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
 LAST TWO FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>		
	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 1,907,407	\$ 1,951,036
Service cost	75,052	77,166
Interest on the total pension liability	70,590	66,973
Changes of benefit terms	-	-
Differences between expected and actual	(88,289)	-
Changes of assumptions or other inputs	111,634	(37,671)
Benefit payments	(157,286)	(150,097)
Ending balance of the total pension liability	<u>\$ 1,919,108</u>	<u>\$ 1,907,407</u>

The amounts presented for each fiscal year were determined 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**

**LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF  
 OF COVERED PAYROLL  
 LAST TWO FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>		
	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,919,108	\$ 1,907,407
Covered payroll	\$ 3,088,792	\$ 3,064,964
Total pension liability as a percentage of covered payroll	62.13%	62.23%

**Notes to Schedules:**

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  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
Service cost	\$ 1,302,991
Interest on the total pension liability	1,060,873
Differences between expected and actual experience	400,636
Changes of assumptions	(3,598,317)
Benefit payments	<u>(1,183,579)</u>
Net change in total OPEB liability	(2,017,396)
Total OPEB liability - beginning	<u>35,832,343</u>
Total OPEB liability - ending	<u>\$ 33,814,947</u>
Covered payroll	\$ 16,989,373
Total OPEB liability as a percentage of covered payroll	199.04%

Notes to Schedule

*Change of assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

## WILKES COUNTY, NORTH CAROLINA

WILKES COUNTY'S PROPORTIONATE SHARE  
 OF NET PENSION LIABILITY (ASSET)  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST FIVE FISCAL YEARS\*

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 Register of Deeds' Supplemental Pension Fund
 

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wilkes' proportion of the net pension liability (asset) (%)	0.58377%	0.61932%	0.63542%	0.62699%	0.58181%
Wilkes' proportion of the net pension liability (asset) (\$)	\$ (99,644)	\$ (115,788)	\$ (147,252)	\$ (142,114)	\$ (124,275)
Wilkes' covered-employee payroll	\$ 62,770	\$ 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	(158.74%)	(183.06%)	(351.82%)	(223.76%)	(198.54%)
Plan fiduciary net position as a percentage of the total pension liability	153.77%	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 FIVE FISCAL YEARSRegister of Deeds' Supplemental Pension Fund

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,921	\$ 3,962	\$ 3,962	\$ 2,928	\$ 5,119
Contributions in relation to the contractually required contribution	<u>3,921</u>	<u>3,962</u>	<u>3,962</u>	<u>2,928</u>	<u>5,119</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Wilkes' covered-employee payroll	\$ 51,797	\$ 62,770	\$ 63,251	\$ 41,854	\$ 63,511
Contributions as a percentage of covered-employee payroll	7.57%	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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 36,515,667	\$ 36,807,935	\$ 292,268	\$ 36,276,233
Penalties and interest	475,050	460,823	(14,227)	440,431
Total	<u>36,990,717</u>	<u>37,268,758</u>	<u>278,041</u>	<u>36,716,664</u>
<b>Local Option Sales Taxes:</b>				
Article 39 one percent	5,427,637	5,814,796	387,159	5,498,992
Article 40 one-half of one percent	4,564,360	4,633,086	68,726	4,455,064
Article 42 one-half of one percent	2,963,335	3,165,951	202,616	2,996,440
Article 44 one-half of one percent	1,170,442	1,250,672	80,230	1,169,673
Article 46 one-fourth of one percent	1,433,453	1,544,614	111,161	1,455,731
Total	<u>15,559,227</u>	<u>16,409,119</u>	<u>849,892</u>	<u>15,575,900</u>
<b>Other Taxes and Licenses:</b>				
Real estate transfer taxes	145,000	164,324	19,324	160,789
Total	<u>145,000</u>	<u>164,324</u>	<u>19,324</u>	<u>160,789</u>
<b>Unrestricted Intergovernmental:</b>				
Payments in lieu of taxes	30,000	43,175	13,175	26,770
Beer and wine tax	275,000	264,614	(10,386)	276,139
Total	<u>305,000</u>	<u>307,789</u>	<u>2,789</u>	<u>302,909</u>
<b>Restricted Intergovernmental:</b>				
Federal and state grants	12,873,929	9,507,575	(3,366,354)	10,412,893
Lottery proceeds	675,000	675,000	-	475,000
Court facility fees	125,000	109,817	(15,183)	126,994
Fines and forfeitures	10,000	25,026	15,026	17,420
Other	343,159	448,519	105,360	171,654
Total	<u>14,027,088</u>	<u>10,765,937</u>	<u>(3,261,151)</u>	<u>11,203,961</u>
<b>Permits and Fees:</b>				
Building permits	220,500	219,210	(1,290)	203,094
Register of Deeds	194,000	194,766	766	198,987
Total	<u>414,500</u>	<u>413,976</u>	<u>(524)</u>	<u>402,081</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Ambulance and rescue squad fees	3,415,174	2,957,655	(457,519)	3,049,258
Jail fees	655,000	574,885	(80,115)	553,718
Rents and fees	4,429,675	3,548,006	(881,669)	5,226,968
Recreation fees	96,000	71,285	(24,715)	83,908
Total	<u>8,595,849</u>	<u>7,151,831</u>	<u>(1,444,018)</u>	<u>8,913,852</u>
<b>Investment Earnings:</b>				
Investment earnings	<u>50,100</u>	<u>300,947</u>	<u>250,847</u>	<u>99,519</u>
<b>Miscellaneous:</b>				
Other	<u>1,228,318</u>	<u>1,161,244</u>	<u>(67,074)</u>	<u>902,311</u>
Total revenues	<u>77,315,799</u>	<u>73,943,925</u>	<u>(3,371,874)</u>	<u>74,277,986</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	127,573	125,758		109,620
Other operating expenditures	<u>326,000</u>	<u>299,429</u>		<u>295,672</u>
Total	<u>453,573</u>	<u>425,187</u>	<u>28,386</u>	<u>405,292</u>
<b>Administration:</b>				
Salaries and employee benefits	351,628	345,664		336,293
Other operating expenditures	<u>21,900</u>	<u>12,666</u>		<u>16,029</u>
Total	<u>373,528</u>	<u>358,330</u>	<u>15,198</u>	<u>352,322</u>
<b>Elections:</b>				
Salaries and employee benefits	236,800	214,895		221,354
Other operating expenditures	<u>126,100</u>	<u>91,946</u>		<u>76,897</u>
Total	<u>362,900</u>	<u>306,841</u>	<u>56,059</u>	<u>298,251</u>
<b>Finance:</b>				
Salaries and employee benefits	428,608	428,295		403,197
Other operating expenditures	<u>17,510</u>	<u>12,892</u>		<u>13,400</u>
Total	<u>446,118</u>	<u>441,187</u>	<u>4,931</u>	<u>416,597</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>		<b>Variance Over /Under</b>	<b>2017</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Tax Administration:</b>				
Salaries and employee benefits	1,003,632	982,284		951,322
Other operating expenditures	298,000	237,984		190,278
Capital outlay	-	-		42,419
Total	<u>1,301,632</u>	<u>1,220,268</u>	81,364	<u>1,184,019</u>
<b>Legal:</b>				
Professional services	<u>230,000</u>	<u>228,509</u>	1,491	<u>204,132</u>
<b>Register of Deeds:</b>				
Salaries and employee benefits	251,810	249,441		258,594
Other operating expenditures	86,795	72,380		194,619
Capital outlay	<u>13,488</u>	<u>12,998</u>		<u>12,605</u>
Total	<u>352,093</u>	<u>334,819</u>	17,274	<u>465,818</u>
<b>Public Buildings:</b>				
Salaries and employee benefits	141,799	141,661		119,494
Other operating expenditures	342,065	250,990		244,972
Capital outlay	<u>878,000</u>	<u>795,115</u>		<u>296,911</u>
Total	<u>1,361,864</u>	<u>1,187,766</u>	174,098	<u>661,377</u>
<b>Court Facilities:</b>				
Salaries and employee benefits	124,550	123,823		119,428
Other operating expenditures	<u>474,550</u>	<u>410,176</u>		<u>700,677</u>
Total	<u>599,100</u>	<u>533,999</u>	65,101	<u>820,105</u>
<b>Central Services:</b>				
<b>Data Processing:</b>				
Salaries and employee benefits	193,327	164,876		140,333
Other operating expenditures	219,420	216,059		213,458
Capital outlay	<u>15,858</u>	<u>15,857</u>		<u>-</u>
Total	<u>428,605</u>	<u>396,792</u>	31,813	<u>353,791</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Central Garage:</b>				
Salaries and employee benefits	294,884	291,279		279,500
Other operating expenditures	732,094	689,326		533,297
Capital outlay	100,306	96,699		28,825
Total	1,127,284	1,077,304	49,980	841,622
<b>Purchasing:</b>				
Salaries and employee benefits	54,407	54,291		99,336
Other operating expenditures	7,700	5,103		4,418
Total	62,107	59,394	2,713	103,754
<b>Other Central Services:</b>				
Other expenditures	816,250	650,277		744,771
Group insurance	1,078,750	797,642		798,930
Total	1,895,000	1,447,919	447,081	1,543,701
Total general government	8,993,804	8,018,315	975,489	7,650,781
<b>Public Safety:</b>				
<b>Sheriff:</b>				
Salaries and employee benefits	4,604,000	4,511,866		4,406,947
Other operating expenditures	402,350	363,039		383,935
Capital outlay	304,400	304,392		156,609
Total	5,310,750	5,179,297	131,453	4,947,491
<b>Drug Crime Prevention:</b>				
Other operating expenditures	225,000	41,421		60,234
Total	225,000	41,421	183,579	60,234
<b>JAG Critical Response GRA:</b>				
Other operating expenditures	24,467	-	24,467	55,334
Total	24,467	-	24,467	55,334

