

**WILKES COUNTY  
NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**



# WILKES COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

### TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<b>Financial Section:</b>	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-13
	<b>Basic Financial Statements:</b>	
A	Statement of Net Position	14
B	Statement of Activities	15-16
C	Balance Sheet - Governmental Funds	17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
G	Statement of Net Position - Proprietary Funds	21
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
I	Statement of Cash Flows - Proprietary Funds	23
J	Statement of Fiduciary Net Position - Fiduciary Funds	24
	Notes to the Financial Statements	25-64
	<b>Required Supplementary Information:</b>	
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	65
A-2	Other Post-Employment Benefits - Required Supplementary Information	66

# WILKES COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplementary Information (Continued):</b>	
A-3	Local Government Employees' Retirement System Wilkes County's Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information	67
A-4	Local Government Employees' Retirement System Wilkes County's Contributions Required Supplementary Information	68
A-5	Register of Deeds' Supplemental Pension Fund Wilkes County's Proportionate Share of Net Pension Liability (Asset) Last Two Fiscal Years - Required Supplementary Information	69
A-6	Register of Deeds' Supplemental Pension Fund Wilkes County's Contributions Last Two Fiscal Years - Required Supplementary Information	70
	<b>Combining and Individual Fund Statements and Schedules:</b>	
	<b>Major Governmental Funds:</b>	
1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	71-82
	<b>Nonmajor Governmental Funds:</b>	
2	Combining Balance Sheet	84
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	85
	<b>Nonmajor Special Revenue Funds:</b>	
4	Combining Balance Sheet	86
5	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	87
6	Fire District Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	88
7	Law Enforcement Restricted Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
8	Emergency Telephone System Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90

# WILKES COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Nonmajor Capital Project Funds:</b>	
9	Combining Balance Sheet	91
10	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	92
11	Law Enforcement Center/Jail Construction Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	83
12	Urgent Repair 13 Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
13	Gardner Glass Capital Project Fund - Schedule of Revenues Expenditures, and Changes in Fund Balance - Budget and Actual	94
14	Highway 268 Water Extension - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95
15	Water Intake Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
	<b>Enterprise Funds:</b>	
16	Airport Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	97-98
17	Landfill Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	99-100
18	Landfill Closure and Postclosure Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	101
	<b>Agency Funds:</b>	
19	Combining Statement of Changes in Assets and Liabilities	102
	<b>Other Schedules:</b>	
20	Schedule of Ad Valorem Taxes Receivable - General Fund	103
21	Analysis of Current Tax Levy - County-Wide Levy	104
22	Secondary Market Disclosures	105
23	Ten Largest Taxpayers	106
24	Emergency Telephone System Unspent Balance	107

# WILKES COUNTY, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

### TABLE OF CONTENTS

	<u>Page</u>
<b>Compliance Letters:</b>	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	108-109
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	110-111
Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	112-113
Schedule of Findings, Responses, and Questioned Costs	114-119
Summary Schedule of Prior Year's Audit Findings	120
Schedule of Expenditures of Federal and State Awards	121-125

# 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, 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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officer's Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement Systems Schedules of the County's Proportionate Share of Net Pension Asset 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 the U.S. Office and Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all materials respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 on our consideration of Wilkes County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wilkes County's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
December 1, 2015

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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, 2015. 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

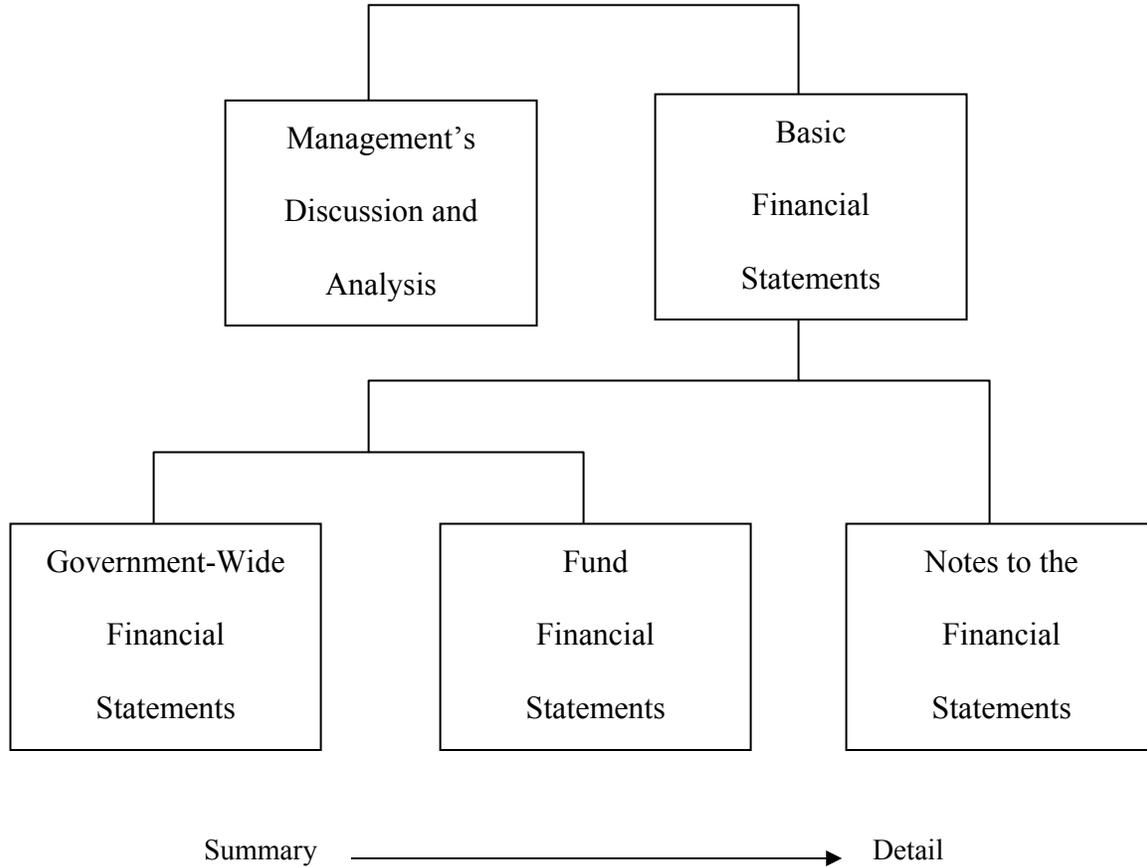
- The assets and deferred outflows of resources of Wilkes County exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,532,400 (*net position*).
- The government's total net position increased by \$7,192,465.
- As of the close of the current fiscal year, Wilkes County's governmental funds reported combined ending fund balances of \$29,751,279. Approximately 20 percent of this total amount, or \$5,996,625, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$22,176,463, or 31 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 J) 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Assets:</b>						
Current and other assets	\$ 38,323,055	\$ 39,097,692	\$ 6,701,356	\$ 5,646,642	\$ 45,024,411	\$ 44,744,334
Capital assets, net	<u>37,309,207</u>	<u>33,977,447</u>	<u>18,355,238</u>	<u>17,660,671</u>	<u>55,664,445</u>	<u>51,638,118</u>
Total assets	<u>75,632,262</u>	<u>73,075,139</u>	<u>25,056,594</u>	<u>23,307,313</u>	<u>100,688,856</u>	<u>96,382,452</u>
<b>Deferred Outflows of Resources</b>						
	<u>1,092,438</u>	<u>-</u>	<u>43,279</u>	<u>-</u>	<u>1,135,717</u>	<u>-</u>
<b>Liabilities:</b>						
Long-term liabilities	48,870,998	52,000,838	6,850,435	6,954,801	55,721,433	58,955,639
Other liabilities	<u>7,618,614</u>	<u>8,537,448</u>	<u>885,355</u>	<u>339,934</u>	<u>8,503,969</u>	<u>8,877,382</u>
Total liabilities	<u>56,489,612</u>	<u>60,538,286</u>	<u>7,735,790</u>	<u>7,294,735</u>	<u>64,225,402</u>	<u>67,833,021</u>
<b>Deferred Inflows of Resources</b>						
	<u>3,914,917</u>	<u>72,798</u>	<u>151,854</u>	<u>-</u>	<u>4,066,771</u>	<u>72,798</u>
<b>Net Position:</b>						
Net investment in capital assets	26,562,156	24,896,846	18,188,513	17,344,133	44,750,669	42,240,979
Restricted	5,609,310	4,797,026	-	-	5,609,310	4,797,026
Unrestricted	<u>(15,851,295)</u>	<u>(17,229,817)</u>	<u>(976,284)</u>	<u>(1,331,555)</u>	<u>(16,827,579)</u>	<u>(18,561,372)</u>
Total net position	<u>\$ 16,320,171</u>	<u>\$ 12,464,055</u>	<u>\$ 17,212,229</u>	<u>\$ 16,012,578</u>	<u>\$ 33,532,400</u>	<u>\$ 28,476,633</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of Wilkes County exceeded liabilities and deferred inflows of resources by \$33,532,400 as of June 30, 2015. The County's net position increased by \$7,192,465 for the fiscal year ended June 30, 2015. 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, \$5,609,310, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted deficit of \$16,827,579. This deficit is a presentation of the fact that Wilkes County carries \$33,710,000 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. Also, Wilkes County implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's and Register of Deed's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$2,136,698. Decisions regarding the allocations are made by the administrators of the pension plan, not by Wilkes County's management.

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 95.76%
- Sustained operating budgets at minimal costs and estimated revenues conservatively
- Increase in lottery funds received from the State

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

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>						
Program revenues:						
Charges from services	\$10,307,815	\$ 9,961,579	\$ 3,322,642	\$ 3,438,840	\$13,630,457	\$13,400,419
Operating grants and contributions	10,030,432	9,062,444	-	-	10,030,432	9,062,444
Capital grants and contributions	1,660,679	1,164,659	1,270,221	79,059	2,930,900	1,243,718
General revenues:						
Property taxes	39,488,749	40,469,237	-	-	39,488,749	40,469,237
Local option sales tax	13,063,676	12,593,454	-	-	13,063,676	12,593,454
Other	171,413	182,145	3,872	4,342	175,285	186,487
Total revenues	<u>74,722,764</u>	<u>73,433,518</u>	<u>4,596,735</u>	<u>3,522,241</u>	<u>79,319,499</u>	<u>76,955,759</u>
<b>Expenses:</b>						
General government	7,273,458	6,381,221	-	-	7,273,458	6,381,221
Public safety	17,250,291	17,635,525	-	-	17,250,291	17,635,525
Economic and physical development	2,538,184	1,910,604	-	-	2,538,184	1,910,604
Environmental protection	134,422	143,081	-	-	134,422	143,081
Human services	21,550,246	20,185,983	-	-	21,550,246	20,185,983
Cultural and recreation	1,396,285	1,495,984	-	-	1,396,285	1,495,984
Education	16,749,497	17,771,923	-	-	16,749,497	17,771,923
Interest on long-term debt	1,802,022	1,912,833	-	-	1,802,022	1,912,833
Airport	-	-	1,516,736	1,624,486	1,516,736	1,624,486
Landfill	-	-	1,915,893	2,058,535	1,915,893	2,058,535
Total expenses	<u>68,694,405</u>	<u>67,437,154</u>	<u>3,432,629</u>	<u>3,683,021</u>	<u>72,127,034</u>	<u>71,120,175</u>
Increase (decrease) in net position before transfers	6,028,359	5,996,364	1,164,106	(160,780)	7,192,465	5,835,584
Transfers in (out)	<u>(122,223)</u>	<u>-</u>	<u>122,223</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>5,906,136</u>	<u>5,996,364</u>	<u>1,286,329</u>	<u>(160,780)</u>	<u>7,192,465</u>	<u>5,835,584</u>
<b>Net Position:</b>						
Net position, beginning	12,464,055	6,467,691	16,012,578	16,173,358	28,476,633	22,641,049
Restatement	<u>(2,050,020)</u>	<u>-</u>	<u>(86,678)</u>	<u>-</u>	<u>(2,136,698)</u>	<u>-</u>
Net position, beginning, restated	<u>10,414,035</u>	<u>6,467,691</u>	<u>15,925,900</u>	<u>16,173,358</u>	<u>26,339,935</u>	<u>22,641,049</u>
End of year - June 30	<u>\$16,320,171</u>	<u>\$12,464,055</u>	<u>\$17,212,229</u>	<u>\$16,012,578</u>	<u>\$33,532,400</u>	<u>\$28,476,633</u>

**Governmental Activities.** Governmental activities increased the County's net position by \$5,906,136. Key elements of this increase are as follows:

- Maintaining a collection percentage of 95.76% in the collection of property taxes
- Increase in local option sales tax and related revenues
- Conservative budgeting in operating expenses and revenue estimates

**Business-Type Activities.** Business-type activities increased Wilkes County's net position by \$1,286,329. Key elements of this decrease are as follows:

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

### **Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Wilkes County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Wilkes County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Wilkes County. At the end of the current fiscal year, fund balance available in the General Fund was \$24,355,200 while total fund balance reached \$28,743,049. 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 35% of total General Fund expenditures and transfers to other funds, while total fund balance represents 41% of that same amount.

At June 30, 2015, the governmental funds of Wilkes County reported a combined fund balance of \$29,751,279, a decrease over last year. The primary reason for this decrease is the decrease in fund balance in the Law Enforcement Center/Jail Construction Capital Project Fund.

**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 \$4,124,239 (5.69%). 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 \$(185,199). Unrestricted net position of the Landfill Fund at the end of the fiscal year totaled \$(791,085).

## Capital Asset and Debt Administration

**Capital Assets.** Wilkes County’s capital assets for its governmental and business–type activities as of June 30, 2015 totaled \$55,664,445 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Improvements to the Sherriff’s building of \$1,003,744
- Improvements to the Ag building of \$1,097,701
- Completion of new law enforcement center in the amount of \$11,736,578

### Wilkes County’s Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,004,649	\$ 2,004,649	\$ 5,400,945	\$ 5,400,945	\$ 7,405,594	\$ 7,405,594
Buildings	28,773,651	17,037,073	792,737	792,737	29,566,388	17,829,810
Improvements	5,902,673	3,591,875	21,261,776	21,261,776	27,164,449	24,853,651
Machinery and equipment	14,569,496	14,029,823	4,018,280	3,798,115	18,587,776	17,827,938
Construction in progress	2,205,889	12,175,533	1,514,132	296,940	3,720,021	12,472,473
Total	53,456,358	48,838,953	32,987,870	31,550,513	86,444,228	80,389,466
Accumulated depreciation	(16,147,151)	(14,861,506)	(14,632,632)	(13,889,842)	(30,779,783)	(28,751,348)
Capital assets, net	<u>\$37,309,207</u>	<u>\$ 33,977,447</u>	<u>\$18,355,238</u>	<u>\$17,660,671</u>	<u>\$55,664,445</u>	<u>\$51,638,118</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>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Installment purchase	\$ 44,829,414	\$ 48,334,190	\$ -	\$ -	\$ 44,829,414	\$ 48,334,190
Capital lease	-	-	166,725	316,538	166,725	316,538
<b>Total</b>	<b>\$ 44,829,414</b>	<b>\$ 48,334,190</b>	<b>\$ 166,725</b>	<b>\$ 316,538</b>	<b>\$ 44,829,414</b>	<b>\$ 48,334,190</b>

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 \$426,100,000.

