

**WILKES COUNTY
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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

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

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WILKES COUNTY, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, 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 and the Law Enforcement Officer's Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer 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, and other schedules 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, and other schedules 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014 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
November 10, 2014

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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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

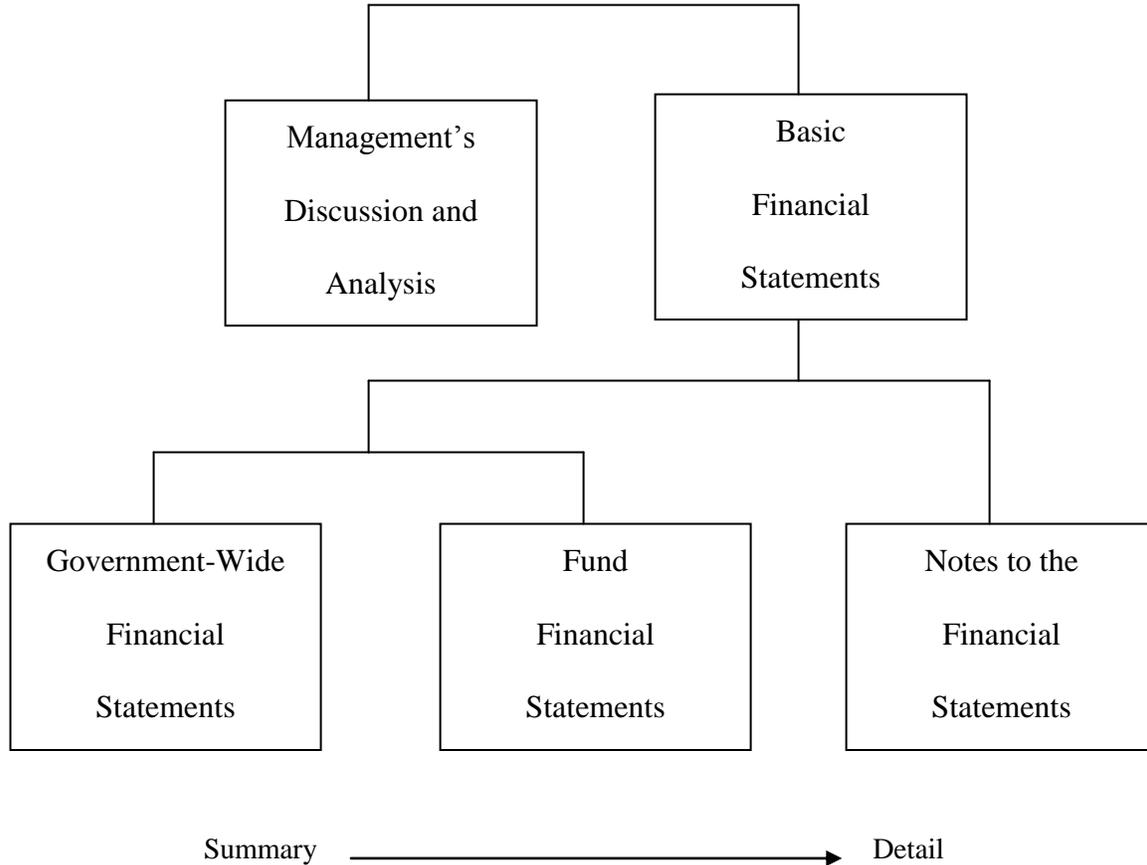
- The assets of Wilkes County exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$28,476,633 (*net position*).
- The government's total net position increased by \$5,835,584.
- As of the close of the current fiscal year, Wilkes County's governmental funds reported combined ending fund balances of \$31,167,772. Approximately 25 percent of this total amount, or \$7,719,964, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,154,005, or 36 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 A2 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 39,097,692	\$ 45,604,366	\$ 5,646,642	\$ 5,567,730	\$ 44,744,334	\$ 51,172,096
Capital assets, net	<u>33,977,447</u>	<u>23,473,999</u>	<u>17,660,671</u>	<u>18,025,184</u>	<u>51,638,118</u>	<u>41,499,183</u>
Total assets	<u>73,075,139</u>	<u>69,078,365</u>	<u>23,307,313</u>	<u>23,592,914</u>	<u>96,382,452</u>	<u>92,671,279</u>
Liabilities:						
Long-term liabilities	52,000,838	55,405,252	6,954,801	7,077,903	58,955,639	62,483,155
Other liabilities	<u>8,537,448</u>	<u>7,118,901</u>	<u>339,934</u>	<u>341,653</u>	<u>8,877,382</u>	<u>7,460,554</u>
Total liabilities	<u>60,538,286</u>	<u>62,524,153</u>	<u>7,294,735</u>	<u>7,419,556</u>	<u>67,833,021</u>	<u>69,943,709</u>
Deferred Inflows of Resources:						
Prepaid taxes	<u>72,798</u>	<u>86,521</u>	<u>-</u>	<u>-</u>	<u>72,798</u>	<u>86,521</u>
Net Position:						
Net investment in capital assets	24,896,846	22,644,886	17,344,133	17,543,156	42,240,979	40,188,042
Restricted	4,797,026	15,663,392	-	-	4,797,026	15,663,392
Unrestricted	<u>(17,229,817)</u>	<u>(31,840,587)</u>	<u>(1,331,555)</u>	<u>(1,369,798)</u>	<u>(18,561,372)</u>	<u>(33,210,385)</u>
Total net position	<u>\$ 12,464,055</u>	<u>\$ 6,467,691</u>	<u>\$ 16,012,578</u>	<u>\$ 16,173,358</u>	<u>\$ 28,476,633</u>	<u>\$ 22,641,049</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 \$28,476,633 as of June 30, 2014. The County's net position increased by \$5,835,584 for the fiscal year ended June 30, 2014. The County's net position also reflects the investment in capital assets (e.g. land, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items. Wilkes County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wilkes County's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$4,797,026, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted deficit of \$18,561,372. This deficit is a presentation of the fact that Wilkes County carries \$36,350,000 of debt for the Wilkes County Board of Education for the construction of four new middle schools and renovations to four high schools and one elementary school. The Wilkes County Board of Education and Wilkes Community College show the assets associated with this debt on their books.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 95.41%
- Sustained operating budgets at minimal costs and estimated revenues conservatively
- Increase in lottery funds received from the state