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Animal Control:</b>				
Salaries and employee benefits	529,312	502,965		503,451
Other operating expenditures	136,600	88,316		106,982
Capital outlay	44,145	39,533		27,501
Total	<u>710,057</u>	<u>630,814</u>	<u>79,243</u>	<u>637,934</u>
<b>Internet Crimes:</b>				
Other operating expenditures	-	-		14,552
Capital outlay	-	-		10,872
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,424</u>
<b>Jail:</b>				
Salaries and employee benefits	1,988,819	1,988,135		1,915,716
Other operating expenditures	1,836,500	1,791,046		1,649,676
Capital outlay	57,250	57,244		-
Total	<u>3,882,569</u>	<u>3,836,425</u>	<u>46,144</u>	<u>3,565,392</u>
<b>Emergency Management:</b>				
Salaries and employee benefits	65,436	64,848		63,448
Other operating expenditures	88,133	81,110		32,450
Total	<u>153,569</u>	<u>145,958</u>	<u>7,611</u>	<u>95,898</u>
<b>Fire:</b>				
Salaries and employee benefits	127,403	126,227		122,702
Other operating expenditures	86,429	71,282		77,450
Assistance to local fire departments	1,800	1,771		1,778
Total	<u>215,632</u>	<u>199,280</u>	<u>16,352</u>	<u>201,930</u>
<b>Inspections:</b>				
Salaries and employee benefits	514,836	498,772		473,479
Other operating expenditures	27,500	14,605		15,949
Capital outlay	40,000	26,559		-
Total	<u>582,336</u>	<u>539,936</u>	<u>42,400</u>	<u>489,428</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>		<b>Variance Over /Under</b>	<b>2017</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Medical Examiner:</b>				
Other operating expenditures	137,000	69,255		133,660
Total	137,000	69,255	67,745	133,660
<b>Emergency Medical Services:</b>				
Salaries and employee benefits	3,725,706	3,384,550		3,088,152
Other operating expenditures	760,387	628,479		763,051
Capital outlay	305,877	300,805		377,618
Total	4,791,970	4,313,834	478,136	4,228,821
<b>Emergency Communications Center:</b>				
Salaries and employee benefits	977,218	955,698		793,832
Other operating expenditures	363,100	354,954		421,509
Total	1,340,318	1,310,652	29,666	1,215,341
Total public safety	17,373,668	16,266,872	1,106,796	15,656,887
<b>Environmental Protection:</b>				
Reservoir expenditures	126,463	126,365	98	136,406
Total environmental protection	126,463	126,365	98	136,406
<b>Economic and Physical Development:</b>				
<b>Economic Development:</b>				
Other operating expenditures	437,500	377,816		526,338
Total	437,500	377,816	59,684	526,338
<b>Planning and Zoning:</b>				
Salaries and employee benefits	205,656	196,808		193,465
Other operating expenditures	55,600	51,205		22,603
Capital outlay	26,700	26,500		-
Total	287,956	274,513	13,443	216,068

**WILKES COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>Variance Over /Under</u>	<u>2017</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Agricultural Extension:</b>				
Salaries and employee benefits	149,159	125,043		172,027
Other operating expenditures	34,100	25,157		22,546
Total	<u>183,259</u>	<u>150,200</u>	33,059	<u>194,573</u>
<b>Extension Local:</b>				
Other operating expenditures	<u>71,000</u>	<u>13,816</u>		<u>23,254</u>
Total	<u>71,000</u>	<u>13,816</u>	57,184	<u>23,254</u>
<b>Forestry:</b>				
Salaries and employee benefits	1,725	1,718		736
Other operating expenditures	<u>99,675</u>	<u>80,436</u>		<u>106,567</u>
Total	<u>101,400</u>	<u>82,154</u>	19,246	<u>107,303</u>
<b>Soil Conservation:</b>				
Salaries and employee benefits	273,200	258,769		240,689
Other operating expenditures	<u>57,750</u>	<u>57,750</u>		<u>55,984</u>
Total	<u>330,950</u>	<u>316,519</u>	14,431	<u>296,673</u>
<b>Community Development:</b>				
Other operating expenditures	<u>151,857</u>	<u>151,776</u>		<u>160,969</u>
Total	<u>151,857</u>	<u>151,776</u>	81	<u>160,969</u>
Total economic and physical development	<u>1,563,922</u>	<u>1,366,794</u>	197,128	<u>1,525,178</u>
<b>Human Services:</b>				
<b>Health:</b>				
<b>Administration:</b>				
Salaries and employee benefits	1,724,837	1,446,806		1,575,614
Other operating expenditures	451,656	409,069		450,905
Capital outlay	<u>36,837</u>	<u>36,837</u>		<u>127,131</u>
Total	<u>2,213,330</u>	<u>1,892,712</u>	320,618	<u>2,153,650</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Program Salaries:</b>				
Salaries and employee benefits	13,118	12,991	127	133,633
Total	13,118	12,991	127	133,633
<b>Environmental Health:</b>				
Other operating expenditures	7,500	7,151		6,018
Total	7,500	7,151	349	6,018
<b>Food and Lodging:</b>				
Other operating expenditures	-	-	-	2,500
<b>Tuberculosis:</b>				
Salaries and employee benefits	12,162	11,397		9,534
Other operating expenditures	3,355	3,234		2,358
Total	15,517	14,631	886	11,892
<b>Bioterrorism:</b>				
Salaries and employee benefits	26,780	25,611		31,669
Other operating expenditures	4,172	4,172		2,988
Total	30,952	29,783	1,169	34,657
<b>Health Immunization Other:</b>				
Salaries and employee benefits	27,123	27,123		26,350
Total	27,123	27,123	-	26,350
<b>Health Case Management:</b>				
Salaries and employee benefits	38,594	36,460		38,594
Other operating expenditures	3,100	3,082		2,328
Total	41,694	39,542	2,152	40,922
<b>Adult Health:</b>				
Salaries and employee benefits	361,863	364,128		389,100
Other operating expenditures	269,829	170,537		105,767
Total	631,692	534,665	97,027	494,867

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Health Care Connection:</b>				
Salaries and employee benefits	111,360	93,590		96,360
Other operating expenditures	32,000	32,000		51,504
Total	143,360	125,590	17,770	147,864
<b>Communicable Disease:</b>				
Salaries and employee benefits	3,203	2,597		8,892
Other operating expenditures	2,293	2,293		2,293
Total	5,496	4,890	606	11,185
<b>Comprehensive Cancer Control:</b>				
Salaries and employee benefits	3,739	4,012		3,739
Other operating expenditures	17,603	16,566		19,492
Total	21,342	20,578	764	23,231
<b>Family Planning:</b>				
Salaries and employee benefits	90,490	80,995		112,009
Other operating expenditures	54,150	53,419		55,359
Total	144,640	134,414	10,226	167,368
<b>Health Diabetes Grant:</b>				
Salaries and employee benefits	110,826	94,486		109,326
Other operating expenditures	49,437	37,281		28,757
Total	160,263	131,767	28,496	138,083
<b>Health Promotion:</b>				
Salaries and employee benefits	25,832	23,095		40,717
Other operating expenditures	16,239	16,142		7,532
Total	42,071	39,237	2,834	48,249
<b>Drug Overdose Prevention:</b>				
Operating expenditures	-	-	-	2,272