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, 2016**

**Governmental Activities.** The General Fund's original adopted revenue budget totals \$74.8 million which is \$4.5 million more than the FY 2014-2015 actual amounts. The budget includes a property tax rate of 69 cents per \$100 assessed value, the same rate as the prior two years. The property tax base is expected to grow about 1% and sales taxes are budgeted with a 3.8% increase over the 2014-2015 budget. There is an appropriation of \$1.9 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 higher than prior year actual amounts due to an increase in capital project expenses funded mostly by Federal and State grants. The budgeted operating expenditure amounts for the Landfill Fund are budgeted fairly consistent to prior year actual amounts. The total budget for the Landfill Fund is approximately the same in comparison to the prior year.

**Requests for Information**

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

## WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 27,668,073	\$ 1,776,414	\$ 29,444,487
Taxes receivable, net	3,622,621	-	3,622,621
Accounts receivable, net	1,420,288	332,909	1,753,197
Due from other governments	2,801,438	1,122,131	3,923,569
Inventories	14,952	55,045	69,997
Internal balances	730,171	(730,171)	-
Cash and cash equivalents, restricted	372,363	4,083,341	4,455,704
Pension asset, restricted	1,693,149	61,687	1,754,836
Capital assets:			
Land, improvements, and construction in progress	4,210,538	6,915,077	11,125,615
Other capital assets, net	33,098,669	11,440,161	44,538,830
Total assets	<u>75,632,262</u>	<u>25,056,594</u>	<u>100,688,856</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	1,304	-	1,304
Contributions to pension plan	1,091,134	43,279	1,134,413
Total deferred outflows of resources	<u>1,092,438</u>	<u>43,279</u>	<u>1,135,717</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	2,273,465	667,122	2,940,587
Prepaid fees	213,703	-	213,703
Advances from grantors	16,271	-	16,271
Long-term liabilities:			
Due within one year	5,115,175	218,233	5,333,408
Due in more than one year	48,870,998	6,850,435	55,721,433
Total liabilities	<u>56,489,612</u>	<u>7,735,790</u>	<u>64,225,402</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	3,825,583	151,854	3,977,437
Prepaid taxes	89,334	-	89,334
Total deferred inflows of resources	<u>3,914,917</u>	<u>151,854</u>	<u>4,066,771</u>
<b>Net Position:</b>			
Net investment in capital assets	26,562,156	18,188,513	44,750,669
Restricted for:			
Stabilization by State statute	4,534,390	-	4,534,390
Crime prevention	30,826	-	30,826
Register of Deeds	267,911	-	267,911
Public safety	776,183	-	776,183
Unrestricted	<u>(15,851,295)</u>	<u>(976,284)</u>	<u>(16,827,579)</u>
Total net position	<u>\$ 16,320,171</u>	<u>\$ 17,212,229</u>	<u>\$ 33,532,400</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, 2015

	<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	\$ 7,273,458	\$ 1,150,763	\$ 318,006	\$ 31,360
Public safety	17,250,291	4,145,836	283,343	-
Environmental protection	134,422	186,452	25,500	-
Economic and physical development	2,538,184	78	-	1,060,364
Human services	21,550,246	4,686,181	9,362,020	-
Cultural and recreational	1,396,285	138,505	-	-
Education	16,749,497	-	41,563	568,955
Interest on long-term debt	<u>1,802,022</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>68,694,405</u>	<u>10,307,815</u>	<u>10,030,432</u>	<u>1,660,679</u>
<b>Business-Type Activities:</b>				
Landfill	1,915,893	2,419,276	-	-
Airport	<u>1,516,736</u>	<u>903,366</u>	<u>-</u>	<u>1,270,221</u>
Total business-type activities	<u>3,432,629</u>	<u>3,322,642</u>	<u>-</u>	<u>1,270,221</u>
Total primary government	<u>\$ 72,127,034</u>	<u>\$ 13,630,457</u>	<u>\$ 10,030,432</u>	<u>\$ 2,930,900</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, 2015**

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Functions/Programs</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (5,773,329)	\$ -	\$ (5,773,329)
Public safety	(12,821,112)	-	(12,821,112)
Environmental protection	77,530	-	77,530
Economic and physical development	(1,477,742)	-	(1,477,742)
Human services	(7,502,045)	-	(7,502,045)
Cultural and recreational	(1,257,780)	-	(1,257,780)
Education	(16,138,979)	-	(16,138,979)
Interest on long-term debt	(1,802,022)	-	(1,802,022)
Total governmental activities	<u>(46,695,479)</u>	<u>-</u>	<u>(46,695,479)</u>
<b>Business-Type Activities:</b>			
Landfill	-	503,383	503,383
Airport	-	656,851	656,851
Total business-type activities	<u>-</u>	<u>1,160,234</u>	<u>1,160,234</u>
Total primary government	<u>(46,695,479)</u>	<u>1,160,234</u>	<u>(45,535,245)</u>
<b>General Revenues:</b>			
Ad valorem taxes	39,488,749	-	39,488,749
Local option sales tax	13,063,676	-	13,063,676
Other taxes and licenses	145,767	-	145,767
Investment earnings	25,646	3,872	29,518
Total general revenues	<u>52,723,838</u>	<u>3,872</u>	<u>52,727,710</u>
Transfers	<u>(122,223)</u>	<u>122,223</u>	<u>-</u>
Total general revenues and transfers	<u>52,601,615</u>	<u>126,095</u>	<u>52,727,710</u>
Change in net position	<u>5,906,136</u>	<u>1,286,329</u>	<u>7,192,465</u>
<b>Net Position:</b>			
Net position, previously reported	12,464,055	16,012,578	28,476,633
Restatement	<u>(2,050,020)</u>	<u>(86,678)</u>	<u>(2,136,698)</u>
Net position, beginning, restated	<u>10,414,035</u>	<u>15,925,900</u>	<u>26,339,935</u>
End of year - June 30	<u>\$ 16,320,171</u>	<u>\$ 17,212,229</u>	<u>\$ 33,532,400</u>

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

## WILKES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 26,472,128	\$ 1,195,945	\$ 27,668,073
Restricted cash	-	372,363	372,363
Receivables, net	1,347,503	72,785	1,420,288
Taxes receivable, net	3,338,052	284,569	3,622,621
Due from other governments	2,712,730	88,708	2,801,438
Due from other funds	975,897	-	975,897
Inventories	14,952	-	14,952
Total assets	<u>\$ 34,861,262</u>	<u>\$ 2,014,370</u>	<u>\$ 36,875,632</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,797,620	\$ 475,845	\$ 2,273,465
Due to other funds	-	245,726	245,726
Prepaid fees	213,703	-	213,703
Advance from grantors	16,271	-	16,271
Total liabilities	<u>2,027,594</u>	<u>721,571</u>	<u>2,749,165</u>
<b>Deferred Inflows of Resources</b>	<u>4,090,619</u>	<u>284,569</u>	<u>4,375,188</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	14,952	-	14,952
Restricted:			
Stabilization by State statute	4,372,897	161,493	4,534,390
Restricted, all other	298,737	1,148,546	1,447,283
Assigned:			
Subsequent year's expenditures	1,880,000	-	1,880,000
Unassigned	22,176,463	(301,809)	21,874,654
Total fund balances	<u>28,743,049</u>	<u>1,008,230</u>	<u>29,751,279</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,861,262</u>	<u>\$ 2,014,370</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			37,309,207
Net pension asset			1,693,149
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			1,091,134
Differences between pension expected and actual			1,304
Pension related deferrals			(3,825,583)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.			(53,986,173)
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.			<u>4,285,854</u>
Net position of governmental activities (Exhibit A)			<u>\$ 16,320,171</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, 2015

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 36,508,753	\$ 3,093,156	\$ 39,601,909
Local option sales taxes	13,063,676	-	13,063,676
Other taxes and licenses	145,767	-	145,767
Unrestricted intergovernmental revenues	318,006	-	318,006
Restricted intergovernmental revenues	10,543,748	898,414	11,442,162
Permits and fees	403,994	-	403,994
Sales and services	8,614,389	447,775	9,062,164
Interest earned on investments	24,647	999	25,646
Miscellaneous	727,035	-	727,035
Total revenues	<u>70,350,015</u>	<u>4,440,344</u>	<u>74,790,359</u>
<b>Expenditures:</b>			
Current:			
General government	9,234,107	-	9,234,107
Public safety	14,471,200	4,525,673	18,996,873
Environmental protection	122,883	-	122,883
Economic and physical development	1,422,695	1,135,306	2,558,001
Human services	21,753,400	-	21,753,400
Cultural and recreation	1,402,356	-	1,402,356
Education	16,749,497	-	16,749,497
Debt service:			
Principal repayments	3,504,776	-	3,504,776
Interest	1,802,022	-	1,802,022
Total expenditures	<u>70,462,936</u>	<u>5,660,979</u>	<u>76,123,915</u>
Revenues over (under) expenditures	<u>(112,921)</u>	<u>(1,220,635)</u>	<u>(1,333,556)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	12,324	-	12,324
Transfers out	(122,223)	(12,324)	(134,547)
Sale of capital assets	39,286	-	39,286
Total other financing sources (uses)	<u>(70,613)</u>	<u>(12,324)</u>	<u>(82,937)</u>
Net change in fund balances	(183,534)	(1,232,959)	(1,416,493)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>28,926,583</u>	<u>2,241,189</u>	<u>31,167,772</u>
End of year - June 30	<u>\$ 28,743,049</u>	<u>\$ 1,008,230</u>	<u>\$ 29,751,279</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, 2015

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)	\$ (1,416,493)
--	----------------

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	(113,160)
Sales and services	45,565

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.

4,868,237

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.

(1,536,477)

Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, arbitrage, and non-current health claims payable that do not require current financial resources are not reported as expenditures in the governmental funds statement.

(221,337)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.

1,091,134

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, not reported as expenditures in governmental funds.

(81,110)

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.

3,504,776

Increases in other post-employment benefits accrued liability are reported as expenses in the entity-wide financial statements; however, it is not an expenditure in the governmental funds statement.

(234,999)

Total changes in net position of governmental activities

\$ 5,906,136

*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, 2015

	Budgeted Amounts		Actual	Final Budget Over/(Under)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 36,021,915	\$ 36,021,915	\$ 36,508,753	\$ 486,838
Local option sales tax	12,844,426	12,844,426	13,063,676	219,250
Other taxes and licenses	135,000	135,000	145,767	10,767
Unrestricted intergovernmental revenues	270,000	270,000	318,006	48,006
Restricted intergovernmental revenues	11,491,039	13,202,942	10,543,748	(2,659,194)
Permits and fees	372,500	372,500	403,994	31,494
Sales and services	8,377,013	9,076,623	8,614,389	(462,234)
Investment earnings	50,500	50,500	24,647	(25,853)
Miscellaneous	836,956	907,712	727,035	(180,677)
Total revenues	<u>70,399,349</u>	<u>72,881,618</u>	<u>70,350,015</u>	<u>(2,531,603)</u>
<b>Expenditures:</b>				
General government	10,016,389	11,050,562	9,234,107	1,816,455
Public safety	14,676,722	15,165,527	14,471,200	694,327
Environmental protection	160,000	160,000	122,883	37,117
Economic and physical development	1,732,271	1,734,771	1,422,695	312,076
Human services	22,039,563	24,445,824	21,753,400	2,692,424
Cultural and recreation	1,455,176	1,455,176	1,402,356	52,820
Education	17,020,440	17,227,440	16,749,497	477,943
Debt service:				
Principal repayments	3,504,775	3,504,775	3,504,776	(1)
Interest	<u>1,802,022</u>	<u>1,802,022</u>	<u>1,802,022</u>	<u>-</u>
Total expenditures	<u>72,407,358</u>	<u>76,546,097</u>	<u>70,462,936</u>	<u>6,083,161</u>
Revenues over (under) expenditures	<u>(2,008,009)</u>	<u>(3,664,479)</u>	<u>(112,921)</u>	<u>3,551,558</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	8,531	12,324	3,793
Transfers out	(122,223)	(122,223)	(122,223)	-
Sale of capital assets	21,000	21,000	39,286	18,286
Appropriated fund balance	<u>2,109,232</u>	<u>3,757,171</u>	<u>-</u>	<u>(3,757,171)</u>
Total other financing sources (uses)	<u>2,008,009</u>	<u>3,664,479</u>	<u>(70,613)</u>	<u>(3,735,092)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(183,534)</u>	<u>\$ (183,534)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>28,926,583</u>	
End of year - June 30			<u>\$ 28,743,049</u>	

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

## WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	<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	\$ 1,775,987	\$ 427	\$ 1,776,414
Receivables, net	279,450	53,459	332,909
Inventories	-	55,045	55,045
Due from other governments	32,960	1,089,171	1,122,131
Total current assets	<u>2,088,397</u>	<u>1,198,102</u>	<u>3,286,499</u>
Non-current assets:			
Restricted cash and cash equivalents	4,083,341	-	4,083,341
Pension asset, restricted	50,398	11,289	61,687
Capital assets:			
Land, improvements, and construction in progress	2,557,068	4,358,009	6,915,077
Other capital assets, net	3,059,416	8,380,745	11,440,161
Total capital assets	<u>5,616,484</u>	<u>12,738,754</u>	<u>18,355,238</u>
Total non-current assets	<u>9,750,223</u>	<u>12,750,043</u>	<u>22,500,266</u>
Total assets	<u>11,838,620</u>	<u>13,948,145</u>	<u>25,786,765</u>
<b>Deferred Outflows of Resources:</b>			
Contributions to pension plan	35,359	7,920	43,279
Total deferred outflows of resources	<u>35,359</u>	<u>7,920</u>	<u>43,279</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	76,861	590,261	667,122
Due to other funds	-	730,171	730,171
Current portion of compensated absences	56,000	8,500	64,500
Current portion of long-term debt	153,733	-	153,733
Total current liabilities	<u>286,594</u>	<u>1,328,932</u>	<u>1,615,526</u>
Non-current liabilities:			
Accrued landfill closure and post-closure care costs	6,575,000	-	6,575,000
Compensated absences - non-current	19,903	3,627	23,530
Non-current portion of long-term debt	12,992	-	12,992
OPEB liability	196,752	42,161	238,913
Total non-current liabilities	<u>6,804,647</u>	<u>45,788</u>	<u>6,850,435</u>
Total liabilities	<u>7,091,241</u>	<u>1,374,720</u>	<u>8,465,961</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	124,064	27,790	151,854
Total deferred inflows of resources	<u>124,064</u>	<u>27,790</u>	<u>151,854</u>
<b>Net Position:</b>			
Net investment in capital assets	5,449,759	12,738,754	18,188,513
Unrestricted	(791,085)	(185,199)	(976,284)
Total net position	<u>\$ 4,658,674</u>	<u>\$ 12,553,555</u>	<u>\$ 17,212,229</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, 2015