Wilkes County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges from services	\$ 9,961,579	\$11,551,867	\$ 3,438,840	\$ 3,468,291	\$13,400,419	\$15,020,158
Operating grants and contributions	9,062,444	9,123,504	-	-	9,062,444	9,123,504
Capital grants and contributions	1,164,659	2,130,170	79,059	333,930	1,243,718	2,464,100
General revenues:						
Property taxes	40,469,237	38,938,295	-	-	40,469,237	38,938,295
Local option sales tax	12,593,454	11,825,251	-	-	12,593,454	11,825,251
Other	182,145	183,699	4,342	8,821	186,487	192,520
Total revenues	73,433,518	73,752,786	3,522,241	3,811,042	76,955,759	77,563,828
Expenses:						
General government	6,381,221	6,429,585	-	-	6,381,221	6,429,585
Public safety	17,635,525	18,144,794	-	-	17,635,525	18,144,794
Economic and physical development	1,910,604	370,937	-	-	1,910,604	370,937
Environmental protection	143,081	154,981	-	-	143,081	154,981
Human services	20,185,983	20,129,294	-	-	20,185,983	20,129,294
Cultural and recreation	1,495,984	1,491,994	-	-	1,495,984	1,491,994
Education	17,771,923	18,113,269	-	-	17,771,923	18,113,269
Interest on long-term debt	1,912,833	1,792,320	-	-	1,912,833	1,792,320
Airport	-	-	1,624,486	1,647,540	1,624,486	1,647,540
Landfill	-	-	2,058,535	2,009,391	2,058,535	2,009,391
Total expenses	67,437,154	66,627,173	3,683,021	3,656,931	71,120,175	70,284,104
Increase (decrease) in net position	5,996,364	7,125,613	(160,780)	154,111	5,835,584	7,279,724
Net Position:						
Beginning of year - July 1	6,467,691	(657,922)	16,173,358	16,019,247	22,641,049	15,361,325
End of year - June 30	<u>\$12,464,055</u>	<u>\$ 6,467,691</u>	<u>\$16,012,578</u>	<u>\$16,173,358</u>	<u>\$28,476,633</u>	<u>\$22,641,049</u>