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Mesh Units - Schools:</b>				
Salaries and employee benefits	135,903	104,057		149,485
Other operating expenditures	51,450	43,900		29,117
Total	187,353	147,957	39,396	178,602
<b>Wilkes Dental Clinic:</b>				
Other operating expenditures	1,800,000	968,846	831,154	1,629,491
<b>Maternal Clinic:</b>				
Salaries and employee benefits	5,039	4,348		6,115
Other operating expenditures	1,000	1,000		2,189
Total	6,039	5,348	691	8,304
<b>Infant Mortality Reduction:</b>				
Other operating expenditures	33,500	30,631		50,493
Total	33,500	30,631	2,869	50,493
<b>MCC and MOW:</b>				
Salaries and employee benefits	97,603	92,836		107,603
Other operating expenditures	51,825	4,758		3,189
Total	149,428	97,594	51,834	110,792
<b>Child Health:</b>				
Salaries and employee benefits	201,625	161,470		189,290
Other operating expenditures	52,500	52,228		48,072
Total	254,125	213,698	40,427	237,362
<b>CSC and MOW:</b>				
Salaries and employee benefits	66,939	62,213		76,939
Other operating expenditures	4,200	3,991		6,128
Total	71,139	66,204	4,935	83,067

**WILKES COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Women, Infants, and Children:</b>				
Salaries and employee benefits	198,659	186,158		230,543
Other operating expenditures	57,678	56,486		55,208
Total	256,337	242,644	13,693	285,751
<b>School Nurse Funding:</b>				
Other operating expenditures	150,000	150,000	-	150,000
<b>Smart Start:</b>				
Salaries and employee benefits	12,000	9,274		38,665
Other operating expenditures	3,900	144		4,924
Total	15,900	9,418	6,482	43,589
<b>Wilkes County Health Center</b>				
Salaries	691,733	612,328		-
Operating expenditures	275,926	181,747		22,317
Total	967,659	794,075	173,584	22,317
<b>HIV &amp; STD:</b>				
Salaries and employee benefits	34,512	35,289		35,486
Other operating expenditures	2,397	337		4,784
Total	36,909	35,626	1,283	40,270
<b>WIC/BPCP:</b>				
Salaries and employee benefits	13,759	12,139		8,943
Other operating expenditures	2,750	2,593		1,800
Total	16,509	14,732	1,777	10,743

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Immunization Action Plan:</b>				
Salaries and employee benefits				
Other operating expenditures	500	-	500	500
Total	500	-	500	500
Total health	7,443,496	5,791,847	1,651,649	6,294,022
<b>Mental Health:</b>				
Contribution to other agencies	538,754	537,633	1,121	537,002
Total mental health	538,754	537,633	1,121	537,002
<b>Social Services:</b>				
<b>Administration:</b>				
Salaries and employee benefits	6,488,488	6,233,123		5,919,741
Other operating expenditures	572,367	463,897		427,846
Capital outlay	86,483	83,218		48,020
Total	7,147,338	6,780,238	367,100	6,395,607
<b>Medicaid Program:</b>				
County participation only	993,500	546,596		1,550,901
Total	993,500	546,596	446,904	1,550,901
<b>Food Stamps Program:</b>				
Other operating expenditures	493,324	352,570		443,652
Total	493,324	352,570	140,754	443,652
<b>Low Income Energy Assistance Program:</b>				
Other operating expenditures	296,324	295,300	1,024	338,700
<b>Work First:</b>				
Contract services	190,000	63,878		90,198
Total	190,000	63,878	126,122	90,198

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance	2017
	Budget	Actual	Over /Under	Actual
<b>Daycare Operations:</b>				
Contract services	1,959,562	14,558		1,804,961
Total	1,959,562	14,558	1,945,004	1,804,961
<b>In-Home Service:</b>				
Other operating expenditures	56,000	7,540		21,295
Total	56,000	7,540	48,460	21,295
<b>Foster Care:</b>				
Salaries and employee benefits	5,459	750		2,600
Other operating expenditures	4,485,400	3,130,714		2,908,109
Total	4,490,859	3,131,464	1,359,395	2,910,709
<b>Other Assistance:</b>				
Other operating expenditures	125,262	59,060		64,924
Total	125,262	59,060	66,202	64,924
Total social services	15,752,169	11,251,204	4,500,965	13,620,947
<b>Other Human Services:</b>				
<b>Veterans Service Officer:</b>				
Salaries and employee benefits	161,811	159,322		153,513
Other operating expenditures	13,250	5,811		9,907
Total	175,061	165,133	9,928	163,420
<b>Youth Services:</b>				
Salaries and employee benefits	17,263	17,092		13,703
Other operating expenditures	5,216	3,634		11,449
Contributions to other agencies	314,524	258,974		257,585
Total	337,003	279,700	57,303	282,737

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over /Under	2017
	Budget	Actual		Actual
<b>Senior Citizens Services:</b>				
Contributions to other services	600,000	550,238	49,762	539,328
<b>Other Services:</b>				
Contributions to other agencies	629,165	590,061	39,104	546,205
Total other human services	1,741,229	1,585,132	156,097	1,531,690
Total human services	25,475,648	19,165,816	6,309,832	21,983,661
<b>Cultural and Recreation:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	558,698	557,390		541,338
Other operating expenditures	261,400	235,818		229,735
Capital outlay	51,500	49,945		-
Total	871,598	843,153	28,445	771,073
<b>Libraries:</b>				
Contribution to regional library	607,189	607,189	-	591,735
<b>Museums and Art</b>	34,588	34,588	-	34,588
Total cultural and recreation	1,513,375	1,484,930	28,445	1,397,396
<b>Education:</b>				
Public schools - current expenses	12,786,320	12,786,320		11,778,330
Public schools - capital outlay	1,915,362	1,779,350		2,090,611
Public schools - (lottery) capital outlay	675,000	675,000		475,000
Community colleges - current	3,818,338	3,818,338		3,700,495
Community colleges - capital outlay	150,000	150,000		150,000
Total education	19,345,020	19,209,008	136,012	18,194,436
<b>Debt Service:</b>				
Principal retirement	3,452,009	3,452,009		3,460,584
Interest and fees	1,275,449	1,275,165		1,386,328
Total debt service	4,727,458	4,727,174	284	4,846,912

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over /Under	Actual
Total expenditures	<u>79,119,358</u>	<u>70,365,274</u>	<u>8,754,084</u>	<u>71,391,657</u>
Revenues over (under) expenditures	<u>(1,803,559)</u>	<u>3,578,651</u>	<u>5,382,210</u>	<u>2,886,329</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	37,380
Transfers out	-	-	-	(127,938)
Sale of capital assets	23,625	714,651	691,026	85,054
Appropriated fund balance	<u>1,779,934</u>	-	<u>(1,779,934)</u>	-
Total other financing sources (uses)	<u>1,803,559</u>	<u>714,651</u>	<u>(1,088,908)</u>	<u>(5,504)</u>
Net change in fund balance	<u>\$ -</u>	4,293,302	<u>\$ 4,293,302</u>	2,880,825
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>32,052,779</u>		<u>29,171,954</u>
End of year - June 30		<u>\$ 36,346,081</u>		<u>\$ 32,052,779</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,780,865	\$ 3,688,106	\$ (92,759)	\$ 3,388,198
Total revenues	<u>3,780,865</u>	<u>3,688,106</u>	<u>(92,759)</u>	<u>3,388,198</u>
<b>Expenditures:</b>				
Public safety:				
Tax collection fees	15,560	15,511	49	15,976
Distribution to fire districts	<u>3,765,305</u>	<u>3,661,391</u>	<u>103,914</u>	<u>3,375,375</u>
Total expenditures	<u>3,780,865</u>	<u>3,676,902</u>	<u>103,963</u>	<u>3,391,351</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>11,204</u>	<u>\$ 11,204</u>	<u>(3,153)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		23,855		27,008
Restatement		<u>343,711</u>		<u>-</u>
Beginning of year, restated		<u>367,566</u>		<u>27,008</u>
End of year - June 30		<u>\$ 378,770</u>		<u>\$ 23,855</u>