	<b>Major Enterprise Funds</b>		<b>Total</b>
	<b>Landfill Fund</b>	<b>Airport Fund</b>	
<b>Operating Revenues:</b>			
Charges for services	\$ 2,187,604	\$ 797,693	\$ 2,985,297
Rents	-	99,120	99,120
Scrap tire disposal grant	33,160	-	33,160
Other operating revenues	198,512	6,553	205,065
Total operating revenues	<u>2,419,276</u>	<u>903,366</u>	<u>3,322,642</u>
<b>Operating Expenses:</b>			
Airport operations	-	999,513	999,513
Landfill operations	1,645,681	-	1,645,681
Landfill closure and post-closure care costs	55,000	-	55,000
Depreciation	208,794	517,223	726,017
Total operating expenses	<u>1,909,475</u>	<u>1,516,736</u>	<u>3,426,211</u>
Operating income (loss)	<u>509,801</u>	<u>(613,370)</u>	<u>(103,569)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest earned on investments	3,872	-	3,872
Interest expense	(6,418)	-	(6,418)
Total non-operating revenues (expenses)	<u>(2,546)</u>	<u>-</u>	<u>(2,546)</u>
Income (loss) before capital contributions	<u>507,255</u>	<u>(613,370)</u>	<u>(106,115)</u>
Capital contributions	<u>-</u>	<u>1,270,221</u>	<u>1,270,221</u>
Income (loss) before transfers	<u>507,255</u>	<u>656,851</u>	<u>1,164,106</u>
<b>Transfers:</b>			
Transfers in	<u>-</u>	<u>122,223</u>	<u>122,223</u>
Total transfers	<u>-</u>	<u>122,223</u>	<u>122,223</u>
Change in net position	<u>507,255</u>	<u>779,074</u>	<u>1,286,329</u>
<b>Net Position:</b>			
Net Position, beginning	4,222,234	11,790,344	16,012,578
Restatement	(70,815)	(15,863)	(86,678)
Net Position, ending	<u>4,151,419</u>	<u>11,774,481</u>	<u>15,925,900</u>
End of year - June 30	<u>\$ 4,658,674</u>	<u>\$ 12,553,555</u>	<u>\$ 17,212,229</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, 2015

	<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	\$ 2,375,189	\$ (139,502)	\$ 2,235,687
Cash paid for goods and services	(834,530)	(301,944)	(1,136,474)
Cash paid to employees for services	(847,514)	(167,958)	(1,015,472)
Net cash provided (used) by operating activities	<u>693,145</u>	<u>(609,404)</u>	<u>83,741</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Change in due to other funds	-	330,171	330,171
Transfers in	-	122,223	122,223
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>452,394</u>	<u>452,394</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital grants received	-	1,270,221	1,270,221
Acquisition and construction of capital assets	(203,392)	(1,217,192)	(1,420,584)
Principal paid on long-term debt	(149,813)	-	(149,813)
Interest and fees	(6,418)	-	(6,418)
Net cash provided (used) for capital and related financing activities	<u>(359,623)</u>	<u>53,029</u>	<u>(306,594)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>3,872</u>	<u>-</u>	<u>3,872</u>
Net increase (decrease) in cash and cash equivalents	337,394	(103,981)	233,413
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>5,521,934</u>	<u>104,408</u>	<u>5,626,342</u>
End of year - June 30	<u>\$ 5,859,328</u>	<u>\$ 427</u>	<u>\$ 5,859,755</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 509,801	\$ (613,370)	\$ (103,569)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	208,794	517,223	726,017
Pension expense	2,851	638	3,489
Landfill closure and post-closure care costs	55,000	-	55,000
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(50,101)	(1,042,868)	(1,092,969)
(Increase) decrease in inventory	-	3,184	3,184
(Increase) decrease in deferred outflows of resources for pensions	(35,359)	(7,920)	(43,279)
Increase (decrease) in accounts payable and accrued liabilities	11,402	533,699	545,101
Increase (decrease) in OPEB	(3,518)	(754)	(4,272)
Increase (decrease) in accrued vacation pay	(5,725)	764	(4,961)
Total adjustments	<u>183,344</u>	<u>3,966</u>	<u>187,310</u>
Net cash provided (used) by operating activities	<u>\$ 693,145</u>	<u>\$ (609,404)</u>	<u>\$ 83,741</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, 2015**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 134,788
Taxes receivable	<u>328,550</u>
Total assets	<u>\$ 463,338</u>
<b>Liabilities:</b>	
Miscellaneous liabilities	<u>\$ 463,338</u>
Total liabilities	<u>\$ 463,338</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, 2015

### 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, 2015

***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.

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 8 legally budgeted funds. The Fire District Fund, Law Enforcement Restricted Fund, and Emergency Telephone System Fund are reported as non-major special revenue funds. The Urgent Repair 13 Capital Project Fund, Gardner Glass Capital Project Fund, Highway 268 Water Extension Project Fund, Water Intake Project Fund, and Law Enforcement Center/Jail Construction Project Fund are reported as capital projects funds.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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. 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

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

### 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. The unexpended debt proceeds in the capital project funds are classified as restricted assets.

#### Wilkes County Restricted Cash

##### Governmental Activities:

##### Law Enforcement Center:

Unexpended bond proceeds	\$ 372,363
Total governmental activities	<u>\$ 372,363</u>

##### Business-Type Activities:

##### Landfill Fund:

Landfill closure	\$ 4,083,341
Total business-type activities	<u>\$ 4,083,341</u>

Total restricted cash	<u>\$ 4,455,704</u>
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# **WILKES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

### **Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles, on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. 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.

### **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 are recorded at their estimated fair value at the date of donation. 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.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

### **Long-Term Obligations**

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other 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.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

Restricted net position as of June 30, 2015 is as follows:

	<b>Governmental Activities</b>
Stabilization by State statute	\$ 4,534,390
Crime prevention	30,826
Register of Deeds	267,911
Public safety	776,183
Total	<u>\$ 5,609,310</u>

#### Unrestricted Net Position

The County has \$33,710,000 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, 2015**

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources. At June 30, 2015, the County had \$14,952 non-spendable fund balance for inventories.

**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>Special Revenue Funds</u>	<u>Capital Project 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)].	\$ 4,372,897	\$ 33,419	\$ 128,074
<i>Restricted for Public Safety - Crime Prevention</i> – portion of fund balance that is restricted by revenue source for crime prevention expenditures.	30,826	-	-
<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.	267,911	-	-
<i>Restricted for Public Safety - Law Enforcement</i> – portion of fund balance that is restricted by revenue source for law enforcement expenditures.	-	28,528	-
<i>Restricted for Public Safety - Law Enforcement</i> – portion of fund balance that is restricted by revenue source for construction of a jail.	-	-	372,363
<i>Restricted for Public Safety - E-911</i> – portion of fund balance that is restricted by revenue source for E911 expenditures.	-	747,655	-
	<u>\$ 4,671,634</u>	<u>\$ 809,602</u>	<u>\$ 500,437</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent bond proceeds of \$372,363.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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.

### 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>
	<hr/>
Subsequent year's expenditures	\$ 1,880,000
	<hr/>

### 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 has not adopted a formal fund balance policy.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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)	\$ 28,743,049
Less:	
Non-spendable	(14,952)
Stabilization by State statute	<u>(4,372,897)</u>
Available for appropriation	<u>\$ 24,355,200</u>

### Use of Estimates

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

### Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, 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.

## 2. Stewardship, Compliance, and Accountability

### Deficit Fund Balances

For the fiscal year ended June 30, 2015, the County had deficit fund balances in the Highway 268 Water Extension and Water Intake Project funds of \$180,513 and \$317 respectively.

Management is aware of the weakness. The County will be reimbursed by the NC Underground Storage Tank Trust Fund at the end of the Highway 268 Water Extension Project. The Water Intake Project Fund is to be funded by a NCDENR revolving fund loan. As of June 30, 2015 the County had not drawn down any funds.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Non-compliance with CDBG

For the fiscal year ended June 30, 2015, the Community Development Block Grant (CDBG) project 12-C-2446 was not accounted for in a special revenue fund or capital project fund. CDBG funds are required to be reported in a multi-year fund. The County accounted for CDBG project 12-C-2446 revenues and expenditures in the County's General Fund.

Management is aware of the weakness. The County was a pass-through entity for the Brushy Mountain Bee Farm Expansion Project and did not set-up a separate multi-year fund for the funding.

### 3. Detail Notes on All Funds

#### A. Assets

##### Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the County's deposits had a carrying amount of \$32,691,634 and a bank balance of \$33,092,451. Of the bank balance, \$1,285,581 was covered by federal depository insurance and \$31,806,870 was covered by collateral held under the Pooling Method.

At June 30, 2015, Wilkes County had \$5,332 cash on hand.

##### Investments

At June 30, 2015, Wilkes County had \$1,338,013 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The County has no policy regarding credit risk.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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>
2012	\$ 3,813,434	\$ 905,691	\$ 4,719,125
2013	3,916,526	577,688	4,494,214
2014	3,965,965	228,043	4,194,008
2015	4,012,518	-	4,012,518
Total	<u>\$ 15,708,443</u>	<u>\$ 1,711,422</u>	<u>\$ 17,419,865</u>

**Receivables**

Receivables at the government-wide level at June 30, 2015 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	\$ 4,573,890	\$ -	\$ -
Allowance for doubtful accounts	(951,269)	-	-
Total taxes receivable	<u>\$ 3,622,621</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Accounts Receivable:</b>			
Other	\$ 757,055	\$ -	\$ -
EMS/Landfill/Airport sales	3,189,974	297,471	53,459
Allowance for doubtful accounts	(2,526,741)	(18,021)	-
Total accounts receivable	<u>\$ 1,420,288</u>	<u>\$ 279,450</u>	<u>\$ 53,459</u>
<b>Due from Other Governments:</b>			
Local option sales tax distribution	\$ 2,216,154	\$ -	\$ -
Sales tax refund	290,587	32,960	6,021
Motor vehicle tax	294,697	-	-
Grants	-	-	1,083,150
Total due from other governments	<u>\$ 2,801,438</u>	<u>\$ 32,960</u>	<u>\$ 1,089,171</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 2,004,649	\$ -	\$ -	\$ -	\$ 2,004,649
Construction in progress	12,175,533	1,766,934	-	(11,736,578)	2,205,889
Total non-depreciable capital assets	<u>14,180,182</u>	<u>1,766,934</u>	<u>-</u>	<u>(11,736,578)</u>	<u>4,210,538</u>
<b>Depreciable Capital Assets:</b>					
Buildings	17,037,073	-	-	11,736,578	28,773,651
Other improvements	3,591,875	2,310,798	-	-	5,902,673
Equipment	14,029,823	790,505	234,059	(16,773)	14,569,496
Total depreciable capital assets	<u>34,658,771</u>	<u>3,101,303</u>	<u>234,059</u>	<u>11,719,805</u>	<u>49,245,820</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	6,039,952	512,735	-	-	6,552,687
Other improvements	1,005,612	178,804	-	-	1,184,416
Equipment	7,815,942	844,938	234,059	(16,773)	8,410,048
Total accumulated depreciation	<u>14,861,506</u>	<u>\$ 1,536,477</u>	<u>\$ 234,059</u>	<u>\$ (16,773)</u>	<u>16,147,151</u>
Total depreciable capital assets, net	<u>19,797,265</u>				<u>33,098,669</u>
Governmental activities capital assets, net	<u>\$ 33,977,447</u>				<u>\$ 37,309,207</u>

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

General government	\$ 461,582
Public safety	895,162
Environmental protection	24,049
Human services	117,640
Cultural and recreational	38,044
Total	<u>\$ 1,536,477</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</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>-</u>	<u>2,557,068</u>
<b>Depreciable Capital Assets:</b>					
Buildings	363,638	-	-	-	363,638
Other improvements	5,329,532	-	-	-	5,329,532
Equipment	<u>3,596,775</u>	<u>203,392</u>	<u>-</u>	<u>16,773</u>	<u>3,816,940</u>
Total depreciable capital assets	<u>9,289,945</u>	<u>203,392</u>	<u>-</u>	<u>16,773</u>	<u>9,510,110</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	347,801	1,224	-	-	349,025
Other improvements	3,270,762	3,168	-	-	3,273,930
Equipment	<u>2,606,564</u>	<u>204,402</u>	<u>-</u>	<u>16,773</u>	<u>2,827,739</u>
Total accumulated depreciation	<u>6,225,127</u>	<u>\$ 208,794</u>	<u>\$ -</u>	<u>\$ 16,773</u>	<u>6,450,694</u>
Total depreciable capital assets, net	<u>3,064,818</u>				<u>3,059,416</u>
Landfill capital assets, net	<u>5,621,886</u>				<u>5,616,484</u>
<b>Airport:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	2,843,877	\$ -	\$ -	\$ -	2,843,877
Construction in progress	<u>296,940</u>	<u>1,217,192</u>	<u>-</u>	<u>-</u>	<u>1,514,132</u>
Total non-depreciable capital assets	<u>3,140,817</u>	<u>1,217,192</u>	<u>-</u>	<u>-</u>	<u>4,358,009</u>
<b>Depreciable Capital Assets:</b>					
Buildings	429,099	-	-	-	429,099
Other improvements	15,932,244	-	-	-	15,932,244
Equipment	<u>201,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,340</u>
Total depreciable capital assets	<u>16,562,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,562,683</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	119,410	14,210	-	-	133,620
Other improvements	7,444,058	489,555	-	-	7,933,613
Equipment	<u>101,247</u>	<u>13,458</u>	<u>-</u>	<u>-</u>	<u>114,705</u>
Total accumulated depreciation	<u>7,664,715</u>	<u>\$ 517,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,181,938</u>
Total depreciable capital assets, net	<u>8,897,968</u>				<u>8,380,745</u>
Airport capital assets, net	<u>12,038,785</u>				<u>12,738,754</u>
Business-type activities capital assets, net	<u>\$ 17,660,671</u>				<u>\$ 18,355,238</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 37,309,207	\$ 18,355,238
Long-term debt	(44,829,414)	(166,725)
Long-term debt for assets not owned by the County	33,710,000	-
Unspent debt proceeds	<u>372,363</u>	-
Net investment in capital assets	<u>\$ 26,562,156</u>	<u>\$ 18,188,513</u>

**B. Liabilities**

**Payables**

Payables at the government-wide level at June 30, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Vendors	\$ 2,110,261	\$ 564,590	\$ 2,674,851
Other expenses	58,011	2,148	60,159
Retainage payable	<u>105,193</u>	<u>100,384</u>	<u>205,577</u>
Total accounts payable	<u>\$ 2,273,465</u>	<u>\$ 667,122</u>	<u>\$ 2,940,587</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, 2015

**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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$1,131,485 for the year ended June 30, 2015.

*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, 2015

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

At June 30, 2015, the County reported an asset of \$1,612,722 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .273%, which was a decrease of .005% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$91,224. At June 30, 2015, 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	\$ -	\$ 176,218
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,754,376
Changes in proportion and differences between County contributions and proportionate share of contributions	-	39,443
County contributions subsequent to the measurement date	<u>1,131,485</u>	<u>-</u>
Total	<u>\$ 1,131,485</u>	<u>\$ 3,970,037</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$1,131,485 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2016	\$ (992,644)
2017	(992,644)
2018	(992,644)
2019	(992,105)
2020	<u>-</u>
Total	<u>\$ (3,970,037)</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 5,474,269	\$(1,612,719)	\$(7,579,736)

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

### **Law Enforcement Officers' Special Separation Allowance**

**Plan Description.** Wilkes County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	11
Active plan members	75
Total	86

A separate report was not issued for the Plan.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Summary of Significant Accounting Policies

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

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

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

**Contributions.** The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefit payments and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as of December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases of 4.25– 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

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

Annual required contribution	\$ 188,868
Interest on net pension obligation	25,172
Adjustment to annual required contribution	<u>(42,528)</u>
Annual pension costs	171,512
Contributions made	<u>142,854</u>
Increase (decrease) in net pension obligation	28,658
Net pension obligation:	
Beginning of year - July 1	<u>503,435</u>
End of year - June 30	<u>\$ 532,093</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$ 142,254	93.12%	\$ 497,939
6/30/2014	142,411	96.14%	503,435
6/30/2015	171,512	83.29%	532,093

**Funded Status and Funding Progress.** As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,583,768. The covered payroll was \$2,688,739, and the ratio of the UAAL to the covered payroll was 58.9 percent.