Governmental Activities. Governmental activities increased the County's net position by \$5,996,364. Key elements of this increase are as follows:

- Maintaining a collection percentage of 95.41% in the collection of property taxes
- Increase in local option sales tax and related revenues
- Conservative budgeting in operating expenses and revenue estimates
- Increase in lottery proceeds received from the state

Business-Type Activities. Business-type activities decreased Wilkes County's net position by \$160,780. 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 \$25,365,801 while total fund balance reached \$28,926,583. 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 37% of total General Fund expenditures and transfers to other funds, while total fund balance represents 43% of that same amount.

At June 30, 2014, the governmental funds of Wilkes County reported a combined fund balance of \$31,167,772, 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 \$4,705,856 (6.91%). 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 \$(248,441). Unrestricted net position of the Landfill Fund at the end of the fiscal year totaled \$(1,083,114).

Capital Asset and Debt Administration

Capital Assets. Wilkes County's capital assets for its governmental and business-type activities as of June 30, 2014 totaled \$51,638,118 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Sheriff's building improvements in the amount of \$672,613
- Purchase of E-911 equipment in the amount of \$429,796
- Construction of new law enforcement center in the amount of \$9,628,352 that is carried in construction-in-progress

Wilkes County's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,004,649	\$ 1,804,349	\$ 5,400,945	\$ 5,115,945	\$ 7,405,594	\$ 6,920,294
Buildings	17,037,073	16,446,171	792,737	792,737	17,829,810	17,238,908
Improvements	3,591,875	2,670,337	21,261,776	21,255,492	24,853,651	23,925,829
Machinery and equipment	14,029,823	13,247,494	3,798,115	3,773,365	17,827,938	17,020,859
Construction in progress	<u>12,175,533</u>	<u>3,064,405</u>	<u>296,940</u>	<u>193,648</u>	<u>12,472,473</u>	<u>3,258,053</u>
Total	48,838,953	37,232,756	31,550,513	31,131,187	80,389,466	68,363,943
Accumulated depreciation	<u>(14,861,506)</u>	<u>(13,758,757)</u>	<u>(13,889,842)</u>	<u>(13,106,003)</u>	<u>(28,751,348)</u>	<u>(26,864,760)</u>
Capital assets, net	<u>\$33,977,447</u>	<u>\$23,473,999</u>	<u>\$17,660,671</u>	<u>\$18,025,184</u>	<u>\$51,638,118</u>	<u>\$41,499,183</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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment purchase	\$ 48,334,190	\$ 51,858,578	\$ -	\$ -	\$ 48,334,190	\$ 51,858,578
Capital lease	-	-	316,538	482,028	316,538	482,028
Total	\$ 48,334,190	\$ 51,858,578	\$ 316,538	\$ 482,028	\$ 48,334,190	\$ 51,858,578

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 \$405,700,000.

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, 2015

Governmental Activities. The General Fund's overall revenue budget amount is approximately \$2.7 million more than the FY 2013/2014 actual amounts. Overall expenditure amounts are expected to be at a slightly higher level in comparison with the prior year with the renovations of a building to be utilized as an Agriculture Center, and an increase in the public safety and human services expenditures. 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, 2014