## WILKES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018

	<b>Law Enforcement Restricted Fund</b>	<b>Wireless E-911 Telephone System Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 5,089	\$ 345,448	\$ 350,537
Due from other governments	<u>          -</u>	<u>          27,692</u>	<u>          27,692</u>
 Total assets	 <u>\$ 5,089</u>	 <u>\$ 373,140</u>	 <u>\$ 378,229</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$          -</u>	<u>\$ 36,906</u>	<u>\$ 36,906</u>
 <b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	-	27,692	27,692
Restricted, all other	<u>5,089</u>	<u>308,542</u>	<u>313,631</u>
 Total fund balances	 <u>5,089</u>	 <u>336,234</u>	 <u>341,323</u>
 Total liabilities and fund balances	 <u>\$ 5,089</u>	 <u>\$ 373,140</u>	 <u>\$ 378,229</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, 2018**

	<b>Law Enforcement Restricted Fund</b>	<b>E-911 Telephone System Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Sales and services	\$ -	\$ 429,627	\$ 429,627
Investment earnings	39	2,940	2,979
Total revenues	<u>39</u>	<u>432,567</u>	<u>432,606</u>
<b>Expenditures:</b>			
Public safety	<u>-</u>	<u>543,290</u>	<u>543,290</u>
Revenues over (under) expenditures	39	(110,723)	(110,684)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>5,050</u>	<u>446,957</u>	<u>452,007</u>
End of year - June 30	<u>\$ 5,089</u>	<u>\$ 336,234</u>	<u>\$ 341,323</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Restricted intergovernmental:				
Investment earnings	\$ -	\$ 39	\$ 39	\$ 13
<b>Expenditures:</b>				
Public safety:				
Law enforcement restricted	5,000	-	5,000	-
Revenues over (under) expenditures	(5,000)	39	5,039	13
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	5,000	-	(5,000)	-
Net change in fund balance	\$ -	39	\$ 39	13
<b>Fund Balance:</b>				
Beginning of year - July 1		5,050		5,037
End of year - June 30		<u>\$ 5,089</u>		<u>\$ 5,050</u>

## 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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>	<u>Actual</u>
<b>Revenues:</b>				
E-911 telephone surcharge	\$ 289,503	\$ 429,627	\$ 140,124	\$ 262,503
Investment earnings	500	2,940	2,440	1,858
Total revenues	<u>290,003</u>	<u>432,567</u>	<u>142,564</u>	<u>264,361</u>
<b>Expenditures:</b>				
Public safety:				
Other operating expenditures	<u>590,003</u>	<u>543,290</u>	<u>46,713</u>	<u>675,103</u>
Revenues over (under) expenditures	(300,000)	(110,723)	189,277	(410,742)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(110,723)</u>	<u>\$ (110,723)</u>	<u>(410,742)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>446,957</u>		<u>857,699</u>
End of year - June 30		<u>\$ 336,234</u>		<u>\$ 446,957</u>

WILKES COUNTY, NORTH CAROLINA

**AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/(Under)	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services:				
Sales	\$ 844,435	\$ 937,878	\$ 93,443	\$ 760,403
Rents	115,000	101,930	(13,070)	128,570
Other operating revenues	5,050	3,759	(1,291)	4,243
Total operating revenues	<u>964,485</u>	<u>1,043,567</u>	<u>79,082</u>	<u>893,216</u>
Non-operating revenues:				
Restricted intergovernmental	1,500,000	241,702	(1,258,298)	329,281
Investment income	-	305	305	480
Insurance reimbursements	52,000	52,274	274	-
Total non-operating revenues	<u>1,552,000</u>	<u>294,281</u>	<u>(1,257,719)</u>	<u>329,761</u>
Total revenues	<u>2,516,485</u>	<u>1,337,848</u>	<u>(1,178,637)</u>	<u>1,222,977</u>
<b>Expenditures:</b>				
Airport operations:				
Salaries and employee benefits	175,092	253,005	(77,913)	168,389
Fuel and oil purchases	588,073	608,790	(20,717)	472,598
Other operating expenditures	253,320	245,561	7,759	181,432
Capital outlay	-	-	-	23,275
Airport capital projects:				
Construction	<u>1,500,000</u>	<u>315,564</u>	<u>1,184,436</u>	<u>80,186</u>
Total expenditures	<u>2,516,485</u>	<u>1,422,920</u>	<u>1,093,565</u>	<u>925,880</u>

WILKES COUNTY, NORTH CAROLINA

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Budget	Actual	Variance Over/(Under)	Actual
Revenues over (under) expenditures	-	(85,072)	(85,072)	297,097
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	127,938
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (85,072)	\$ (85,072)	\$ 425,035

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (85,072)
Reconciling items:	
Depreciation	(800,454)
Change in deferred outflows of resources - pensions	30,656
Change in net pension liability	16,474
Change in deferred inflows of resources - pensions	32,102
Construction project expenditures	315,564
Change in deferred outflows of resources - OPEB	(6,096)
Change in deferred inflows of resources - OPEB	(31,204)
Change in accrual for unfunded OPEB	20,174
Change in accrual for compensated absences	3,066
Total reconciling items	(419,718)
Change in net position	\$ (504,790)

WILKES COUNTY, NORTH CAROLINA

LANDFILL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Solid waste charges	\$ 2,186,511	\$ 2,504,780	\$ 318,269	\$ 2,223,044
Scrap tire disposal tax	3,000	24,980	21,980	45,075
Other operating revenues	199,000	247,227	48,227	221,068
Total operating revenues	<u>2,388,511</u>	<u>2,776,987</u>	<u>388,476</u>	<u>2,489,187</u>
Non-operating revenues:				
Interest earnings	-	18,392	18,392	5,737
Total revenues	<u>2,388,511</u>	<u>2,795,379</u>	<u>406,868</u>	<u>2,494,924</u>
<b>Expenditures:</b>				
Landfill operations:				
Salaries and employee benefits	890,991	979,675	(88,684)	844,712
Other operating expenditures	1,168,499	942,196	226,303	882,594
Capital outlay	637,401	632,019	5,382	655,952
Total landfill operations	<u>2,696,891</u>	<u>2,553,890</u>	<u>143,001</u>	<u>2,383,258</u>
Debt service:				
Principal retirement	-	-	-	12,991
Interest and fees	-	-	-	13,048
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,039</u>
Total expenditures	<u>2,696,891</u>	<u>2,553,890</u>	<u>143,001</u>	<u>2,409,297</u>
Revenues over (under) expenditures	<u>(308,380)</u>	<u>241,489</u>	<u>549,869</u>	<u>85,627</u>
<b>Other Financing Sources (Uses):</b>				
Transfer out - Landfill Reserve Fund	(72,500)	(72,500)	-	-
Appropriated fund balance	380,880	-	(380,880)	-
Total other financing sources (uses)	<u>308,380</u>	<u>(72,500)</u>	<u>(380,880)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 168,989</u>	<u>\$ 168,989</u>	<u>\$ 85,627</u>

WILKES COUNTY, NORTH CAROLINA

LANDFILL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		2017
	Budget	Actual	Variance Over/(Under) Actual
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 168,989	
Reconciling items:			
Capital outlay		632,019	
Depreciation		(514,826)	
Change in accrued landfill closure/post-closure costs		(285,000)	
Change in deferred outflows of resources - pension		91,966	
Change in net pension liability		(49,422)	
Change in deferred inflows of resources - pensions		96,307	
Change in accrual for unfunded OPEB		60,522	
Change in deferred outflows of resources - OPEB		(18,288)	
Change in deferred inflows of resources - OPEB		(93,614)	
Change in accrual for compensated absences		398	
Intrafund transfer out - Landfill Closure and Post-Closure Reserve Fund		72,500	
Interest from Landfill Closure and Post-Closure Reserve Fund		31,753	
Total reconciling items		24,315	
Change in net position		\$ 193,304	

## 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, 2018

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

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Interest earnings	\$ 10,000	\$ 31,753	\$ 21,753	\$ 11,286
<b>Other Financing Sources (Uses):</b>				
Sinking reserve	(82,500)	-	(82,500)	-
Transfers in	72,500	72,500	-	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>72,500</u>	<u>(82,500)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 104,253</u>	<u>\$ 104,253</u>	<u>\$ 11,286</u>