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

### Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$158,731 which consisted of \$134,236 from the County and \$24,495 from the law enforcement officers.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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).

**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 \$2,928 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$142,114 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014, the County's proportion was .63%, which was an increase of .04% from its proportion measured as of June 30, 2013.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

For the year ended June 30, 2015, the County recognized pension expense of \$(6,627). At June 30, 2015, 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	\$ 1,304	\$ -
Net difference between projected and actual earnings on pension plan investments	-	765
Changes in proportion and differences between County contributions and proportionate share of contributions	-	6,635
County contributions subsequent to the measurement date	<u>2,928</u>	<u>-</u>
Total	<u>\$ 4,232</u>	<u>\$ 7,400</u>

\$2,928 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, 2016. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Year Ending</b>
	<b>June 30</b>
	<u>Total</u>
2016	\$ (2,614)
2017	(2,614)
2018	(676)
2019	(192)
2020	<u>-</u>
Total	<u>\$ (6,096)</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ (127,612)</u>	<u>\$ (142,114)</u>	<u>\$ (154,579)</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.

### Other Post-Employment Benefits

**Plan Description.** In accordance with a County resolution, the County provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and retire with thirty (30) years of certified County service, twenty (20) years of certified County service and are at least 55 years of age at time of retirement, or ten (10) years of certified County service and are at least 62 years old at the time of retirement. These retirees can purchase coverage for themselves and their dependents at the County's group rates. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The County will pay 100% of insurance premiums for retirees with thirty (30) years of full-time service, of which fifteen (15) years must be with Wilkes County. The County will pay 75% of insurance premiums for retirees with twenty-five (25) years of service, of which fifteen (15) years must be with Wilkes County. Currently, 7 retirees are purchasing health insurance through the County. The County is paying all or part of retirees' health insurance for 40 retirees based on years of service. For the fiscal year ended June 30, 2015, the County made payments for post-retirement health benefit contributions of \$1,328,370. The County Commissioners may amend the benefits provisions. A separate report was not issued for the Plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	87
Active members	449
Total	536

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

The current annual required contribution rate (ARC) is 9.50% of annual covered payroll. For fiscal year 2015, the County contributed \$1,328,370 or 8.57% of annual covered payroll. Contributions by employees for the fiscal year ended June 30, 2015 were \$122,253. The County's obligation to contribute to the post-retirement benefit plan is established and may be amended by the County.

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

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

Annual required contribution	\$ 1,548,255
Interest on net OPEB obligation	242,613
Adjustment to annual required contribution	<u>(231,771)</u>
Annual OPEB cost (expense)	1,559,097
Contributions made	<u>1,328,370</u>
Increase (decrease) in net OPEB obligation	230,727
Net OPEB obligation:	
Beginning of year - July 1	<u>6,065,328</u>
End of year - June 30	<u><u>\$ 6,296,055</u></u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 1,425,240	26.90%	\$ 5,259,383
2014	1,472,565	45.27%	6,065,328
2015	1,559,097	85.20%	6,296,055

**Funded Status and Funding Progress.** As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$23,494,096. The covered payroll (annual payroll of active employees covered by the plan) was \$16,299,741 and the ratio of the UAAL to the covered payroll was 144.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

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

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.0%, and (b) 7.50% - 5.00% pre-medical cost trend rate and a 5.5%-5.0% post medical trend rate with 2020 the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as level percentage of pay on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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.

### **Closure and Post-Closure Care Costs - Landfill Facility**

Federal and State laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6,575,000 reported as landfill closure and post-closure care liability at June 30, 2014 represents a cumulative amount reported to date based on the use of 100% of cell 1, 100% of cell 2, and 51% of cell 3. The facility has 4 cells. These amounts are based on what it would cost to perform all closure and post-closure care in 2015. 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. Net transfers of \$12,322 were made to the Landfill Closure and Post-Closure Reserve Fund from the Landfill Enterprise Fund during the fiscal year ended June 30, 2015. These funds and transfers from prior years are held in investments with a cost of \$4,083,341 (market value \$4,083,341) 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, 2015

### Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 1,134,413
Pension deferrals	<u>1,304</u>
Total	<u>\$ 1,135,717</u>

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

Prepaid taxes not yet earned (General)	\$ 89,334
Taxes receivable, net (General)	3,338,052
Taxes receivable, net (Special Revenue)	284,569
Pension deferrals	3,977,437
Other receivables, net (General)	<u>663,233</u>
Total	<u>\$ 8,352,625</u>

### Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the Employers Mutual Casualty Company administered by Faw Insurance Agency. Through Faw Insurance, the County obtains insurance coverage of \$7 million per occurrence for commercial excess liability, general liability coverage of \$1 million per any one occurrence and workers' compensation coverage up to the statutory limits. Public official and law enforcement liability coverage is up to \$1 million per each claim with a commercial excess policy of \$6 million per each claim. Law enforcement liability coverage is up to \$1 million per each wrongful act. Through Faw Insurance, the County has blanket coverage for property and contents of \$58,656,210.

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

There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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>2014</u>	<u>2015</u>
Balance, beginning of year	\$ 643,588	\$ 695,572
Incurred claims (including IBNRs) and changes in estimates	3,920,041	4,904,153
Less claims payments	<u>(3,868,057)</u>	<u>(4,824,030)</u>
Balance, end of year	<u>\$ 695,572</u>	<u>\$ 775,695</u>

### Contingent Liabilities

At June 30, 2015, the County was a defendant to various lawsuits. In the opinion of the County's Management and the County Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

New River Service Authority, d/b/a New River Behavioral Healthcare ("New River"), was an interlocal agency formed under Chapter 160A of the North Carolina General Statutes by Alleghany, Ashe, Avery, Watauga and Wilkes Counties in 2006 to provide behavioral healthcare services. New River suffered enormous financial losses in 2011 and has now been dissolved by the five counties. New River is no longer in operation or providing services. Wilkes County's share of the unpaid liabilities for the year ended June 30, 2015 was \$1,940. These funds were appropriated by the county and paid toward these liabilities in the year ended June 30, 2015. The remaining extent of the liability of the five counties is still undetermined. This could have a significant adverse impact on the County financially, however this is not anticipated.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Long-Term Obligations**

**Capital Leases**

The County has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

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

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

The following is an analysis of the assets recorded under capital leases at June 30, 2015:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment - Landfill	\$ 720,584	<u>\$ 276,224</u>	<u>\$ 444,360</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$ 156,232
2017	<u>13,019</u>
Total minimum lease payments	169,251
Less amount representing interest	<u>2,526</u>
Present value of the minimum lease payments	<u>\$ 166,725</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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	\$ 129,414
\$12,690,000 note, issued June 2013, interest at 1.94%, payable in annual installments of \$850,000, plus interest paid semi-annual, with final payment due in 2028; issued for construction of a jail	10,990,000
\$35,385,000 Certificates of Participation Series 2006, issued August 2006, interest rates ranging from 4.00% - 5.00%; payable in annual installments ranging from \$1,215,000 to \$1,225,000 plus interest; issued for renovation of four schools for Wilkes County Board of Education	25,620,000
\$13,335,000 Refunding of Certificates of Participation, Series 2000, issued November 2010, interest rate at 3.41%; payable in annual installments ranging from \$265,255 to \$1,853,203 including interest; used for the construction of middle schools for Wilkes County Board of Education	<u>8,090,000</u>
Total installment purchase agreements	<u>\$ 44,829,414</u>

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

For Wilkes County, the future minimum payments as of June 30, 2015 are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2016	\$ 3,485,175	\$ 1,683,648	\$ 5,168,823
2017	3,465,584	1,568,939	5,034,523
2018	3,457,009	1,454,805	4,911,814
2019	3,442,873	1,339,663	4,782,536
2020	3,413,773	1,217,270	4,631,043
2021-2025	11,615,000	4,651,353	16,266,353
2026-2030	8,640,000	2,824,846	11,464,846
2031-2035	6,095,000	1,216,131	7,311,131
2036	1,215,000	60,750	1,275,750
Total	<u>\$ 44,829,414</u>	<u>\$ 16,017,405</u>	<u>\$ 60,846,819</u>

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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, 2015:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Portion of Balance</u>
<b>Governmental Activities:</b>					
Installment purchase	\$ 48,334,190	\$ -	\$ 3,504,776	\$ 44,829,414	\$ 3,485,175
Compensated absences	1,679,273	1,372,011	1,259,455	1,791,829	1,630,000
Incurred, but not reported, health claims	695,572	4,824,030	4,743,907	775,695	-
Net pension obligation	503,435	171,512	142,854	532,093	-
Net pension liability (LGERS)	3,232,067	-	3,232,067	-	-
Net OPEB obligation	5,822,143	1,500,007	1,265,008	6,057,142	-
Total governmental activities	<u>\$ 60,266,680</u>	<u>\$ 7,867,560</u>	<u>\$ 14,148,067</u>	<u>\$ 53,986,173</u>	<u>\$ 5,115,175</u>
<b>Business-Type Activities:</b>					
<b>Landfill Fund:</b>					
Capital lease	\$ 316,538	\$ -	\$ 149,813	\$ 166,725	\$ 153,733
Accrued landfill closure and post-closure care costs	6,520,000	55,000	-	6,575,000	-
Compensated absences	81,628	55,496	61,221	75,903	56,000
Net pension liability (LGERS)	105,020	-	105,020	-	-
Net OPEB obligation	200,270	48,644	52,162	196,752	-
Total landfill fund	<u>\$ 7,223,456</u>	<u>\$ 159,140</u>	<u>\$ 368,216</u>	<u>\$ 7,014,380</u>	<u>\$ 209,733</u>
<b>Airport Fund:</b>					
Compensated absences	\$ 11,363	\$ 9,286	\$ 8,522	\$ 12,127	\$ 8,500
Net pension liability (LGERS)	23,524	-	23,524	-	-
OPEB obligation	42,915	10,446	11,200	42,161	-
Total airport fund	<u>\$ 77,802</u>	<u>\$ 19,732</u>	<u>\$ 43,246</u>	<u>\$ 54,288</u>	<u>\$ 8,500</u>

The LGERS plan had a net pension asset as of June 30, 2015; however the plan had a net pension liability at the beginning of the fiscal year.

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, 2015, Wilkes County had a legal debt margin of approximately \$426,100,000.

**WILKES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015, there were no industrial revenue bonds outstanding.

**4. Interfund Transactions**

**Transfers**

In fiscal year 2015, the County made the following transfers within its fund structure.

	<u>Transfers</u>		
	<u>From</u>	<u>To</u>	<u>Purpose</u>
<b>Operating Transfers</b>			
<b>From/To Other Funds:</b>			
General Fund	\$ 122,223	\$ 12,324	
Law Enforcement Restricted Fund	8,531	-	- For capital outlay
Gardner Glass Capital Project Fund	3,793	-	- To close project
Airport Fund	<u>-</u>	<u>122,223</u>	Required local match for capital grant projects
Total transfers	<u>\$ 134,547</u>	<u>\$ 134,547</u>	

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Due to/from Other Funds

Balances due to/from other funds at June 30, 2015, 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	\$ 730,171
Due to the General Fund from the Gardner Glass Project to repay funds to cover cash flow shortage	22,604
Due to General Fund from the Water Intake Project to repay funds to cover cash flow shortage	317
Due to General Fund from the Highway 268 Water Extension Project to replay funds to cover cash flow shortage	<u>222,805</u>
Total	<u>\$ 975,897</u>

### 5. Related Organization

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

### 6. Joint Ventures

The County, in conjunction with the State of North Carolina and the Wilkes County Board of Education, participates in a joint venture to operate the Wilkes Campus of Wilkes Community College (Community College). Wilkes County appoints four members of the seventeen-member Board of Trustees of the Community College. The Community College is included as a component unit of the State. The County provides financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Wilkes Campus of Wilkes Community College's facilities. The County contributed \$3,571,320 and \$150,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2015. 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, 2015. 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.

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The County also participates in a joint venture to operate Smoky Mountain Center (Center) with fifteen other local governments. Wilkes County appoints two Board members to the thirty-member Board and one member to the Advisory Board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$254,200 to the Center to supplement its activities. Complete financial statements for the Smokey Mountain Center can be obtained from the Center's offices at 44 Bonnie Lane, Sylva, North Carolina 28779.

The County also participates in a joint venture to operate Appalachian Regional Library (Library) with two other local governments. Wilkes County appoints four board members to the twelve-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$555,730 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, 2015. The County appropriated \$275,000 to the Corporation during the year. Complete financial statements for the Wilkes Economic Development Corporation can be obtained from the Corporation's offices at P.O. Box 727, North Wilkesboro, North Carolina 28659.

### **7. Jointly Governed Organization**

The County, in conjunction with six other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$34,647 to the Council during the fiscal year ended June 30, 2015.

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

# WILKES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 8. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$73,705,179	\$39,301,531
Women, Infants, and Children	1,540,608	-
Temporary Assistance to Needy Families	1,237,042	-
LINKS	15,219	3,805
Foster Care	863,790	213,552
Adoption Assistance	809,072	206,845
State/County Special Assistance for Adults	-	446,836
CWS Adoption Subsidy	-	598,605
Total	<u>\$78,170,910</u>	<u>\$40,771,174</u>

### 9. Summary Disclosure of Significant Commitments and Contingencies

#### Federal and State-Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### 10. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and financial Reporting for Pensions (an amendment of GASB Statements No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$2,050,020 and \$86,678 respectively.

### 11. Subsequent Event

The County refunded \$26,250,833 worth of 2006 COPs bonds on November 19<sup>th</sup>, 2015 and issued 2015 LOBs with a par amount of \$24,425,000 and premium of \$2,136,204. The bonds will mature in 2034.