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 28,040,612	\$ 1,558,245	\$ 29,598,857
Taxes receivable, net	3,735,781	-	3,735,781
Accounts receivable, net	1,332,215	303,111	1,635,326
Due from other governments	2,666,146	58,960	2,725,106
Inventories	19,349	58,229	77,578
Internal balances	400,000	(400,000)	-
Cash and cash equivalents, restricted	2,903,589	4,068,097	6,971,686
Capital assets:			
Land, improvements, and construction in progress	14,180,182	5,697,885	19,878,067
Other capital assets, net	19,797,265	11,962,786	31,760,051
Total assets	<u>73,075,139</u>	<u>23,307,313</u>	<u>96,382,452</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	3,285,179	122,021	3,407,200
Prepaid fees	208,170	-	208,170
Advances from grantors	10,324	-	10,324
Long-term liabilities:			
Due within one year	5,033,775	217,913	5,251,688
Due in more than one year	52,000,838	6,954,801	58,955,639
Total liabilities	<u>60,538,286</u>	<u>7,294,735</u>	<u>67,833,021</u>
Deferred Inflows of Resources:			
Prepaid taxes	<u>72,798</u>	<u>-</u>	<u>72,798</u>
Net Position:			
Net investment in capital assets	24,896,846	17,344,133	42,240,979
Restricted for:			
Stabilization by State statute	3,821,646	-	3,821,646
Crime prevention	96,002	-	96,002
Register of Deeds	290,794	-	290,794
Public safety	517,866	-	517,866
Economic and physical development	70,718	-	70,718
Unrestricted	<u>(17,229,817)</u>	<u>(1,331,555)</u>	<u>(18,561,372)</u>
Total net position	<u>\$ 12,464,055</u>	<u>\$ 16,012,578</u>	<u>\$ 28,476,633</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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 6,381,221	\$ 1,549,572	\$ 295,598	\$ 26,687
Public safety	17,635,525	3,744,680	294,263	-
Environmental protection	143,081	167,449	25,500	-
Economic and physical development	1,910,604	580	-	253,769
Human services	20,185,983	4,167,333	8,366,215	-
Cultural and recreational	1,495,984	331,965	27,028	-
Education	17,771,923	-	53,840	884,203
Interest on long-term debt	1,912,833	-	-	-
Total governmental activities	<u>67,437,154</u>	<u>9,961,579</u>	<u>9,062,444</u>	<u>1,164,659</u>
Business-Type Activities:				
Landfill	2,058,535	2,345,829	-	-
Airport	1,624,486	1,093,011	-	79,059
Total business-type activities	<u>3,683,021</u>	<u>3,438,840</u>	<u>-</u>	<u>79,059</u>
Total primary government	<u>\$ 71,120,175</u>	<u>\$ 13,400,419</u>	<u>\$ 9,062,444</u>	<u>\$ 1,243,718</u>

General Revenues:

Ad valorem taxes
Local option sales tax
Other taxes and licenses
Investment earnings
Total general revenues

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,509,364)	\$ -	\$ (4,509,364)
(13,596,582)	-	(13,596,582)
49,868	-	49,868
(1,656,255)	-	(1,656,255)
(7,652,435)	-	(7,652,435)
(1,136,991)	-	(1,136,991)
(16,833,880)	-	(16,833,880)
(1,912,833)	-	(1,912,833)
<u>(47,248,472)</u>	<u>-</u>	<u>(47,248,472)</u>
-	287,294	287,294
-	(452,416)	(452,416)
-	<u>(165,122)</u>	<u>(165,122)</u>
<u>(47,248,472)</u>	<u>(165,122)</u>	<u>(47,413,594)</u>
40,469,237	-	40,469,237
12,593,454	-	12,593,454
144,811	-	144,811
37,334	4,342	41,676
<u>53,244,836</u>	<u>4,342</u>	<u>53,249,178</u>
5,996,364	(160,780)	5,835,584
<u>6,467,691</u>	<u>16,173,358</u>	<u>22,641,049</u>
<u>\$ 12,464,055</u>	<u>\$ 16,012,578</u>	<u>\$ 28,476,633</u>