## WILKES COUNTY, NORTH CAROLINA

## AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<b>Social Services:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 72,054	\$ 233,136	\$ 249,763	\$ 55,427
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 72,054	\$ 233,136	\$ 249,763	\$ 55,427
<b>Ad Valorem Tax - Other Municipalities:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 415,803	\$ 2,578,341	\$ 2,860,714	\$ 133,430
Taxes receivable	301,191	2,199,314	2,211,794	288,711
Total assets	<u>\$ 716,994</u>	<u>\$ 4,777,655</u>	<u>\$ 5,072,508</u>	<u>\$ 422,141</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ 716,994</u>	<u>\$ 4,777,655</u>	<u>\$ 5,072,508</u>	<u>\$ 422,141</u>
<b>Fines and Forfeitures:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 276,373	\$ 276,373	\$ -
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ -	\$ 276,373	\$ 276,373	\$ -
<b>Total All Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 487,857	\$ 3,087,850	\$ 3,386,850	\$ 188,857
Taxes receivable	301,191	2,199,314	2,211,794	288,711
Total assets	<u>\$ 789,048</u>	<u>\$ 5,287,164</u>	<u>\$ 5,598,644</u>	<u>\$ 477,568</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 789,048	\$ 5,010,791	\$ 5,322,271	\$ 477,568
Intergovernmental payable	-	276,373	276,373	-
Total liabilities	<u>\$ 789,048</u>	<u>\$ 5,287,164</u>	<u>\$ 5,598,644</u>	<u>\$ 477,568</u>

## WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2018**

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 37,124,176	\$ (35,807,033)	\$ 1,317,143
2016-2017	1,406,762	-	(683,185)	723,577
2015-2016	691,702	-	(216,925)	474,777
2014-2015	468,190	-	(122,831)	345,359
2013-2014	384,693	-	(95,304)	289,389
2012-2013	319,463	-	(58,710)	260,753
2011-2012	324,168	-	(49,457)	274,711
2010-2011	236,532	-	(32,749)	203,783
2009-2010	130,946	-	(19,526)	111,420
2008-2009	101,688	-	(13,034)	88,654
2007-2008	83,897	-	(83,897)	-
Total	\$ 4,148,041	\$ 37,124,176	\$ (37,182,651)	4,089,566
Less: Allowance for uncollectible accounts - General Fund				(1,204,361)
Ad valorem taxes receivable, net - General Fund				\$ 2,885,205
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 37,268,758
Reconciling items:				
Penalties and interest collected				(460,823)
Discounts taken				262,152
Prior year releases and write offs				96,218
Miscellaneous				16,346
Total reconciling items				(86,107)
Total collections and credits				\$ 37,182,651

## WILKES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>County-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 6,139,640,786	\$ 0.67	\$ 36,915,594	\$ 32,727,328	\$ 4,188,266
Penalties	-		36,143	21,392	14,751
Total	<u>6,139,640,786</u>		<u>36,951,737</u>	<u>32,748,720</u>	<u>4,203,017</u>
<b>Discoveries:</b>					
Current year taxes	38,237,029	0.67	214,869	214,869	-
Penalties	-		16,833	16,833	-
Total	<u>38,237,029</u>		<u>231,702</u>	<u>231,702</u>	<u>-</u>
<b>Abatements</b>	<u>(8,845,224)</u>	0.67	<u>(59,263)</u>	<u>(59,263)</u>	<u>-</u>
Total property valuation	<u>\$ 6,169,032,591</u>				
<b>Net Levy</b>			37,124,176	32,921,159	4,203,017
Less: Uncollected tax at June 30, 2018			<u>1,317,143</u>	<u>1,317,143</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 35,807,033</u>	<u>\$ 31,604,016</u>	<u>\$ 4,203,017</u>
<b>Current Levy Collection Percentage</b>			<u>96.45%</u>	<u>96.00%</u>	<u>100.00%</u>

**WILKES COUNTY NORTH CAROLINA****SECONDARY MARKET DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2018****Assessed Valuation:**

Assessment ratio	100%
Real property	\$ 5,264,002,377
Personal property	701,910,218
Public service companies	<u>203,119,996</u>
Total assessed valuation	<u>\$ 6,169,032,591</u>
Tax rate per \$100	0.67
Levy (includes discoveries, releases, and abatements)	<u>\$ 37,124,176</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, 2018:

Fire protection districts	<u>\$ 3,251,816</u>
---------------------------	---------------------

**WILKES COUNTY, NORTH CAROLINA****TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2018 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
Duke Energy Carolinas, LLC	Utility Company	\$ 115,261,097	1.87%
Tyson Farms, Inc.	Food processor	60,099,744	0.97%
Lowes Home Center, Inc. #1	Retail sales	49,251,522	0.80%
Louisiana Pacific	Building products manufacturing	34,889,420	0.57%
Jed-Wen Inc.	Building products manufacturing	18,097,136	0.29%
Carolina West Wireless Inc.	Phone company	27,902,099	0.45%
Faw, JC	Real Estate	23,176,110	0.38%
Elementia USA/Plycem USA	Building products manufacturing	19,726,704	0.32%
James R Vannoy & Sons Construction	Construction Company	14,511,111	0.24%
Interflex Group Inc	Packaging Processing	13,745,400	0.22%
Total		<u>\$ 376,660,343</u>	<u>6.11%</u>

**WILKES COUNTY, NORTH CAROLINA****EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE  
JUNE 30, 2018**

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	\$ 336,234
Cumulative prior period revenues and expenditures not reported in the PSAP report (difference in beginning Fund Balance-budget to actual vs. PSAP report)	<u>(4)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u><u>\$ 336,230</u></u>

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

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

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

### **Independent Auditor's Report**

To the Board of Commissioners  
Wilkes County  
Wilkesboro, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilkes County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wilkes County's basic financial statements, and have issued our report thereon dated November 20, 2018.

### **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 2018-001 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 Corrective Action Plan. 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, North Carolina  
November 20, 2018

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

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

## **Report On Compliance For Each Major Federal Program and Report On Internal Control Over Compliance Required by the 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 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.

## **Basis for Qualified Opinion on Medicaid Cluster and Low Income Home Energy Assistance Program**

As described in the accompanying Schedule of Findings and Questioned Costs, Wilkes County did not comply with requirements regarding CFDA 93.778 as described in finding 2018-002 for Eligibility and CFDA 93.568 in finding 2018-005 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Wilkes County to comply with the requirements applicable to that program.

## **Qualified Opinion on Medicaid Cluster and Low Income Home Energy Assistance Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Medicaid Cluster and Low Income Home Energy Assistance Program for the year ended June 30, 2018.

## **Unmodified Opinion On Each of the Other Major Federal Programs**

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 other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

## **Other Matters**

Wilkes County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Wilkes County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **Report On Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-005 to be material weaknesses. 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004 to be significant deficiencies.

Wilkes County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Wilkes County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, North Carolina

November 20, 2018

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

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

## **Report On Compliance For Each Major State Program and Report On Internal Control Over Compliance Required by 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, 2018. 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 state statutes, regulations, and the terms and conditions of its state awards 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.

### **Basis for Qualified Opinion on Medicaid Cluster**

As described in the accompanying Schedule of Findings and Questioned Costs, Wilkes County did not comply with requirements regarding CFDA 93.778 as described in finding 2018-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Wilkes County to comply with the requirements applicable to that program.

### **Qualified Opinion on Medicaid Cluster**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Medicaid Cluster for the year ended June 30, 2018.

### **Unmodified Opinion On Each of the Other Major State Programs**

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 other major state programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

### **Other Matters**

Wilkes County's response to the noncompliance 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 noncompliance and, accordingly, we express no opinion on the response.

### **Report On Internal Control Over Compliance**

Management of Wilkes County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wilkes County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 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 preceding paragraph 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 did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 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, North Carolina

November 20, 2018

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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? Yes

Type of auditor's report issued on compliance for major federal programs Unmodified for all major federal programs except for Medicaid Cluster and Low Income Home Energy Assistance Program, which was qualified

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	93.778
Low Income Home Energy Assistance Program	93.568
Supplemental Nutrition Assistance Program Cluster	10.561
Child Care and Development Fund Cluster	93.596, 93.575
Child Support Enforcement	93.563

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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 for all major state programs except for Medicaid Cluster, which was qualified

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**

School Nurse Funding Initiative  
 Public School Building Capital Fund  
 Medicaid Cluster  
 SFHF Maximization

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**2. Financial Statement Findings**

**Finding 2018-001**

**SIGNIFICANT DEFICIENCY**

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

**Condition:** The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by County personnel with regards to drafting full accrual, full disclosure year-end financial statements. Although management of the County does not possess expertise to draft full accrual, full disclosure financial statements, they do accept responsibility for the preparation and fair presentation of the financial statements and they possess the skills and knowledge to oversee and perform a detail review of the drafted full accrual, full disclosure financial statements and reconcile the financial statements to the records of the County.