## WILKES COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
						% of Covered Payroll [(b-a)/c]
12/31/2014	\$ -	\$ 1,583,768	\$ 1,583,768	0.00%	\$ 2,688,739	58.90%
12/31/2013	-	1,588,212	1,588,212	0.00%	2,677,481	59.32%
12/31/2012	-	1,638,742	1,638,742	0.00%	2,537,726	64.58%
12/31/2011	-	1,603,784	1,603,784	0.00%	2,366,561	67.77%
12/31/2010	-	1,431,801	1,431,801	0.00%	2,278,888	62.83%
12/31/2009	-	1,276,889	1,276,889	0.00%	2,542,423	50.22%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	\$ 188,868	75.64%
2014	158,082	86.61%
2013	148,225	89.37%
2012	131,446	95.93%
2011	130,431	76.55%
2010	105,202	41.79%
2009	93,042	31.12%

## Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	5.00%
Projected salary increases *	4.25 - 7.85%
Cost-of-living adjustments	N/A

\* Includes inflation at 3.00%

## WILKES COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

## Schedule of Funding Progress

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

## Schedule of Employer Contributions

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

## Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Pre-medical cost trend rate	5.00% - 7.50%
Post-medical cost trend rate	5.00% - 5.50%
Year of Ultimate trend rate	2020

\* Includes inflation at 3.0%

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

	<u>2015</u>	<u>2014</u>
Wilkes' proportion of the net pension liability (asset) (%)	0.27346%	0.27880%
Wilkes' proportion of the net pension liability (asset) (\$)	\$ (1,612,722)	\$ 3,360,611
Wilkes' covered-employee payroll	\$ 15,404,189	\$ 14,773,299
Wilkes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 10.47%)	22.75%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

**WILKES COUNTY, NORTH CAROLINA**

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

**Local Government Employees' Retirement System**

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

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

	<u>2015</u>	<u>2014</u>
Wilkes' proportion of the net pension liability (asset) (%)	0.62699%	0.58181%
Wilkes' proportion of the net pension liability (asset) (\$)	\$ (142,114)	\$ (124,275)
Wilkes' covered-employee payroll	\$ 63,511	\$ 62,593
Wilkes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(223.76%)	(198.54%)
Plan fiduciary net position as a percentage of the total pension liability	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 TWO FISCAL YEARS**

**Registers of Deeds' Supplemental Pension Fund**

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

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 35,711,415	\$ 35,982,464	\$ 271,049	\$ 36,867,499
Penalties and interest	310,500	526,289	215,789	564,647
Total	36,021,915	36,508,753	486,838	37,432,146
<b>Local Option Sales Taxes:</b>				
Article 39 one percent	5,008,962	4,984,181	(24,781)	4,929,720
Article 40 one-half of one percent	3,853,507	4,107,986	254,479	3,764,946
Article 42 one-half of one percent	2,697,455	2,718,372	20,917	2,661,252
Article 44 one-half of one percent	-	56	56	15,009
Article 46 one-fourth of one percent	1,284,502	1,253,081	(31,421)	1,222,527
Total	12,844,426	13,063,676	219,250	12,593,454
<b>Other Taxes and Licenses:</b>				
Real estate transfer taxes	130,000	144,579	14,579	134,092
Privilege licenses	5,000	1,188	(3,812)	10,719
Total	135,000	145,767	10,767	144,811
<b>Unrestricted Intergovernmental:</b>				
Payments in lieu of taxes	25,000	26,763	1,763	26,541
Beer and wine tax	245,000	291,243	46,243	267,605
Total	270,000	318,006	48,006	294,146
<b>Restricted Intergovernmental:</b>				
Federal and State grants	12,170,221	9,607,674	(2,562,547)	8,723,309
Lottery proceeds	534,000	534,000	-	726,000
Court facility fees	120,000	139,323	19,323	125,425
Fines and forfeitures	20,500	11,545	(8,955)	19,272
CDBG, 12-C-2446	30,000	30,000	-	-
Other	328,221	221,206	(107,015)	367,549
Total	13,202,942	10,543,748	(2,659,194)	9,961,555
<b>Permits and Fees:</b>				
Building permits	188,500	215,003	26,503	226,502
Register of Deeds	184,000	188,991	4,991	191,771
Total	372,500	403,994	31,494	418,273

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Sales and Services:</b>				
Ambulance and rescue squad fees	2,855,946	3,101,522	245,576	3,071,259
Jail fees	75,000	57,934	(17,066)	44,239
Rents and fees	6,038,677	5,346,428	(692,249)	4,799,938
Recreation fees	107,000	108,505	1,505	110,252
Total	9,076,623	8,614,389	(462,234)	8,025,688
<b>Investment Earnings:</b>				
Investment earnings	50,500	24,647	(25,853)	31,374
<b>Miscellaneous:</b>				
Other	907,712	727,035	(180,677)	1,100,211
Total revenues	72,881,618	70,350,015	(2,531,603)	70,001,658
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	108,889	108,878		93,865
Other operating expenditures	247,406	247,094		221,234
Total	356,295	355,972	323	315,099
<b>Administration:</b>				
Salaries and employee benefits	325,208	318,998		302,648
Other operating expenditures	15,700	15,018		15,513
Total	340,908	334,016	6,892	318,161
<b>Elections:</b>				
Salaries and employee benefits	231,355	215,282		192,615
Other operating expenditures	108,400	77,401		78,490
Total	339,755	292,683	47,072	271,105
<b>Finance:</b>				
Salaries and employee benefits	326,254	322,362		318,139
Other operating expenditures	23,000	12,897		27,030
Total	349,254	335,259	13,995	345,169

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over /Under	2014
	Budget	Actual		Actual
<b>Tax Administration:</b>				
Salaries and employee benefits	934,899	919,435		911,594
Other operating expenditures	242,500	218,482		207,728
Capital outlay	10,000	-		22,769
Total	1,187,399	1,137,917	49,482	1,142,091
<b>Legal:</b>				
Professional services	228,500	194,188	34,312	169,925
<b>Register of Deeds:</b>				
Salaries and employee benefits	253,036	251,574		247,393
Other operating expenditures	111,950	58,502		61,114
Total	364,986	310,076	54,910	308,507
<b>Public Buildings:</b>				
Salaries and employee benefits	130,819	129,990		106,815
Other operating expenditures	366,500	227,692		214,432
Capital outlay	3,467,825	2,773,294		1,662,639
Total	3,965,144	3,130,976	834,168	1,983,886
<b>Court Facilities:</b>				
Salaries and employee benefits	113,227	113,076		113,921
Other operating expenditures	293,000	268,092		211,155
Total	406,227	381,168	25,059	325,076
<b>Central Services:</b>				
<b>Data Processing:</b>				
Salaries and employee benefits	146,543	145,146		142,962
Other operating expenditures	170,848	170,480		142,195
Capital outlay	37,500	37,500		49,744
Total	354,891	353,126	1,765	334,901
<b>Central Garage:</b>				
Salaries and employee benefits	270,968	267,378		260,296
Other operating expenditures	388,618	370,832		338,369
Capital outlay	38,530	36,586		22,019
Total	698,116	674,796	23,320	620,684

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over /Under	2014
	Budget	Actual		Actual
<b>Purchasing:</b>				
Salaries and employee benefits	94,337	94,234		92,745
Other operating expenditures	6,595	6,227		5,756
Total	100,932	100,461	471	98,501
<b>Other Central Services:</b>				
Other expenditures	832,714	665,037		602,407
Group insurance	1,525,441	968,432		889,264
Total	2,358,155	1,633,469	724,686	1,491,671
Total general government	11,050,562	9,234,107	1,816,455	7,724,776
<b>Public Safety:</b>				
<b>Sheriff:</b>				
Salaries and employee benefits	4,163,102	4,050,199		3,966,322
Other operating expenditures	668,250	653,077		461,842
Capital outlay	155,931	155,284		104,852
Total	4,987,283	4,858,560	128,723	4,533,016
<b>Drug Crime Prevention:</b>				
Other operating expenditures	220,000	184,470		70,410
Capital outlay	-	-		44,142
Total	220,000	184,470	35,530	114,552
<b>JAG Critical Response GRA:</b>				
Other operating expenditures	12,523	12,523	-	-
<b>Animal Control:</b>				
Salaries and employee benefits	490,767	477,902		477,563
Other operating expenditures	138,700	96,121		102,697
Capital outlay	40,000	39,379		33,612
Total	669,467	613,402	56,065	613,872
<b>Jail:</b>				
Salaries and employee benefits	1,588,261	1,545,848		1,190,637
Other operating expenditures	1,542,500	1,468,853		1,510,358
Capital outlay	30,000	27,215		24,204
Total	3,160,761	3,041,916	118,845	2,725,199

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Criminal Justice:</b>				
Salaries and employee benefits	-	-		73,911
Other operating expenditures	-	-		6,128
Total	-	-	-	80,039
<b>Emergency Management:</b>				
Salaries and employee benefits	60,891	60,799		59,802
Other operating expenditures	48,902	32,995		20,579
Capital outlay	77,000	76,891		47,278
Total	186,793	170,685	16,108	127,659
<b>Fire:</b>				
Salaries and employee benefits	113,724	113,594		111,692
Other operating expenditures	83,400	76,141		76,356
Capital outlay	-	-		12,000
Assistance to local fire departments	1,580	1,160		2,485
Total	198,704	190,895	7,809	202,533
<b>Inspections:</b>				
Salaries and employee benefits	514,470	452,910		462,435
Other operating expenditures	43,500	24,198		22,944
Total	557,970	477,108	80,862	485,379
<b>Medical Examiner:</b>				
Other operating expenditures	92,000	71,925		68,465
Total	92,000	71,925	20,075	68,465
<b>Emergency Medical Services:</b>				
Salaries and employee benefits	2,914,714	2,777,098		2,588,127
Other operating expenditures	737,910	694,665		646,948
Capital outlay	305,716	299,932		429,797
Total	3,958,340	3,771,695	186,645	3,664,872
<b>Emergency Communications Center:</b>				
Salaries and employee benefits	826,086	760,993		745,814
Other operating expenditures	295,600	317,028		206,838
Capital outlay	-	-		53,099
Total	1,121,686	1,078,021	43,665	1,005,751
Total public safety	15,165,527	14,471,200	694,327	13,621,337

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Environmental Protection:</b>				
Reservoir expenditures	160,000	122,883	37,117	131,344
<b>Economic and Physical Development:</b>				
<b>Economic Development:</b>				
CDBG, 12-C-2446	5,000	5,000	-	-
Other operating expenditures	495,900	317,085		696,566
Total	500,900	322,085	178,815	696,566
<b>Planning and Zoning:</b>				
Salaries and employee benefits	195,801	180,141		177,622
Other operating expenditures	124,447	83,532		57,164
Capital outlay	12,825	12,510		-
Total	333,073	276,183	56,890	234,786
<b>Agricultural Extension:</b>				
Salaries and employee benefits	195,545	185,437		197,260
Other operating expenditures	29,991	23,053		22,941
Total	225,536	208,490	17,046	220,201
<b>Extension Local:</b>				
Salaries and employee benefits	1,077	-		-
Other operating expenditures	72,623	23,369		27,554
Total	73,700	23,369	50,331	27,554
<b>Forestry:</b>				
Salaries and employee benefits	3,230	1,636		461
Other operating expenditures	109,114	104,950		104,678
Total	112,344	106,586	5,758	105,139
<b>Soil Conservation:</b>				
Salaries and employee benefits	230,064	229,328		225,744
Other operating expenditures	56,250	56,250		55,250
Total	286,314	285,578	736	280,994
<b>Community Development:</b>				
Other operating expenditures	202,904	200,404		213,154
Total	202,904	200,404	2,500	213,154
Total economic and physical development	1,734,771	1,422,695	312,076	1,778,394

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over /Under	2014
	Budget	Actual		Actual
<b>Human Services:</b>				
<b>Health:</b>				
<b>Administration:</b>				
Salaries and employee benefits	1,618,664	1,593,245		1,613,885
Other operating expenditures	562,958	465,566		357,634
Capital outlay	34,725	34,655		29,640
Total	<u>2,216,347</u>	<u>2,093,466</u>	122,881	<u>2,001,159</u>
<b>Program Salaries:</b>				
Salaries and employee benefits	-	-	-	3,210
<b>Environmental Health:</b>				
Other operating expenditures	24,448	23,019		4,000
Total	<u>24,448</u>	<u>23,019</u>	1,429	<u>4,000</u>
<b>Food and Lodging:</b>				
Other operating expenditures	-	-	-	11,810
<b>Tuberculosis:</b>				
Other operating expenditures	3,462	2,682	780	3,305
<b>Bioterrorism:</b>				
Salaries and employee benefits	12,902	13,866		3,314
Other operating expenditures	31,013	30,049		34,204
Total	<u>43,915</u>	<u>43,915</u>	-	<u>37,518</u>
<b>Health Immunization Other:</b>				
Salaries and employee benefits	20,426	11,072		20,426
Total	<u>20,426</u>	<u>11,072</u>	9,354	<u>20,426</u>
<b>Health Case Management:</b>				
Salaries and employee benefits	305,289	137,365		296,450
Other operating expenditures	14,405	4,846		15,846
Total	<u>319,694</u>	<u>142,211</u>	177,483	<u>312,296</u>
<b>Adult Health:</b>				
Salaries and employee benefits	306,013	356,478		105,622
Other operating expenditures	151,167	100,702		63,227
Total	<u>457,180</u>	<u>457,180</u>	-	<u>168,849</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over /Under	2014
	Budget	Actual		Actual
<b>Health Care Connection:</b>				
Salaries and employee benefits	65,946	66,446		42,191
Other operating expenditures	52,004	51,504		85,275
Total	117,950	117,950	-	127,466
<b>Communicable Disease:</b>				
Salaries and employee benefits	11,327	11,327		-
Other operating expenditures	2,293	958		2,293
Total	13,620	12,285	1,335	2,293
<b>Comprehensive Cancer Control:</b>				
Salaries and employee benefits	-	7,704		1,308
Other operating expenditures	50,797	36,702		38,876
Total	50,797	44,406	6,391	40,184
<b>Family Planning:</b>				
Salaries and employee benefits	104,346	94,874		104,292
Other operating expenditures	120,568	61,816		45,253
Total	224,914	156,690	68,224	149,545
<b>Health Diabetes Grant:</b>				
Salaries and employee benefits	79,085	43,666		42,528
Other operating expenditures	129,395	103,020		58,830
Total	208,480	146,686	61,794	101,358
<b>Health Promotion:</b>				
Salaries and employee benefits	15,438	25,831		14,460
Other operating expenditures	18,765	8,372		7,407
Total	34,203	34,203	-	21,867
<b>Mesh Units - Schools:</b>				
Salaries and employee benefits	96,147	121,845		95,070
Other operating expenditures	49,850	24,152		21,123
Total	145,997	145,997	-	116,193
<b>Wilkes Dental Clinic:</b>				
Other operating expenditures	1,950,000	1,747,867	202,133	1,265,157
<b>Maternal Clinic:</b>				
Salaries and employee benefits	15,519	5,058		24,241
Other operating expenditures	4,000	1,988		16,802
Total	19,519	7,046	12,473	41,043

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over /Under	2014
	Budget	Actual		Actual
<b>MCC and MOW:</b>				
Salaries and employee benefits	177,833	101,673		149,369
Other operating expenditures	6,000	3,640		11,105
Total	183,833	105,313	78,520	160,474
<b>Child Health:</b>				
Salaries and employee benefits	238,217	149,163		272,268
Other operating expenditures	115,200	59,316		55,410
Total	353,417	208,479	144,938	327,678
<b>CSC and MOW:</b>				
Salaries and employee benefits	115,436	84,954		135,851
Other operating expenditures	30,453	10,509		13,175
Total	145,889	95,463	50,426	149,026
<b>Women, Infants, and Children:</b>				
Salaries and employee benefits	279,929	252,563		316,735
Other operating expenditures	34,614	34,383		42,714
Total	314,543	286,946	27,597	359,449
<b>School Nurse Funding:</b>				
Other operating expenditures	150,000	150,000	-	150,000
<b>Smart Start:</b>				
Salaries and employee benefits	48,790	44,868		45,753
Other operating expenditures	5,050	4,613		7,356
Total	53,840	49,481	4,359	53,109
<b>HIV &amp; STD:</b>				
Salaries and employee benefits	500	500		-
Other operating expenditures	1,205	1,120		-
Total	1,705	1,620	85	-
<b>WIC/BPCP:</b>				
Salaries and employee benefits	12,900	12,875		-
Other operating expenditures	3,962	3,919		-
Total	16,862	16,794	68	-