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

WILKES COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Law Enforcement Center/Jail Construction	Other Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 27,104,446	\$ -	\$ 936,166	\$ 28,040,612
Restricted cash	-	2,903,589	-	2,903,589
Receivables, net	1,290,704	-	41,511	1,332,215
Taxes receivable, net	3,416,766	-	319,015	3,735,781
Due from other governments	2,427,444	197,610	41,092	2,666,146
Due from other funds	440,953	-	-	440,953
Inventories	19,349	-	-	19,349
Total assets	<u>\$ 34,699,662</u>	<u>\$ 3,101,199</u>	<u>\$ 1,337,784</u>	<u>\$ 39,138,645</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,447,353	\$ 972,462	\$ 348,140	\$ 2,767,955
Retainage payable	-	517,224	-	517,224
Due to other funds	-	-	40,953	40,953
Prepaid fees	208,170	-	-	208,170
Advance from grantors	10,324	-	-	10,324
Total liabilities	<u>1,665,847</u>	<u>1,489,686</u>	<u>389,093</u>	<u>3,544,626</u>
Deferred Inflows of Resources	<u>4,107,232</u>	<u>-</u>	<u>319,015</u>	<u>4,426,247</u>
Fund Balances:				
Non-spendable:				
Inventories	19,349	-	-	19,349
Restricted:				
Stabilization by State statute	3,541,433	197,610	82,603	3,821,646
Restricted, all other	386,796	2,903,589	588,584	3,878,969
Assigned:				
Subsequent year's expenditures	825,000	-	-	825,000
Unassigned	24,154,005	(1,489,686)	(41,511)	22,622,808
Total fund balances	<u>28,926,583</u>	<u>1,611,513</u>	<u>629,676</u>	<u>31,167,772</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,699,662</u>	<u>\$ 3,101,199</u>	<u>\$ 1,337,784</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.	33,977,447
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(57,034,613)
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>4,353,449</u>
Net position of governmental activities (Exhibit A)	<u>\$ 12,464,055</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, 2014

	General Fund	Law Enforcement Center/Jail Construction	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 37,432,146	\$ -	\$ 3,192,351	\$ 40,624,497
Local option sales taxes	12,593,454	-	-	12,593,454
Other taxes and licenses	144,811	-	-	144,811
Unrestricted intergovernmental revenues	294,146	-	-	294,146
Restricted intergovernmental revenues	9,961,555	-	151,711	10,113,266
Permits and fees	418,273	-	-	418,273
Sales and services	8,025,688	-	349,520	8,375,208
Interest earned on investments	31,374	5,558	402	37,334
Miscellaneous	1,100,211	-	-	1,100,211
Total revenues	<u>70,001,658</u>	<u>5,558</u>	<u>3,693,984</u>	<u>73,701,200</u>
Expenditures:				
Current:				
General government	7,724,776	-	-	7,724,776
Public safety	13,621,337	9,628,352	3,469,527	26,719,216
Environmental protection	131,344	-	-	131,344
Economic and physical development	1,778,394	-	118,055	1,896,449
Human services	19,943,286	-	-	19,943,286
Cultural and recreation	1,394,462	-	-	1,394,462
Education	17,771,923	-	-	17,771,923
Debt service:				
Principal repayments	3,524,388	-	-	3,524,388
Interest	1,912,833	-	-	1,912,833
Total expenditures	<u>67,802,743</u>	<u>9,628,352</u>	<u>3,587,582</u>	<u>81,018,677</u>
Revenues over (under) expenditures	<u>2,198,915</u>	<u>(9,622,794)</u>	<u>106,402</u>	<u>(7,317,477)</u>
Other Financing Sources (Uses):				
Transfers in (out)	(35,000)	-	35,000	-
Sale of capital assets	31,047	-	-	31,047
Total other financing sources (uses)	<u>(3,953)</u>	<u>-</u>	<u>35,000</u>	<u>31,047</u>
Net change in fund balances	2,194,962	(9,622,794)	141,402	(7,286,430)
Fund Balances:				
Beginning of year - July 1	<u>26,731,621</u>	<u>11,234,307</u>	<u>488,274</u>	<u>38,454,202</u>
End of year - June 30	<u>\$ 28,926,583</u>	<u>\$ 1,611,513</u>	<u>\$ 629,676</u>	<u>\$ 31,167,772</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, 2014**

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) \$ (7,286,430)

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	(155,260)
Sales and services	(112,421)

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. 11,810,802

The sale/disposal of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold. (6,789)

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (1,300,565)

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. 301,887

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. 3,524,388

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. (779,248)