**Effect:** Errors in financial reporting could occur.

**Cause:** There are limited County resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2017-001.

**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 overseeing the drafting services, reconciling, and 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 125 in this report.

# WILKES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### 3. Federal Award Findings and Questioned Costs

#### U.S. Department of Health and Human Services

Passed through the N.C. Department of Health and Human Services  
Program Name: Medical Assistance Program (Medicaid; Title XIX)  
CFDA #: 93.778  
Grant Number: XIX-MAP18

#### Finding: 2018-002

#### MATERIAL NON-COMPLIANCE

#### MATERIAL WEAKNESS

**Criteria:** In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. Management should have an adequate system of internal controls procedures in place to ensure an applicant is properly determine or redetermined for benefits.

**Condition:** Three applicants were receiving SSI, but their SSI benefits terminated during the certification period. Due to the change in SSI, they were expected to have an ex parte review performed. Per review of the casefiles, there was no evidence of an ex parte review completed.

**Context:** Of the 452,946 of Medicaid benefit payments (valued at \$74,530,225), we examined 96 (valued at \$11,538) and determined that three applicants' (3%) file lacked an ex parte review. Upon further review, two applicants (valued at \$10) were ineligible and one (valued at \$10) was eligible for benefits.

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

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2017-002.

**Cause:** The caseworker failed to perform ex parte review for the applicants and, therefore; did not obtain sufficient documentation to determine eligibility.

**Questioned Costs:** In accordance with 2 CFR 200, auditors must report known questioned costs when likely questioned costs are greater than \$25,000. Even though sample results identified only \$10 (federal share \$6.60 and state share \$3.40) in questioned costs, if tests were extended to the entire population, questioned costs could be greater than \$25,000. Therefore, the overpayments of \$10 are being questioned.

**Recommendation:** Caseworkers should perform ex parte reviews on a timely basis.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

# WILKES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### **U.S. Department of Health and Human Services**

Passed through the N.C. Department of Health and Human Services  
Program Name: Medical Assistance Program (Medicaid; Title XIX)  
CFDA #: 93.778  
Grant Number: XIX-MAP18

### **U.S. Department of Health and Human Services**

Passed through the N.C. Department of Health and Human Services  
Program Name: Child Care and Development Fund Cluster  
CFDA #: 93.596, 93.575  
Grant Number: G1801NCCCDF

### **U.S. Department of Health and Human Services**

Passed through the N.C. Department of Health and Human Services  
Program Name: Low-Income Home Energy Assistance Program  
CFDA #: 93.568  
Grant Number: G18BINCLIEA

### **U.S. Department of Health and Human Services**

Passed through the N.C. Department of Health and Human Services  
Program Name: Supplemental Nutrition Assistance Program Cluster  
CFDA #: 10.561  
Grant Number: 185NC406S2514

### **U.S. Department of Health and Human Services**

Passed through the N.C. Department of Health and Human Services  
Program Name: Child Support Enforcement  
CFDA #: 93.563  
Grant Number: 1804NC4005

### **Finding: 2018-003**

#### **SIGNIFICANT DEFICIENCY**

**Criteria:** In accordance with 2 CFR 200, management must have an adequate system of internal control procedures in place to adequately safeguard confidential information from unauthorized use in compliance with applicable laws and regulations. In accordance with the Division of Social Services Fiscal Manual, DSS employees should control physical access to the state network terminals or personal computers that are connected to the state mainframe.

**Condition:** Upon surprise inspection, one unattended work station of a DSS employee was logged onto the state network without anyone attending to the work station.

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Context:** During a surprise walkthrough, we examined 50 workstations and determined that five (10%) workstations were not properly secured. The workstations were unattended and logged onto the state system.

**Effect:** Unauthorized access to the state system could be obtained due to the unattended logon to the system throughout the DSS building.

**Cause:** Lapse of internal controls over data security.

**Questioned Costs:** The finding represents an internal control issue; therefore, no questioned costs are applicable.

**Recommendation:** Require the County to implement procedures to require logout of workstations where access to the state DSS system is granted. The control procedures should include random verification of logout in instances where offices are unattended.

**Views of Responsible Officials and Planned Corrective Actions:** Management accepts this finding. Please refer to the Corrective Action Plan.

# WILKES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### **U.S. Department of Health and Human Services**

Passed through the N.C. Department of Health and Human Services  
Program Name: Supplemental Nutrition Assistance Program Cluster  
CFDA #: 10.561  
Grant Number: 185NC406S2514

### **Finding: 2018-004**

#### **SIGNIFICANT DEFICIENCY**

**Criteria:** In accordance with 7 CFR section 275.2(b), a quality control unit must be established that is independent of program operations. The Enterprise Program Integrity Control System (EPICS) tracks claims for overpayments for all counties. The State of North Carolina requires counties to maintain adequate documentation to substantiate all claims. Management should have an adequate system of internal controls procedures in place to ensure the claim was properly entered into EPICS.

**Condition:** Five applicants' casefile did not contain supervisor approval on Form 1682. Seven applicants' casefile did not contain Form 1682. Four applicants' casefile did not contain adequate documentation to substantiate claim for overpayment. Upon further review, the County was able to substantiate that the claim was valid.

**Context:** Of the 209 SNAP EPICS cases, we examined 40 and determined that 16 applicants' (40%) file lacked adequate documentation.

**Effect:** Casefiles could be missing the required documentation which could allow the benefit recoupment calculation to be incorrect.

**Cause:** The caseworker did not obtain sufficient documentation to determine recoupment amount.

**Questioned Costs:** The finding represents an internal control issue; therefore, no questioned costs are applicable.

**Recommendation:** Caseworkers should maintain adequate documentation in regards to program integrity.

**Views of Responsible Officials and Planned Corrective Actions:** Management accepts this finding. Please refer to the Corrective Action Plan.

# WILKES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### U.S. Department of Health and Human Services

Passed through the N.C. Department of Health and Human Services

Program Name: Low-Income Home Energy Assistance

CFDA #: 93.568

Grant Number: G18BINCLIEA

### Finding: 2018-005

#### MATERIAL WEAKNESS

#### MATERIAL NON-COMPLIANCE

**Criteria:** Per 42 USC 8624, documentation must be obtained as needed to determine if a recipient meets specific eligibility requirements. In accordance with 2 CRF 200, management must have an adequate system of internal control procedures in place to properly assess the eligibility of individuals.

**Condition:** With respect to the Low-Income Home Energy Assistance, ten applicants' budgets were calculated incorrectly. One applicant's casefile documentation used to determine eligibility did not match NC FAST. Two applicant's budgets were calculated incorrectly and documentation used to determine eligibility did not match NC FAST. With respect to the Crisis Intervention Program, seven applicants' budgets were calculated incorrectly and income to determine eligibility did not match NC FAST.

**Context:** Of the 1162 Low-Income Home Energy Assistance casefiles, we examined 33 and determined that ten applicants (30%) file lacked a properly calculated budget. Upon further review and recalculation, four applicants were still deemed eligible and six applicants were ineligible due to being over income limit. One applicant (3%) casefile documentation used to determine eligibility did not match NCFAST. Upon further review, applicant was still deemed eligible. Two applicants (6%) budgets were calculated incorrectly and documentation used to determine eligibility did not match NC FAST. Upon further review and recalculation, applicants were still deemed eligible. Of the 955 Crisis Intervention Program casefiles, we examined 27 and determined seven applicants (26%) files lacked properly calculated budget and income used to determine eligibility did not match NC FAST. Upon further review and recalculation, five applicants were still deemed eligible and two applicants were ineligible due to being over income limit.

**Effect:** Incorrect budget calculations could allow benefits to be provided to individuals who were not eligible.

**Cause:** The caseworker failed to calculated budget incorrectly and/or did not retain documentation that matched NCFAST.

**Questioned Cost:** In accordance with 2 CFR 200, auditors must report known questioned costs when likely questioned costs are greater than \$25,000. Even though sample results identified only \$1,196.50 in questioned costs, if tests were extended to the entire population, questioned costs could be greater than \$25,000. Therefore, the overpayments of \$1,196.50 are being questioned.

## **WILKES COUNTY, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018**

**Recommendation:** Caseworkers should review their eligibility determinations and ensure all budget calculations are reviewed for accuracy before approving benefits and documentation that matches NCFAST should be retained.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**Finding 2018-002** – 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 2018-002 in Section 3 – Federal Award Findings and Questioned Costs.