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Immunization Action Plan:</b>				
Other operating expenditures	7,633	7,633	-	-
Total health	7,078,674	6,108,404	970,270	5,627,415
<b>Mental Health:</b>				
Contribution to other agencies	521,634	518,020	3,614	519,292
<b>Social Services:</b>				
<b>Administration:</b>				
Salaries and employee benefits	5,297,116	5,067,767		4,855,662
Other operating expenditures	490,871	447,362		377,681
Capital outlay	36,000	35,139		21,000
Total	5,823,987	5,550,268	273,719	5,254,343
<b>Medicaid Program:</b>				
County participation only	2,113,500	1,976,718		1,859,550
Total	2,113,500	1,976,718	136,782	1,859,550
<b>Food Stamps Program:</b>				
Other operating expenditures	582,437	562,431		544,067
Total	582,437	562,431	20,006	544,067
<b>Low Income Energy Assistance Program:</b>				
Other operating expenditures	473,150	472,970	180	473,000
<b>WorkFirst:</b>				
Contract services	260,800	177,833		234,132
Total	260,800	177,833	82,967	234,132
<b>Daycare Operations:</b>				
Contract services	2,208,383	1,833,384		1,914,906
Total	2,208,383	1,833,384	374,999	1,914,906
<b>In-Home Service:</b>				
Other operating expenditures	49,561	25,542		11,132
Total	49,561	25,542	24,019	11,132

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over /Under	2014
	Budget	Actual		Actual
<b>Foster Care:</b>				
Salaries and employee benefits	7,536	1,100		1,322
Other operating expenditures	3,556,416	2,977,902		1,898,130
Total	3,563,952	2,979,002	584,950	1,899,452
<b>Other Assistance:</b>				
Other operating expenditures	102,501	54,347		52,369
Total	102,501	54,347	48,154	52,369
Total social services	15,178,271	13,632,495	1,545,776	12,242,951
<b>Other Human Services:</b>				
<b>Veterans Service Officer:</b>				
Salaries and employee benefits	154,176	154,206		151,516
Other operating expenditures	9,500	6,058		6,591
Total	163,676	160,264	3,412	158,107
<b>Youth Services:</b>				
Salaries and employee benefits	14,218	14,019		16,492
Other operating expenditures	6,477	5,003		4,198
Contributions to other agencies	278,253	254,079		265,413
Total	298,948	273,101	25,847	286,103
<b>Senior Citizens Services:</b>				
Contributions to other services	650,000	509,734	140,266	539,268
<b>Other Services:</b>				
Contributions to other agencies	554,621	551,382	3,239	570,150
Total other human services	1,667,245	1,494,481	172,764	1,553,628
Total human services	24,445,824	21,753,400	2,692,424	19,943,286
<b>Cultural and Recreation:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	510,606	502,308		506,299
Other operating expenditures	320,252	279,383		295,584
Capital outlay	34,000	30,905		21,529
Total	864,858	812,596	52,262	823,412

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Libraries:</b>				
Contribution to regional library	555,730	555,730	-	537,020
<b>Museums and Art</b>				
	34,588	34,030	558	34,030
Total cultural and recreation	1,455,176	1,402,356	52,820	1,394,462
<b>Education:</b>				
Public schools - current expenses	11,273,988	11,273,988		10,873,988
Public schools - capital outlay	1,698,132	1,220,189		2,209,351
Public schools - (lottery) capital outlay	534,000	534,000		726,000
Community colleges - current	3,571,320	3,571,320		3,312,584
Community colleges - capital outlay	150,000	150,000		650,000
Total education	17,227,440	16,749,497	477,943	17,771,923
<b>Debt Service:</b>				
Principal retirement	3,504,775	3,504,776		3,524,388
Interest and fees	1,802,022	1,802,022		1,912,833
Total debt service	5,306,797	5,306,798	(1)	5,437,221
Total expenditures	76,546,097	70,462,936	6,083,161	67,802,743
Revenues over (under) expenditures	(3,664,479)	(112,921)	3,551,558	2,198,915
<b>Other Financing Sources (Uses):</b>				
Transfers in	8,531	12,324	3,793	-
Transfers out	(122,223)	(122,223)	-	(35,000)
Sale of capital assets	21,000	39,286	18,286	31,047
Appropriated fund balance	3,757,171	-	(3,757,171)	-
Total other financing sources (uses)	3,664,479	(70,613)	(3,735,092)	(3,953)
Net change in fund balance	\$ -	(183,534)	\$ (183,534)	2,194,962
<b>Fund Balance:</b>				
Beginning of year - July 1		28,926,583		26,731,621
End of year - June 30		\$ 28,743,049		\$ 28,926,583

## WILKES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<b>Total Nonmajor Special Revenue Funds</b>	<b>Total Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,195,945	\$ -	\$ 1,195,945
Restricted cash	-	372,363	372,363
Taxes receivable, net	284,569	-	284,569
Accounts receivable, net	-	72,785	72,785
Due from other governments	<u>33,419</u>	<u>55,289</u>	<u>88,708</u>
Total assets	<u>\$ 1,513,933</u>	<u>\$ 500,437</u>	<u>\$ 2,014,370</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 444,878	\$ 30,967	\$ 475,845
Due to other funds	<u>-</u>	<u>245,726</u>	<u>245,726</u>
Total liabilities	<u>444,878</u>	<u>276,693</u>	<u>721,571</u>
<b>Deferred Inflows of Resources</b>	<u>284,569</u>	<u>-</u>	<u>284,569</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	33,419	128,074	161,493
Restricted, all other	776,183	372,363	1,148,546
Unassigned	<u>(25,116)</u>	<u>(276,693)</u>	<u>(301,809)</u>
Total fund balances	<u>784,486</u>	<u>223,744</u>	<u>1,008,230</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,513,933</u>	<u>\$ 500,437</u>	<u>\$ 2,014,370</u>

## WILKES, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Nonmajor</u>		
	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 3,093,156	\$ -	\$ 3,093,156
Restricted intergovernmental	10,893	887,521	898,414
Sales and services	447,775	-	447,775
Investment earnings	424	575	999
Total revenues	<u>3,552,248</u>	<u>888,096</u>	<u>4,440,344</u>
<b>Expenditures:</b>			
Public safety	3,318,189	1,207,484	4,525,673
Economic and physical development	-	1,135,306	1,135,306
Total expenditures	<u>3,318,189</u>	<u>2,342,790</u>	<u>5,660,979</u>
Revenues over (under) expenditures	<u>234,059</u>	<u>(1,454,694)</u>	<u>(1,220,635)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(8,531)</u>	<u>(3,793)</u>	<u>(12,324)</u>
Total other financing sources (uses)	<u>(8,531)</u>	<u>(3,793)</u>	<u>(12,324)</u>
Net change in fund balances	225,528	(1,458,487)	(1,232,959)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>558,958</u>	<u>1,682,231</u>	<u>2,241,189</u>
End of year - June 30	<u>\$ 784,486</u>	<u>\$ 223,744</u>	<u>\$ 1,008,230</u>

## WILKES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<b>Fire District Fund</b>	<b>Law Enforcement Restricted Fund</b>	<b>Wireless E-911 Telephone System Fund</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 373,224	\$ 28,528	\$ 794,193	\$ 1,195,945
Taxes receivable, net	284,569	-	-	284,569
Due from other governments	<u>25,116</u>	<u>-</u>	<u>8,303</u>	<u>33,419</u>
Total assets	<u>\$ 682,909</u>	<u>\$ 28,528</u>	<u>\$ 802,496</u>	<u>\$ 1,513,933</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 398,340	\$ -	\$ 46,538	\$ 444,878
Total liabilities	<u>398,340</u>	<u>-</u>	<u>46,538</u>	<u>444,878</u>
<b>Deferred Inflows of Resources</b>	<u>284,569</u>	<u>-</u>	<u>-</u>	<u>284,569</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by State statute	25,116	-	8,303	33,419
Restricted, all other	-	28,528	747,655	776,183
Unassigned	<u>(25,116)</u>	<u>-</u>	<u>-</u>	<u>(25,116)</u>
Total fund balances	<u>-</u>	<u>28,528</u>	<u>755,958</u>	<u>784,486</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 682,909</u>	<u>\$ 28,528</u>	<u>\$ 802,496</u>	<u>\$ 1,513,933</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, 2015**

	<b>Fire District Fund</b>	<b>Law Enforcement Restricted Fund</b>	<b>E-911 Telephone System Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,093,156	\$ -	\$ -	\$ 3,093,156
Restricted intergovernmental	-	10,893	-	10,893
Sales and services	-	-	447,775	447,775
Investment earnings	-	12	412	424
Total revenues	<u>3,093,156</u>	<u>10,905</u>	<u>448,187</u>	<u>3,552,248</u>
<b>Expenditures:</b>				
Public safety	<u>3,093,156</u>	-	<u>225,033</u>	<u>3,318,189</u>
Total expenditures	<u>3,093,156</u>	-	<u>225,033</u>	<u>3,318,189</u>
Revenues over (under) expenditures	<u>-</u>	<u>10,905</u>	<u>223,154</u>	<u>234,059</u>
<b>Other Financing Sources (Uses):</b>				
Transfer out	-	<u>(8,531)</u>	-	<u>(8,531)</u>
Total other financing sources (uses)	<u>-</u>	<u>(8,531)</u>	<u>-</u>	<u>(8,531)</u>
Net change in fund balances	-	2,374	223,154	225,528
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>-</u>	<u>26,154</u>	<u>532,804</u>	<u>558,958</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 28,528</u>	<u>\$ 755,958</u>	<u>\$ 784,486</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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,323,455	\$ 3,093,156	\$ (230,299)	\$ 3,192,351
Total revenues	<u>3,323,455</u>	<u>3,093,156</u>	<u>(230,299)</u>	<u>3,192,351</u>
<b>Expenditures:</b>				
Public safety:				
Tax collection fees	9,724	13,631	(3,907)	9,121
Distribution to fire districts	<u>3,313,731</u>	<u>3,079,525</u>	<u>234,206</u>	<u>3,183,230</u>
Total expenditures	<u>3,323,455</u>	<u>3,093,156</u>	<u>230,299</u>	<u>3,192,351</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ -</u>		<u>\$ -</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Restricted intergovernmental:				
Law enforcement restricted grant	\$ -	\$ 10,893	\$ 10,893	\$ 1,929
Investment earnings	25	12	(13)	28
Total revenues	25	10,905	10,880	1,957
<b>Expenditures:</b>				
Public safety:				
Law enforcement restricted	11,494	-	11,494	900
Capital outlay	-	-	-	10,000
Total expenditures	11,494	-	11,494	10,900
Revenues over (under) expenditures	(11,469)	10,905	22,374	(8,943)
<b>Other Financing Sources (Uses):</b>				
Transfers out	(8,531)	(8,531)	-	-
Appropriated fund balance	20,000	-	(20,000)	-
Total other financing sources (uses)	11,469	(8,531)	(20,000)	-
Net change in fund balance	\$ -	2,374	\$ 2,374	(8,943)
<b>Fund Balance:</b>				
Beginning of year - July 1		26,154		35,097
End of year - June 30		\$ 28,528		\$ 26,154

## 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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/(Under)	Actual
<b>Revenues:</b>				
E-911 telephone surcharge	\$ 447,775	\$ 447,775	\$ -	\$ 349,520
Investment earnings	500	412	(88)	350
Total revenues	<u>448,275</u>	<u>448,187</u>	<u>(88)</u>	<u>349,870</u>
<b>Expenditures:</b>				
Public safety:				
Other operating expenditures	448,275	225,033	223,242	148,669
Capital outlay	200,000	-	200,000	117,607
Total expenditures	<u>648,275</u>	<u>225,033</u>	<u>423,242</u>	<u>266,276</u>
Revenues over (under) expenditures	<u>(200,000)</u>	<u>223,154</u>	<u>423,154</u>	<u>83,594</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>200,000</u>	-	<u>(200,000)</u>	-
Total other financing sources (uses)	<u>200,000</u>	-	<u>(200,000)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>223,154</u>	<u>\$ 223,154</u>	<u>83,594</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>532,804</u>		<u>449,210</u>
End of year - June 30		<u>\$ 755,958</u>		<u>\$ 532,804</u>

WILKES COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2015

	<u>Law Enforcement Center/Jail Construction</u>	<u>Urgent Repair 13 Project</u>	<u>Gardner Glass</u>	<u>Highway 268 Water Extension Project</u>	<u>Water Intake Project</u>	<u>Total</u>
<b>Assets:</b>						
Restricted cash	\$ 372,363	\$ -	\$ -	\$ -	\$ -	\$ 372,363
Due from other governments	32,211	-	3,036	20,042	-	55,289
Accounts receivable, net	-	-	19,568	53,217	-	72,785
Total assets	<u>\$ 404,574</u>	<u>\$ -</u>	<u>\$ 22,604</u>	<u>\$ 73,259</u>	<u>\$ -</u>	<u>\$ 500,437</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 30,967	\$ -	\$ 30,967
Due to other funds	-	-	22,604	222,805	317	245,726
Total liabilities	<u>-</u>	<u>-</u>	<u>22,604</u>	<u>253,772</u>	<u>317</u>	<u>276,693</u>
<b>Fund Balances:</b>						
Restricted:						
Stabilization by State statute	32,211	-	22,604	73,259	-	128,074
Restricted, other	372,363	-	-	-	-	372,363
Unassigned	-	-	(22,604)	(253,772)	(317)	(276,693)
Total fund balances	<u>404,574</u>	<u>-</u>	<u>-</u>	<u>(180,513)</u>	<u>(317)</u>	<u>223,744</u>
Total liabilities and fund balances	<u>\$ 404,574</u>	<u>\$ -</u>	<u>\$ 22,604</u>	<u>\$ 73,259</u>	<u>\$ -</u>	<u>\$ 500,437</u>

## WILKES COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Law Enforcement Center/Jail Construction</u>	<u>Urgent Repair 13 Project</u>	<u>Gardner Glass</u>	<u>Highway 268 Water Extension Project</u>	<u>Water Intake Project</u>	<u>Total</u>
<b>Revenues:</b>						
Restricted intergovernmental	\$ -	\$ -	\$ 454,952	\$ 432,569	\$ -	\$ 887,521
Investment earnings	545	30	-	-	-	575
Total revenues	<u>545</u>	<u>30</u>	<u>454,952</u>	<u>432,569</u>	<u>-</u>	<u>888,096</u>
<b>Expenditures:</b>						
Public safety:	1,207,484	-	-	-	-	1,207,484
Economic and physical development	-	35,748	486,159	613,082	317	1,135,306
Total expenditures	<u>1,207,484</u>	<u>35,748</u>	<u>486,159</u>	<u>613,082</u>	<u>317</u>	<u>2,342,790</u>
Revenues over (under) expenditures	<u>(1,206,939)</u>	<u>(35,718)</u>	<u>(31,207)</u>	<u>(180,513)</u>	<u>(317)</u>	<u>(1,454,694)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers out	-	-	(3,793)	-	-	(3,793)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,793)</u>	<u>-</u>	<u>-</u>	<u>(3,793)</u>
Net change in fund balances	(1,206,939)	(35,718)	(35,000)	(180,513)	(317)	(1,458,487)
<b>Fund Balances:</b>						
Beginning of year - July 1	<u>1,611,513</u>	<u>35,718</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>1,682,231</u>
End of year - June 30	<u>\$ 404,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (180,513)</u>	<u>\$ (317)</u>	<u>\$ 223,744</u>