Total changes in net position of governmental activities \$ 5,996,364

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 35,300,749	\$ 35,300,749	\$ 37,432,146	\$ 2,131,397
Local option sales tax	11,352,497	11,352,497	12,593,454	1,240,957
Other taxes and licenses	102,000	102,000	144,811	42,811
Unrestricted intergovernmental revenues	245,000	245,000	294,146	49,146
Restricted intergovernmental revenues	10,823,296	12,207,993	9,961,555	(2,246,438)
Permits and fees	367,000	367,000	418,273	51,273
Sales and services	8,118,482	8,262,764	8,025,688	(237,076)
Investment earnings	50,500	50,500	31,374	(19,126)
Miscellaneous	831,739	862,489	1,100,211	237,722
Total revenues	<u>67,191,263</u>	<u>68,750,992</u>	<u>70,001,658</u>	<u>1,250,666</u>
Expenditures:				
General government	7,912,438	8,922,948	7,724,776	1,198,172
Public safety	14,006,970	14,478,502	13,621,337	857,165
Environmental protection	160,000	160,000	131,344	28,656
Economic and physical development	1,672,005	2,084,685	1,778,394	306,291
Human services	20,905,762	21,981,896	19,943,286	2,038,610
Cultural and recreation	1,421,268	1,426,268	1,394,462	31,806
Education	16,125,420	17,825,420	17,771,923	53,497
Debt service:				
Principal repayments	3,649,387	3,649,387	3,524,388	124,999
Interest	2,106,769	2,106,769	1,912,833	193,936
Contingency	(765,756)	-	-	-
Total expenditures	<u>67,194,263</u>	<u>72,635,875</u>	<u>67,802,743</u>	<u>4,833,132</u>
Revenues over (under) expenditures	<u>(3,000)</u>	<u>(3,884,883)</u>	<u>2,198,915</u>	<u>6,083,798</u>
Other Financing Sources (Uses):				
Transfers (to) from other funds	-	(35,000)	(35,000)	-
Sale of capital assets	3,000	3,000	31,047	28,047
Appropriated fund balance	-	3,916,883	-	(3,916,883)
Total other financing sources (uses)	<u>3,000</u>	<u>3,884,883</u>	<u>(3,953)</u>	<u>(3,888,836)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,194,962	<u>\$ 2,194,962</u>
Fund Balance:				
Beginning of year - July 1			<u>26,731,621</u>	
End of year - June 30			<u>\$ 28,926,583</u>	

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

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Major Enterprise Funds		
	Landfill Fund	Airport Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,453,837	\$ 104,408	\$ 1,558,245
Receivables, net	238,881	64,230	303,111
Inventories	-	58,229	58,229
Due from other governments	23,428	35,532	58,960
Total current assets	<u>1,716,146</u>	<u>262,399</u>	<u>1,978,545</u>
Non-current assets:			
Restricted cash and cash equivalents	<u>4,068,097</u>	<u>-</u>	<u>4,068,097</u>
Capital assets:			
Land, improvements, and construction in progress	2,557,068	3,140,817	5,697,885
Other capital assets, net	<u>3,064,818</u>	<u>8,897,968</u>	<u>11,962,786</u>
Total capital assets	<u>5,621,886</u>	<u>12,038,785</u>	<u>17,660,671</u>
Total non-current assets	<u>9,689,983</u>	<u>12,038,785</u>	<u>21,728,768</u>
Total assets	<u>11,406,129</u>	<u>12,301,184</u>	<u>23,707,313</u>
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable	65,459	56,562	122,021
Due to other funds	-	400,000	400,000
Current portion of compensated absences	60,000	8,100	68,100
Current portion of long-term debt	<u>149,813</u>	<u>-</u>	<u>149,813</u>
Total current liabilities	<u>275,272</u>	<u>464,662</u>	<u>739,934</u>
Non-current liabilities:			
Accrued landfill closure and post-closure care costs	6,520,000	-	6,520,000
Compensated absences - non-current	21,628	3,263	24,891
Non-current portion of long-term debt	166,725	-	166,725
OPEB liability	<u>200,270</u>	<u>42,915</u>	<u>243,185</u>
Total non-current liabilities	<u>6,908,623</u>	<u>46,178</u>	<u>6,954,801</u>
Total liabilities	<u>7,183,895</u>	<u>510,840</u>	<u>7,694,735</u>
Net Position:			
Net investment in capital assets	5,305,348	12,038,785	17,344,133
Unrestricted	<u>(1,083,114)</u>	<u>(248,441)</u>	<u>(1,331,555)</u>
Total net position	<u>\$ 4,222,234</u>	<u>\$ 11,790,344</u>	<u>\$ 16,012,578</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, 2014