# COUNTY OF WILKES

DIRECTOR

John L. Blevins, MPA

DEPARTMENT OF SOCIAL SERVICES

304 COLLEGE STREET  
WILKESBORO, NORTH CAROLINA 28697-2854  
(336) 651-7400

ADMINISTRATIVE FAX (336) 903-7613  
CHILD SUPPORT FAX (336) 990-0409  
ELIGIBILITY FAX (336) 651-7568  
SOC. WK. SERVICES FAX (336) 651-7559

PROGRAM ADMINISTRATOR

Kevin L. Brown

## Finding: 2018-001

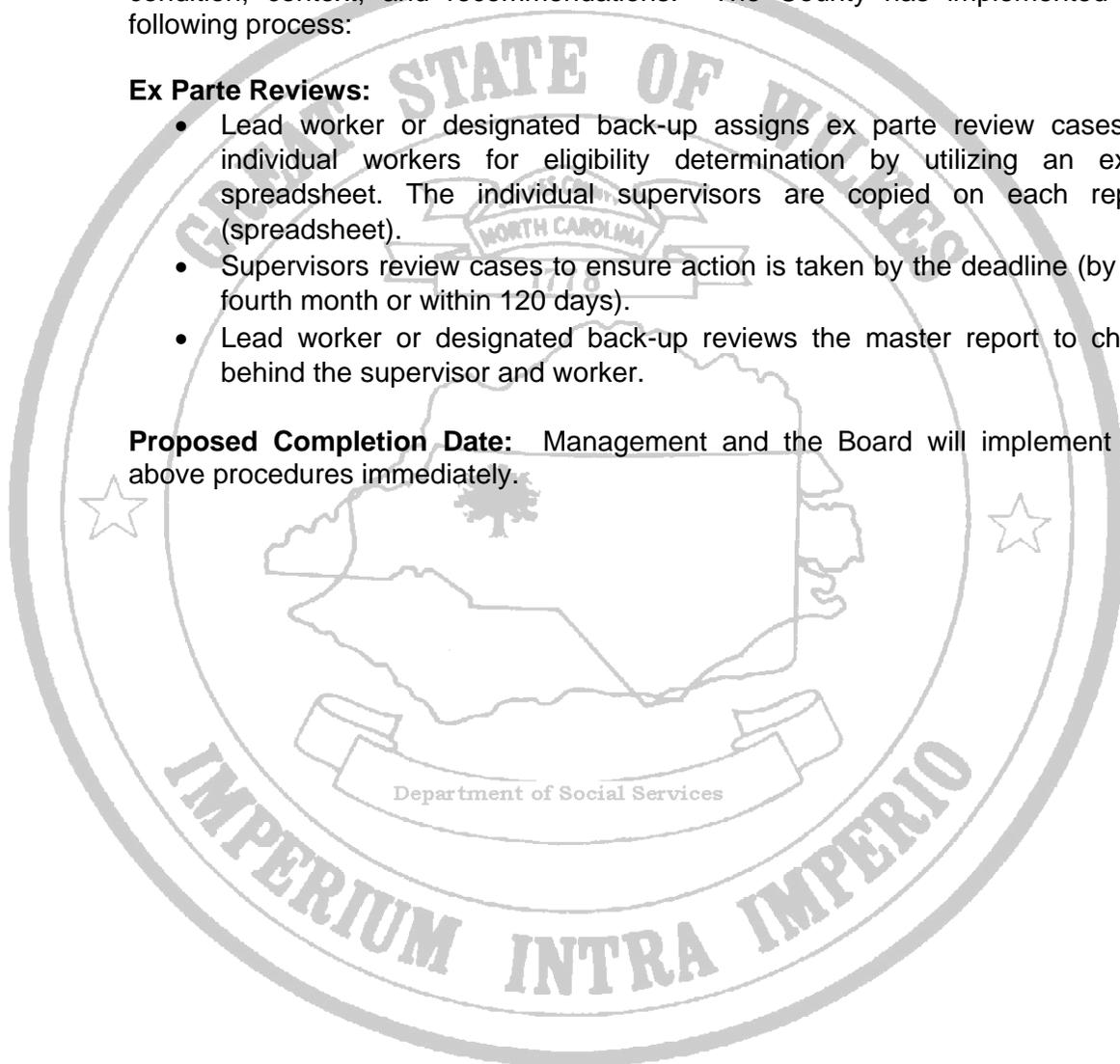
**Name of Contact Person:** John Blevins, Social Services Director

**Corrective Action/Management's Response:** Management concurs with the condition, context, and recommendations. The County has implemented the following process:

### Ex Parte Reviews:

- Lead worker or designated back-up assigns ex parte review cases to individual workers for eligibility determination by utilizing an excel spreadsheet. The individual supervisors are copied on each report (spreadsheet).
- Supervisors review cases to ensure action is taken by the deadline (by the fourth month or within 120 days).
- Lead worker or designated back-up reviews the master report to check behind the supervisor and worker.

**Proposed Completion Date:** Management and the Board will implement the above procedures immediately.



# COUNTY OF WILKES

**DIRECTOR**

John L. Blevins, MPA

**DEPARTMENT OF SOCIAL SERVICES**

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**PROGRAM ADMINISTRATOR**

Kevin L. Brown

## Corrective Action Plan

Name of Contact Person: John Blevins, Social Services Director

Proposed Completion Date: Management and the Board will implement the below procedures immediately.

### Finding: 2018-002

Lead worker or designated back-up assigns ex parte review cases to individual workers for eligibility determination by utilizing an excel spreadsheet. The individual supervisors are copied on each report (spreadsheet). Supervisors review cases to ensure action is taken by the deadline (by the fourth month or within 120 days). Lead worker or designated back-up reviews the master report to check behind the supervisor and worker.

### Finding: 2018-003

Additional training is being provided to DSS staff on importance of securing work areas and how breach may occur with workstations left unattended and unsecured. Computer workstations log out automatically after brief period of idle time, however staff have been instructed to use manual lock of workstations whenever stepping away from desk. Supervisors have also been instructed to do random visual checks of workstations.

### Finding: 2018-004

Policy training has been completed for Program Integrity staff. Supervisor and worker will meet as each 1682 is signed to verify that all claims are correctly documented and approved. As many of the cases reviewed were established many years ago, Wilkes DSS would like to note the majority were completed by staff who are no longer with the agency.

### Finding: 2018-005

Additional training has been completed for all staff taking applications for the Low Income Energy Assistance Program and Crisis Intervention Program. State policy regarding budget calculation and appropriate documentation has been reviewed with all staff. Supervisor and Lead Worker will complete 2<sup>nd</sup> Party Reviews in order to ensure accuracy and compliance with state policy.

**WILKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Finding: 2017-001**

**Status:** Repeat finding as 2018-001.

**Finding: 2017-002**

**Status:** Modified and repeated as 2018-002.

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-through Grantor / Program Title	CFDA Number	State/ Pass-through Grantor's Number	Expenditures		Passed-through to Subrecipients
			Federal	State	
<b>Federal Awards:</b>					
<b>U.S. Department of Health and Human Services</b>					
Administration of Children and Families					
Passed-through the N.C. Department of Health and Human Services					
<b>Division of Social Services:</b>					
Child Support Enforcement - Administration	93.563	1804NC4005	\$ 396,491	\$ -	\$ -
Total Child Support Enforcement			396,491	-	-
Temporary Assistance for Needy Families Cluster:					
Temporary Assistance for Needy Families - Administration	93.558	G1802NCTANF	257,216	-	-
<b>Division of Public Health:</b>					
Temporary Assistance for Needy Families - Work First	93.558	G1802NCTANF	6,841	-	-
Total Temporary Assistance for Needy Families Cluster			264,057	-	-
Foster Care and Adoption Cluster (Note 3)					
Foster Care Title IV-E:					
Foster Care Title IV-E - Administration	93.658	1801NCFOST	393,072	19,168	-
Foster Care Title IV-E - Direct Benefits	93.658	1801NCFOST	995,193	277,899	-
Total Foster Care Title IV-E			1,388,265	297,067	-
Adoption Assistance:					
Adoption Assistance - Administration	93.659	1801NCADPT	16,261	-	-
Total Adoption Assistance			16,261	-	-
Total Foster Care and Adoption Cluster			1,404,526	297,067	-
Low-Income Home Energy Assistance:					
Low-Income Home Energy Assistance - Administration	93.568	G18BINCLIEA	629,989	-	-
Total Low-Income Home Energy Assistance			629,989	-	-
Chafee Foster Care Independence Program - Administration					
Refugee and Entrant Assistance Cluster (Note 3)	93.674	G1801NC1420	35,418	7,263	-
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs					
Total Refugee and Entrant Assistance Cluster	93.566	1801NCRDMA	121	-	-
Social Services Block Grant - Administration	93.667	G1801NCSOSR	368,078	6,074	-
Special Children Adoption Fund Cluster (Note 3)					
Promoting Safe and Stable Families - Administration	93.556	1801NCFPSS	60,344	-	-
Total Special Children Adoption Fund Cluster			60,344	-	-
Stephanie Tubbs Jones Child Welfare Services Program - Administration	93.645	G1801NCCWSS	14,518	-	-
Sub total			478,479	13,337	-
<b>Administration for Children and Families:</b>					
Passed-through the N.C. Department of Health and Human Services					
Subsidized Child Care Cluster (Note 3)					
<b>Child Care Development Fund Cluster</b>					
<b>Division of Social Services:</b>					
Child Care Mandatory and Matching Funds of the Child Care and					
Child Care Development Fund - Administration	93.596	G1801NCCCDF	86,026	-	-
Total Childcare Development Fund Cluster			86,026	-	-
Total Subsidized Child Care Cluster			86,026	-	-
<b>Centers for Medicare and Medical Services</b>					
Medicaid Cluster					
Administration:					
Medical Assistance Program - Administration	93.778	XIX-MAP 18	1,339,351	1,875	-
Total Medicaid Cluster			1,339,351	1,875	-
Health Choice					
Administration:					
Children's Health Insurance Program - Administration	93.767	CHIP 18	29,801	8	-
Total Health Choice			29,801	8	-
Total Centers for Medicare and Medical Services			1,369,152	1,883	-
<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	93.074	1264 2680 EY	37,518	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1460 272C NF, 1460 272D NF	50	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure					
and Performance financed in part by Prevention and Public Health Funds	93.539	1331 627E VP	20,426	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	1320 310A D7, 1320 310A JS	11,220	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)					
Assistance Programs for Chronic Disease Prevention and Control	93.758	1261 5503 00, 1261 5503 PF	39,984	-	-
	93.945	126C 587E MD, 1271 586D MF, 1271 586E MF	110,869	-	-
HIV Cluster (Note 3)					
Sexually Transmitted Diseases Prevention and Control Grants	93.977	1311 462D NB, 1311 462E NB	692	-	-
Total HIV Cluster			692	-	-

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-through Grantor / Program Title	CFDA Number	State/ Pass-through Grantor's Number	Expenditures		Passed-through to Subrecipients
			Federal	State	
<b>Health Resources and Service Administration</b>					
Division of Public Health					
Maternal and Child Health Services Block Grant to the States	93.994	13A1 5740 AP, 13A1 5700 AR, 1271 5745 AP, 1271 5351 AP, 1271 5318 AP	68,007	51,011	-
<b>Office of Population Affairs passed through NC Department of Health and Human Services</b>					
Office of Population Affairs					
Family Planning Services	93.217	13A1 592C FP	31,091	-	-
			319,857	51,011	-
<b>Administration for Community Living:</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	536331	39,477	2,322	41,799
In-Home Services:					
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	536332	189,599	11,153	200,752
Congregate Nutrition:					
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	536333	105,361	6,198	111,559
Home Delivered Meals:					
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	536334	185,231	10,896	196,127
Total Aging Cluster			519,668	30,569	550,237
Total U.S. Department of Health and Human Services			5,468,245	393,867	550,237
<b>U.S. Department of Transportation</b>					
Federal Aviation Administration					
Passed through the N.C. Department of Transportation					
Airport Improvement Program	20.106	36237.49.16.1	838	-	-
Total U.S. Department of Transportation			838	-	-
<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 Women, Infants, and Children					
Total Division of Public Health	10.557	13A25403/5404/5405/5409/ 570A/570B/570K	351,848	-	-
			351,848	-	-
<b>Division of Social Services:</b>					
Food and Nutrition Service:					
Supplemental Nutrition Assistance Program Cluster:					
Administration:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	185NC406S2514	385,568	-	-
Total Supplemental Nutrition Assistance Program Cluster			385,568	-	-
Total U.S. Department of Agriculture:			737,416	-	-
<b>U.S. Department of Justice:</b>					
Edward Byrne Justice Assistance Grant					
Total U.S. Department of Justice	16.738		10,928	-	-
			10,928	-	-
<b>U.S. Department of Homeland Security</b>					
Federal Emergency Management					
Emergency Management Performance Grant	97.042		20,625	-	-
Homeland Security Grant	97.067		52,000	-	-
Emergency Management Performance Grant	97.042		18,017	-	-
Total U.S. Department of Homeland Security			90,642	-	-
<b>U.S. Department of Transportation:</b>					
Passed through N.C. Department of Transportation					
Airport Improvement Program	20.106	36237.49.17.1	113,744	-	-
Total U.S. Department of Transportation			113,744	-	-
<b>Total Federal Awards</b>			6,421,813	393,867	550,237
<b>State Awards:</b>					
<b>N.C. Department of Health and Human Services</b>					
<b>Division of Social Services:</b>					
F/C at Risk Maximization				14,456	-
SFHF Maximization				285,540	-
State Child Welfare/CPS/CS LD				99,406	-
AFDC Incentive/Program Integrity				1,759	-
DCD Smart Start				19,575	-
Extended Foster Care Maximization Non Title IV-E				32,623	-
State Foster Home				195,981	-
Total Division of Social Services				649,340	-

WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-through Grantor / Program Title	CFDA Number	State/ Pass-through Grantor's Number	Expenditures		Passed-through to Subrecipients
			Federal	State	
<b>Division of Public Health</b>					
<b>Other Receipts/State Supported Expenditures</b>					
Food and Lodging Fees		11534752SZ		12,391	-
General Aid to Counties		1161411000		85,428	-
General Communicable Disease Control		1175451000		2,293	-
Breast and Cervical Cancer Program		1320559900		3,825	-
Child Health		1271574500		4,913	-
Maternal Health (HMHC)		13A1574000		2,958	-
HIV/STD State		13114536BN / 13114536RQ		500	-
Gonorrhea Partner Services		13114601BN		1,004	-
STD Drugs		13114601RQ		201	-
School Health Center		1332535700		45,552	-
School Nurse Funding Initiative		1332535800		150,000	-
Woman Health Service Fund		13A16018FP		7,703	-
TB Control		1460455100 / 1460455400		3,305	-
Family Planning - State		13A1573500		17,092	-
Public Health Nursing		1161430100		1,600	-
Total Division of Public Health				338,765	-
Total N.C. Department of Health and Human Services				988,105	-
<b>N.C. Housing Finance Agency</b>					
<b>N.C. Department of Transportation:</b>					
DOT Cluster					
Rural Operating Assistance Program					
Rural General Public Program		DOT-16CL 36236.11.6.1		99,021	99,021
Elderly and Disabled Transportation Assistance Program		DOT-16CL 36236.11.6.1		59,996	59,996
Work First Transitional Employment Transportation Assistance Program		DOT-16CL 36236.11.6.1		16,879	16,879
Total DOT Cluster				175,896	175,896
State Aid to Airports		DOT-8		127,958	-
Special Registration Plate - Visitors Center		DOT-13 42931		92,857	-
Total N.C. Department of Transportation				396,711	175,896
<b>N.C. Department of Environmental Quality:</b>					
Soil & Water Conservation		G40100296115SWC		51,500	-
Total N.C. Department of Environmental Quality				51,500	-
<b>N.C. Department of Administration:</b>					
Veterans Service Grant		DMVA 17/18		2,175	-
Total N.C. Department of Administration				2,175	-
<b>N.C. Department of Public Safety:</b>					
JCPC/Youth Grants For Agencies		DPS / JPC 298		184,265	184,265
Juvenile Crime Prevention Assistance		DPS / JPC 298		5,443	5,443
Total N.C. Department of Public Safety				189,708	189,708
<b>N.C. Department of Instructions:</b>					
Public School Building Capital Fund - Lottery Proceeds		7002996		675,000	675,000
Total N.C. Department of Instructions				675,000	675,000
<b>Total State Awards</b>				2,303,199	1,040,604
<b>Total Federal and State Awards</b>				\$ 6,421,813	\$ 2,697,066
					\$ 1,590,841

**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, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Wilkes County, it is not intended 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, Foster Care and Adoption, Refugee and Entrant Assistance Cluster and HIV Cluster.