## WILKES COUNTY, NORTH CAROLINA

LAW ENFORCEMENT CENTER/JAIL CONSTRUCTION PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/(Under)</u>
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 6,059	\$ 545	\$ 6,604	\$ 6,604
<b>Expenditures:</b>					
General government:					
Capital outlay	<u>12,690,000</u>	<u>11,084,546</u>	<u>1,207,484</u>	<u>12,292,030</u>	<u>397,970</u>
Revenues over (under) expenditures	<u>(12,690,000)</u>	<u>(11,078,487)</u>	<u>(1,207,484)</u>	<u>(12,292,030)</u>	<u>397,970</u>
<b>Other Financing Sources (Uses):</b>					
Installment purchase obligations issued	<u>12,690,000</u>	<u>12,690,000</u>	<u>-</u>	<u>12,690,000</u>	<u>-</u>
Total other financing sources (uses)	<u>12,690,000</u>	<u>12,690,000</u>	<u>-</u>	<u>12,690,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,611,513</u>	<u>\$ (1,206,939)</u>	<u>\$ 404,574</u>	<u>\$ 404,574</u>

## WILKES COUNTY, NORTH CAROLINA

**URGENT REPAIR 13 CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Restricted intergovernmental:					
Urgent Repair Program Grant	\$ 75,000	\$ 75,000	\$ -	\$ 75,000	\$ -
Investment earnings	-	24	30	54	54
Total revenues	<u>75,000</u>	<u>75,024</u>	<u>30</u>	<u>75,054</u>	<u>54</u>
<b>Expenditures:</b>					
Economic development:					
Home repairs	<u>75,000</u>	<u>39,306</u>	<u>35,748</u>	<u>75,054</u>	<u>(54)</u>
Total expenditures	<u>75,000</u>	<u>39,306</u>	<u>35,748</u>	<u>75,054</u>	<u>(54)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 35,718</u>	<u>\$ (35,718)</u>	<u>\$ -</u>	<u>\$ -</u>

**WILKES COUNTY, NORTH CAROLINA**

**GARDNER GLASS CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/(Under)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Restricted intergovernmental	\$ 590,000	\$ -	\$ 454,952	\$ 454,952	\$ (135,048)
<b>Expenditures:</b>					
Economic development:					
Project construction	625,000	-	486,159	486,159	138,841
Total expenditures	625,000	-	486,159	486,159	138,841
Revenues over (under) expenditures	(35,000)	-	(31,207)	(31,207)	3,793
<b>Other Financing Sources:</b>					
Transfer from General Fund	35,000	35,000	(3,793)	31,207	(3,793)
Net change in fund balance	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ (35,000)</u>	<u>\$ -</u>	<u>\$ -</u>

**WILKES COUNTY, NORTH CAROLINA**

**HIGHWAY 268 WATER EXTENSION  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Restricted intergovernmental	\$ 898,150	\$ 45,074	\$ 432,569	\$ 477,643	\$ (420,507)
<b>Expenditures:</b>					
Economic development:					
Administration	14,500	1,123	6,712	7,835	6,665
Project construction	<u>883,650</u>	<u>43,951</u>	<u>606,370</u>	<u>650,321</u>	<u>233,329</u>
Total expenditures	<u>898,150</u>	<u>45,074</u>	<u>613,082</u>	<u>658,156</u>	<u>239,994</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (180,513)</u>	<u>\$ (180,513)</u>	<u>\$ (180,513)</u>

**WILKES COUNTY, NORTH CAROLINA**

**WATER INTAKE PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Expenditures:</b>					
Economic development:					
Project construction	\$ 9,006,702	\$ -	\$ 317	\$ 317	\$ 9,006,385
Total expenditures	<u>9,006,702</u>	<u>-</u>	<u>317</u>	<u>317</u>	<u>9,006,385</u>
<b>Other Financing Sources:</b>					
NCDENR revolving fund loan	<u>9,006,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,006,702)</u>
Total other financing sources	<u>9,006,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,006,702)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (317)</u>	<u>\$ (317)</u>	<u>\$ (317)</u>

WILKES COUNTY, NORTH CAROLINA

**AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/(Under)	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services:				
Sales	\$ 1,024,171	\$ 797,693	\$ (226,478)	\$ 986,810
Rents	108,500	99,120	(9,380)	105,616
Other operating revenues	5,600	6,553	953	586
Total operating revenues	<u>1,138,271</u>	<u>903,366</u>	<u>(234,905)</u>	<u>1,093,012</u>
Non-operating revenues:				
Restricted intergovernmental	<u>1,100,000</u>	<u>1,270,221</u>	<u>170,221</u>	<u>79,059</u>
Total non-operating revenues	<u>1,100,000</u>	<u>1,270,221</u>	<u>170,221</u>	<u>79,059</u>
Total revenues	<u>2,238,271</u>	<u>2,173,587</u>	<u>(64,684)</u>	<u>1,172,071</u>
<b>Expenditures:</b>				
Airport operations:				
Salaries and employee benefits	162,886	161,440	1,446	158,453
Fuel and oil purchases	766,000	552,055	213,945	708,258
Other operating expenditures	209,385	293,290	(83,905)	234,790
Airport capital projects:				
Construction	1,222,223	1,217,192	5,031	103,292
Debt service:				
Debt principal	-	-	-	19,496
Interest and fees	-	-	-	484
Total expenditures	<u>2,360,494</u>	<u>2,223,977</u>	<u>136,517</u>	<u>1,224,773</u>

## WILKES COUNTY, NORTH CAROLINA

## AIRPORT FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2015

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/(Under)	Actual
Revenues over (under) expenditures	(122,223)	(50,390)	71,833	(52,702)
<b>Other Financing Sources (Uses):</b>				
Transfers in	122,223	122,223	-	-
Total other financing sources (uses)	122,223	122,223	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 71,833	\$ 71,833	\$ (52,702)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 71,833		
Reconciling items:				
Depreciation		(517,223)		
Capital outlay		1,217,192		
Contributions to the pension plan in the current fiscal year		7,920		
Pension expense		(638)		
Change in accrual for unfunded OPEB		754		
Change in accrual for compensated absences		(764)		
Total reconciling items		707,241		
Change in net position		\$ 779,074		

WILKES COUNTY, NORTH CAROLINA

LANDFILL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/(Under)	Actual
<b>Revenues:</b>				
Operating revenues:				
Solid waste charges	\$ 1,900,000	\$ 2,187,604	\$ 287,604	\$ 2,108,983
Scrap tire disposal tax	28,020	33,160	5,140	32,371
Other operating revenues	208,600	198,512	(10,088)	204,475
Total operating revenues	<u>2,136,620</u>	<u>2,419,276</u>	<u>282,656</u>	<u>2,345,829</u>
Non-operating revenues:				
Interest earnings	500	970	470	657
Total non-operating revenues	<u>500</u>	<u>970</u>	<u>470</u>	<u>657</u>
Total revenues	<u>2,137,120</u>	<u>2,420,246</u>	<u>283,126</u>	<u>2,346,486</u>
<b>Expenditures:</b>				
Landfill operations:				
Salaries and employee benefits	817,492	809,281	8,211	795,293
Other operating expenditures	1,045,948	878,151	167,797	962,254
Capital outlay	255,125	203,392	51,733	316,034
Total landfill operations	<u>2,118,565</u>	<u>1,890,824</u>	<u>227,741</u>	<u>2,073,581</u>
Debt service:				
Principal retirement	149,814	149,813	1	145,994
Interest and fees	6,419	6,418	1	10,239
Total debt service	<u>156,233</u>	<u>156,231</u>	<u>2</u>	<u>156,233</u>
Total expenditures	<u>2,274,798</u>	<u>2,047,055</u>	<u>227,743</u>	<u>2,229,814</u>
Revenues over (under) expenditures	<u>(137,678)</u>	<u>373,191</u>	<u>510,869</u>	<u>116,672</u>
<b>Other Financing Sources (Uses):</b>				
Transfer out - Landfill Reserve Fund	(12,322)	(12,322)	-	(5,000)
Transfer in - Landfill Reserve Fund	-	-	-	285,000
Appropriated fund balance	150,000	-	(150,000)	-
Total other financing sources (uses)	<u>137,678</u>	<u>(12,322)</u>	<u>(150,000)</u>	<u>280,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 360,869</u>	<u>\$ 360,869</u>	<u>\$ 396,672</u>

**WILKES COUNTY, NORTH CAROLINA**

**LANDFILL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/(Under)</u>	
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 360,869	
Reconciling items:			
Capital outlay		203,392	
Long-term debt principal repayments		149,813	
Depreciation		(208,794)	
Increase in accrued landfill closure/post-closure costs		(55,000)	
Contributions to the pension plan in the current fiscal year		35,359	
Pension expense		(2,851)	
Change in accrual for unfunded OPEB		3,518	
Change in accrual for compensated absences		5,725	
Intrafund transfer out - Landfill Closure and Post- Closure Reserve Fund		12,322	
Interest from Landfill Closure and Post-Closure Reserve Fund		2,902	
Total reconciling items		<u>146,386</u>	
Change in net position		<u>\$ 507,255</u>	

## WILKES COUNTY, NORTH CAROLINA

## LANDFILL CLOSURE AND POSTCLOSURE RESERVE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2015

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Interest earnings	\$ 5,000	\$ 2,902	\$ (2,098)	\$ 3,685
<b>Other Financing Sources (Uses):</b>				
Sinking reserve	(17,322)	-	(17,322)	-
Transfers in	12,322	12,322	-	5,000
Transfers out	-	-	-	(285,000)
Total other financing sources (uses)	(5,000)	12,322	(17,322)	(280,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 15,224	\$ 15,224	\$ (276,315)

## WILKES COUNTY, NORTH CAROLINA

## AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 01, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Social Services:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 106,698	\$ 240,478	\$ 288,186	\$ 58,990
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 106,698	\$ 240,478	\$ 288,186	\$ 58,990
<b>Ad Valorem Tax - Other Municipalities:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ (30,697)	\$ 2,492,035	\$ 2,385,538	\$ 75,798
Taxes receivable	327,176	14,965	13,588	328,550
Total assets	<u>\$ 296,479</u>	<u>\$ 2,507,000</u>	<u>\$ 2,399,126</u>	<u>\$ 404,348</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ 296,479</u>	<u>\$ 2,507,000</u>	<u>\$ 2,399,126</u>	<u>\$ 404,348</u>
<b>Fines and Forfeitures:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 405,112	\$ 405,112	\$ -
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ -</u>	<u>\$ 405,112</u>	<u>\$ 405,112</u>	<u>\$ -</u>
<b>Total All Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 76,001	\$ 3,137,625	\$ 3,078,836	\$ 134,788
Taxes receivable	327,176	14,965	13,588	328,550
Total assets	<u>\$ 403,177</u>	<u>\$ 3,152,590</u>	<u>\$ 3,092,424</u>	<u>\$ 463,338</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ 403,177</u>	<u>\$ 2,747,478</u>	<u>\$ 2,687,312</u>	<u>\$ 463,338</u>
Total liabilities	<u>\$ 403,177</u>	<u>\$ 3,152,590</u>	<u>\$ 3,092,424</u>	<u>\$ 463,338</u>

## WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2015**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 36,283,073	\$ (34,746,163)	\$ 1,536,910
2013-2014	1,694,807	-	(898,716)	796,091
2012-2013	847,761	-	(293,676)	554,085
2011-2012	604,357	-	(158,981)	445,376
2010-2011	430,299	-	(95,702)	334,597
2009-2010	238,874	-	(49,988)	188,886
2008-2009	172,717	-	(30,046)	142,671
2007-2008	131,409	-	(18,671)	112,738
2006-2007	108,813	-	(18,692)	90,121
2005-2006	101,182	-	(13,336)	87,846
2004-2005	60,383	-	(60,383)	-
Total	<u>\$ 4,390,602</u>	<u>\$ 36,283,073</u>	<u>\$ (36,384,354)</u>	4,289,321
Less: Allowance for uncollectible accounts - General Fund				<u>(951,269)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ 3,338,052</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				<u>\$ 36,508,753</u>
Reconciling items:				
Penalties and interest collected				(526,289)
Discounts taken				241,693
Prior year releases and write offs				95,521
Miscellaneous				64,676
Total reconciling items				<u>(124,399)</u>
Total collections and credits				<u>\$ 36,384,354</u>

## WILKES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2015

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 5,868,541,494	\$ 0.69	\$ 36,108,541	\$ 32,633,908	\$ 3,474,633
Penalties	-		16,853	16,853	-
Total	<u>5,868,541,494</u>		<u>36,125,394</u>	<u>32,650,761</u>	<u>3,474,633</u>
<b>Discoveries:</b>					
Current year taxes	32,287,793	0.69	221,575	221,575	-
Penalties	-		21,081	21,081	-
Total	<u>32,287,793</u>		<u>242,656</u>	<u>242,656</u>	<u>-</u>
<b>Abatements</b>	<u>(12,315,507)</u>	0.69	<u>(84,977)</u>	<u>(84,804)</u>	<u>(173)</u>
Total property valuation	<u>\$ 5,888,513,780</u>				
<b>Net Levy</b>			36,283,073	32,808,613	3,474,460
Less: Uncollected tax at June 30, 2015			<u>1,536,910</u>	<u>1,529,166</u>	<u>7,744</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 34,746,163</u>	<u>\$ 31,279,447</u>	<u>\$ 3,466,716</u>
<b>Current Levy Collection Percentage</b>			<u>95.76%</u>	<u>95.34%</u>	<u>99.78%</u>

**WILKES COUNTY NORTH CAROLINA**

**SECONDARY MARKET DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2015**

**Assessed Valuation:**

Assessment ratio	100%
Real property	\$ 4,868,016,977
Personal property	874,881,115
Public service companies	145,615,688
Total assessed valuation	<u>\$ 5,888,513,780</u>
Tax rate per \$100	0.69
Levy (includes discoveries, releases, and abatements)	<u>\$ 36,283,073</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, 2015:

Fire protection districts	<u>\$ 2,834,979</u>
---------------------------	---------------------

**WILKES COUNTY, NORTH CAROLINA**

**TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2015 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
Duke Energy Carolinas, LLC	Utility Company	\$ 101,836,421	1.73%
Tyson Farms, Inc.	Food processor	60,793,248	1.03%
Lowes Home Center, Inc. #1	Retail sales	51,026,254	0.87%
Louisiana Pacific	Building products manufacturing	36,088,560	0.61%
Carolina West Wireless Inc.	Phone company	24,268,170	0.41%
J.C. Faw	Real estate	23,785,850	0.40%
Certainfeed Corp.	Building products manufacturing	16,210,651	0.28%
Tyson Foods, Inc.	Food processor	14,609,794	0.25%
Wal-Mart Real Estate Business Trust	Retail sales	12,634,560	0.21%
Interflex Group, Inc.	Packaging Supplier	9,693,427	0.16%
Total		<u>\$ 350,946,935</u>	<u>5.96%</u>

**WILKES COUNTY, NORTH CAROLINA****EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE  
JUNE 30, 2015**

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	\$ 755,958
Cumulative prior period revenues and expenditures not reported in the PSAP report (difference in beginning Fund Balance-budget to actual vs. PSAP report)	27,017
Expense on PSAP report not reported in the fund.	<u>(27,020)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 755,955</u>

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

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

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

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

To the Board of Commissioners  
Wilkes County, 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, 2015, and the related notes to the financial statements, which collectively comprise Wilkes County's basic financial statements, and have issued our report thereon dated December 1, 2015.

### **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 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 were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-001 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2015-002 and 2015-003.

## **Wilkes County's Responses to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
December 1, 2015

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

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

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

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

To the Board of Commissioners  
Wilkes County, 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 *Circular A-133 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, 2015. Wilkes County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Wilkes County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wilkes County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion On Each Major Federal Program

In our opinion, Wilkes County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report On Internal Control Over Compliance

Management of Wilkes County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wilkes County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wilkes County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
December 1, 2015

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

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

## **Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; and the State Single Audit Implementation Act**

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

To the Board of Commissioners  
Wilkes County, 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, 2015. Wilkes County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Wilkes County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Wilkes County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion On Each Major State Program

In our opinion, Wilkes County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

## 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wilkes County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
December 1, 2015

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified not considered to be a material weakness? Yes

Non-compliance material to financial statements noted? Yes

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>CFDA#</u></b>
Medicaid Cluster	93.775, 93.777, 93.778
Children's Health Insurance Program- NC Health Choice	93.767
Child Care Development Fund Cluster	93.596, 93.575

Dollar threshold used to distinguish between Type A and Type B Programs \$2,522,276

Auditee qualified as low-risk auditee? No

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**State Awards**

Internal control over major State programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Medicaid Cluster  
Children's Health Insurance Program- NC Health Choice  
State Foster Home Fund  
State Aid to Airports  
Subsidized Child Care Cluster  
Public School Building Capital Fund-Lottery Proceeds  
Industrial Development Fund Utility Grant

# WILKES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 2. Findings Related to the Audit of the Basic Financial Statements

#### Finding 2015-001

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

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

**Context:** During our planning procedures, we noted that County personnel do not possess the technical expertise required to comply with financial reporting requirements discussed above.

**Effect:** Material misstatements of the financial statements could result.

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

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

**Name of Contact Person:** Jerry Shepherd

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

# WILKES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### **Finding 2015-002**

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

**Condition:** Several funds were operating in a deficit. A detailed note of the deficit fund balances is found in the notes to the financial statements of Wilkes County's audit report.

**Context:** Lack of budgetary control

**Effect:** The County was in violation of North Carolina General Statutes.

**Cause:** Management is not ensuring compliance with the budget policy.

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

**Name of Contact Person:** Jerry Shepherd

**Corrective Action/Management Response:** Management is aware of the weakness. The County will be reimbursed by the NC Underground Storage Tank Trust Fund at the end of the Highway 268 Water Extension Project. The Water Intake Project Fund is to be funded by a NCDENR revolving fund loan. As of June 30, 2015 the County had not drawn down any funds.

## WILKES COUNTY, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

#### **Finding 2015-003**

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

**Condition:** An error was discovered with regard to proper reporting of Community Development Block Grant funding.

**Context:** The County is a pass-through entity for Community Development Block Grant (CDBG) project 12-C-2446 and did not account for this project's activity in a special revenue fund or capital project fund. CDBG funds are required to be reported in a multi-year fund. The County accounted for CDBG project 12-C-2446 revenues and expenditures in the County's General Fund.

**Effect:** The County did not report CDBG funding in a multi-year fund and was not in compliance with CDBG.

**Cause:** Management is not ensuring compliance with CDBG funding requirements.

**Recommendation:** CDBG funds should be accounted for in multi-year funds.

**Name of Contact Person:** Jerry Shepherd

**Corrective Action/Management Response:** Management is aware of the weakness. The County was a pass-through entity for the Brushy Mountain Bee Farm Expansion Project and did not set-up a separate multi-year fund for the funding.

**WILKES COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**3. Findings and Questioned Costs Related to the Audit of Federal Awards**

None reported

**4. Findings and Questioned Costs Related to the Audit of State Awards**

None reported

**WILKES COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Finding: 2014-001**

**Status:** Modified and repeated as Finding 2015-001.

**Finding: 2014-002**

**Status:** Corrected in the current year.

**Finding: 2014-003**

**Status:** Corrected in the current year.

**Finding: 2014-004**

**Status:** Corrected in the current year.

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>Federal Awards:</b>			
<b>U.S. Department of Health and Human Services</b>			
Passed-through the N.C. Department of Health and Human Services			
<b>Division of Social Services:</b>			
Child Support Enforcement IV-D-Administration	93.563	\$ 424,773	\$ -
Total Child Support Enforcement		<u>424,773</u>	<u>-</u>
Administration of Children and Families passed through the NC Dept. of Health and Human Services			
Temporary Assistance for Needy Families Cluster:			
Administration	93.558	306,009	-
Temporary Assistance for Needy Families	93.558	112,825	-
TANF Payments - Direct Benefit	93.558	813,406	(18)
Temporary Assistance for Needy Families Cluster Total		<u>1,232,240</u>	<u>(18)</u>
AFDC Payments - Direct Benefit	93.560	(278)	(76)
Total Temporary Assistance for Needy Families		<u>1,231,962</u>	<u>(94)</u>
Title IV-E Foster Care:			
Administration	93.658	161,077	47,008
Foster Care Administration	93.658	119,085	-
Direct Benefit Payments	93.658	575,069	166,544
Title IV-E Adoption Assistance Program:			
Administration	93.659	11,894	-
Direct Benefit Payments	93.659	797,178	206,845
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	850,746	-
LINKS-Administration			
Refugee Assist Administration	93.674	15,219	3,805
Independent Living Transitional/LINKS - Direct Benefit	93.566	435	-
Social Services Block Grant-Administration	93.674	9,966	-
Family Preservation-Administration	93.667	290,249	32,003
Child Welfare Services-Permanency Planning: Administration	93.556	29,654	-
Child Welfare Services-Permanency Planning: Administration	93.645	21,784	-
Sub total		<u>367,307</u>	<u>35,808</u>
<b>Administration for Children and Families:</b>			
Passed through the NC Dept. of Health and Human Services			
Subsidized Child Care (Note 4)			
<b>Child Care Development Fund Cluster</b>			
<b>Division of Social Services:</b>			
Child Care Development Fund-Administration	93.596	80,312	-
<b>Division of Child Development:</b>			
Child Care and Development Fund -- Discretionary	93.575	489,461	-
Child Care and Development Fund -- Mandatory	93.596	148,695	-
Child Care and Development Fund -- Match	93.596	447,364	211,546
Total Child Care Fund Cluster		<u>1,165,832</u>	<u>211,546</u>
Foster Care Title IV-E	93.658	8,559	4,433
State Appropriations		-	180,923
TANF-MOE		-	195,064
Total Subsidized Child Care Cluster		<u>1,174,391</u>	<u>591,966</u>

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>U.S. Department of Transportation</b>			
Federal Transit Administration			
Passed through the N.C. Department of Transportation			
Greenway Transportation Agreement	20.105	50,000	29,986
Airport Improvement Program	20.106	58,657	-
<b>Highway Planning and Construction Cluster</b>			
Highway Planning and Construction	20.205-1	40,000	10,000
Total U.S. DOT		<u>148,657</u>	<u>39,986</u>
<b>U.S. Department of Agriculture:</b>			
Passed-through N.C. Department of Health & Human Services			
<b>Division of Public Health:</b>			
Special Supplemental Nutrition Program for Women Infant and Children	10.557	330,088	-
Special Supplemental Nutrition Program for Women Infant and Children-Direct Benefit Payment	10.557	<u>1,210,520</u>	<u>-</u>
Total Division of Public Health		<u>1,540,608</u>	<u>-</u>
<b>Health Care Financing Administration:</b>			
Passed-through the N.C. Department of Health and Human Services			
<b>Division of Medical Assistance:</b>			
Medicaid Cluster			
Direct Benefit Payments:			
Title XIX - Medicaid	93.778	72,609,412	39,294,330
Administration:			
Medical Assistance Program	93.778	1,035,618	-
Adult Home Case Management	93.778	22,690	2,459
State County Special Assistance	93.778	28,311	-
Medicaid Transportation	93.778	<u>9,148</u>	<u>4,742</u>
Total Medicaid Cluster		<u>73,705,179</u>	<u>39,301,531</u>
Direct Benefit Payments:			
Children's Health Insurance Program-NC Health Choice	93.767	1,460,488	461,055
Administration:			
Children's Health Insurance Program-NC Health Choice	93.767	<u>12,302</u>	<u>3,355</u>
Total Health Choice		<u>1,472,790</u>	<u>464,410</u>
DMA Equipment County	93.000	<u>2,592</u>	<u>-</u>
Total Division of Medical Assistance		<u>75,180,561</u>	<u>39,765,941</u>
<b>U.S. Department of Agriculture:</b>			
Passed-through N.C. Department of Health & Human Services			
Food and Consumer Service:			
<b>Division of Social Services:</b>			
Supplemental Nutrition Assistance Program Cluster:			
Administration:			
Supplemental Nutrition Assistance Program Admin	10.561	<u>335,412</u>	<u>291</u>
Total Supplemental Nutrition Assistance Program Cluster		<u>335,412</u>	<u>291</u>
<b>U.S. Department of Justice:</b>			
Recovery Act Edward Byrne Justice Assistance Grant	16.804	12,523	-
Equitable Sharing Program	16.922	<u>10,893</u>	<u>-</u>
Total US Dept. of Justice		<u>23,416</u>	<u>-</u>

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>U.S. Department of Health and Human Services:</b>			
<b>Centers for Disease Control and Prevention</b>			
<b>passed through NC Dept. of Health and Human Services</b>			
Division of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)			
Aligned Cooperative Agreements	93.074	47,518	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	28	-
Immunization Grants	93.268	19,750	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	18,480	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	15,300	-
HIV Prevention Activities_Health Department Based	93.940	1,000	-
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	217	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	69,965	-
Statewide Health Promotion Program	93.991	2,065	-
<b>Administration of Children and Families passed through NC Dept. of Health and Human Services</b>			
Division of Social Services:			
Temporary Assistance for Needy Families	93.558	4,802	-
<b>Health Resources and Service Administration passed through NC Dept. of Health and Human Services</b>			
Division of Public Health			
Maternal and Child Health Services Block Grant	93.994	58,808	44,111
<b>Office of Population Affairs passed through NC Dept. of Health and Human Services</b>			
Office of Population Affairs			
Family Planning Services	93.217	34,771	-
Total Department of Health and Human Services		272,704	44,111
<b>Administration of Aging:</b>			
Passed-through High Country Council of Governments			
<b>Division of Aging:</b>			
Aging Cluster:			
Access Title III-B	93.044	49,613	8,755
In-Home Services:			
Title IIIB	93.044	191,489	33,792
Congregate Nutrition:			
Title III-C1	93.045	154,954	27,345
Home Delivered Meals:			
Title III-C2	93.045	122,498	21,617
Total Division of Aging		518,554	91,509
<b>U.S. Department of Housing and Urban Development:</b>			
Passed-through N.C. Department of Commerce:			
<b>Division of Community Assistance:</b>			
Community Development Block Grants-States Program and Non-Entitlement Grants in Hawaii	14.228	30,000	-
<b>U.S. Department of Homeland Security</b>			
Homeland Security Grant	97.067	23,868	-
Emergency Management Performance Grant	97.042	39,324	-
Total U.S. Department of Homeland Security		63,192	-
<b>Appalachian Regional Commission</b>			
Appalachian Area Development	23.002	249,276	-
<b>Total Federal Awards</b>		\$ 84,075,862	\$ 40,989,915

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>State Awards:</b>			
<b>Division of Social Services:</b>			
SC/SA Domiciliary Care Pymt		\$	446,836
F/C at Risk Maximization			13,034
SFHF Maximization			430,355
State Child Welfare/CPS/CS LD			49,988
AFDC Incentive/Program Integrity			1,966
DCD Smart Start			17,712
CWS Adoption Subsidy			598,605
State Foster Home			220,656
Total Division of Social Services			<u>1,779,152</u>
<b>N.C. Department of Health and Human Services</b>			
<b>Division of Public Health</b>			
<b>Other Receipts/State Supported Expenditures</b>			
Food and Lodging Fees			16,448
Environmental Health			25,835
General Aid to Counties			85,399
General Communicable Disease Control			2,293
Risk Reduction/Health Promotion			6,286
Breast and Cervical Cancer Program			5,100
Child Health			1,163
Women's Health Service Fund			2,812
HIV/STD State			400
HIV/STD SSBG Aid			100
Tuberculosis			2,765
TB Medical Service			540
School Health Centers			43,840
HMHC-Family Planning			3,896
Maternal Health (HMHC)			1,082
School Nurse Funding Initiative			150,000
Total Division of Public Health			<u>347,959</u>
Total N.C. Department of Health and Human Services			<u>2,127,111</u>
<b>N.C. Housing Finance Agency</b>			
Urgent Repair Program			<u>74,501</u>
<b>N.C. Department of Environmental &amp; Natural Resources:</b>			
Soil & Water Conservation			25,500
NC Underground Storage Tank Trust Fund			143,640
Total N.C. Department of Environment & Natural Resources			<u>169,140</u>
<b>N.C. Department of Transportation:</b>			
Rural Operating Assistance Program			
Rural General Public	DOT-16CL		74,268
Elderly and Disabled Transportation	DOT-16CL		70,795
Employment	DOT-16CL		39,763
Total rural operating assistance program			<u>184,826</u>
Visitors Center	DOT-13		92,857
State Aid to Airports	DOT-8		1,270,221
Total N.C. Department of Transportation			<u>1,547,904</u>
<b>N.C. Department of Public Instruction:</b>			
Public School Building Capital Fund - lottery proceeds			<u>534,000</u>
<b>N.C. Department of Juvenile Justice and Delinquency Prevention:</b>			
JCPC/Youth Grant			179,702
Juvenile Crime Prevention Program			4,437
Total N.C. Department of Juvenile Justice and Delinquency Prevention			<u>184,139</u>

## WILKES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<b>N.C. Department of Commerce</b>			
Industrial Development Fund Utility Account Gardner Glass Sewer Project			366,897
Commerce Rural Grants Program-Highway 268 Water Extension 2012-#255-40101-112			214,300
Total N.C. Department of Commerce			581,197
<b>Total State Awards</b>			5,217,992
<b>Total Federal and State Awards</b>		\$ 84,075,862	\$ 46,207,907

**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, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Wilkes County, it is not intended to and does not present the financial position, changes in net position or cash flows of Wilkes County.

**2 Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

**3 Subrecipients**

Of the Federal and State expenditures presented in the schedule, Wilkes County provided Federal and State awards to subrecipients as follows:

<u>Subrecipient/Program Name</u>	<u>CFDA Number</u>	<u>Federal</u>	<u>State</u>
High Country Council of Governments			
Access Title III-B	93.044	\$ 49,613	\$ 8,755
In-Home Services:			
Title IIIB	93.044	191,489	33,792
Congregate Nutrition:			
Title III-C1	93.045	154,954	27,345
Home Delivered Meals:			
Title III-C2	93.045	122,498	21,617
Community Development Block Grants-States Program and Non-Entitlement Grants in Hawaii	14.228	30,000	-
Public School Building Capital Fund	N/A	-	534,000
Juvenile Crime Prevention	N/A	-	184,139
Rural General Public	N/A	-	74,268
Elderly and Disabled Transportation	N/A	-	70,795
Work First	N/A	-	39,763

**4 Cluster of Programs**

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

Subsidized Child Care and Foster Care and Adoption