	Major Enterprise Funds		Total
	Landfill Fund	Airport Fund	
Operating Revenues:			
Charges for services	\$ 2,108,983	\$ 986,809	\$ 3,095,792
Rents	-	105,616	105,616
Scrap tire disposal grant	32,371	-	32,371
Other operating revenues	204,475	586	205,061
Total operating revenues	<u>2,345,829</u>	<u>1,093,011</u>	<u>3,438,840</u>
Operating Expenses:			
Airport operations	-	1,106,772	1,106,772
Landfill operations	1,781,687	-	1,781,687
Depreciation	266,609	517,230	783,839
Total operating expenses	<u>2,048,296</u>	<u>1,624,002</u>	<u>3,672,298</u>
Operating income (loss)	<u>297,533</u>	<u>(530,991)</u>	<u>(233,458)</u>
Non-Operating Revenues (Expenses):			
Interest earned on investments	4,342	-	4,342
Interest expense	(10,239)	(484)	(10,723)
Total non-operating revenues (expenses)	<u>(5,897)</u>	<u>(484)</u>	<u>(6,381)</u>
Income (loss) before capital contributions	291,636	(531,475)	(239,839)
Capital contributions	<u>-</u>	<u>79,059</u>	<u>79,059</u>
Change in net position	291,636	(452,416)	(160,780)
Net Position:			
Beginning of year - July 1	<u>3,930,598</u>	<u>12,242,760</u>	<u>16,173,358</u>
End of year - June 30	<u>\$ 4,222,234</u>	<u>\$ 11,790,344</u>	<u>\$ 16,012,578</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, 2014

	Major Enterprise Funds		
	Landfill Fund	Airport Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,411,027	\$ 1,256,791	\$ 3,667,818
Cash paid for goods and services	(990,276)	(928,662)	(1,918,938)
Cash paid to employees for services	(793,139)	(157,892)	(951,031)
Net cash provided (used) by operating activities	<u>627,612</u>	<u>170,237</u>	<u>797,849</u>
Cash Flows from Non-Capital Financing Activities:			
Change in due to other funds	-	(22,116)	(22,116)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(22,116)</u>	<u>(22,116)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants received	-	79,059	79,059
Acquisition and construction of capital assets	(316,034)	(103,292)	(419,326)
Principal paid on long-term debt	(145,994)	(19,496)	(165,490)
Interest and fees	(10,239)	(484)	(10,723)
Net cash provided (used) for capital and related financing activities	<u>(472,267)</u>	<u>(44,213)</u>	<u>(516,480)</u>
Cash Flows from Investing Activities:			
Interest on investments	4,342	-	4,342
Net increase (decrease) in cash and cash equivalents	159,687	103,908	263,595
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>5,362,247</u>	<u>500</u>	<u>5,362,747</u>
End of year - June 30	<u>\$ 5,521,934</u>	<u>\$ 104,408</u>	<u>\$ 5,626,342</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 297,533	\$ (530,991)	\$ (233,458)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	266,609	517,230	783,839
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	41,965	163,780	205,745
(Increase) decrease in prepaid items	-	6,750	6,750
(Increase) decrease in inventory	-	(5,694)	(5,694)
Increase (decrease) in accounts payable and accrued liabilities	(2,635)	13,890	11,255
Increase (decrease) in accrued vacation pay	2,154	561	2,715
Total adjustments	<u>330,079</u>	<u>701,228</u>	<u>1,031,307</u>
Net cash provided (used) by operating activities	<u>\$ 627,612</u>	<u>\$ 170,237</u>	<u>\$ 797,849</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, 2014

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 76,001
Taxes receivable	<u>327,176</u>
Total assets	<u>\$ 403,177</u>
Liabilities:	
Miscellaneous liabilities	<u>\$ 403,177</u>
Total liabilities	<u>\$ 403,177</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, 2014

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, 2014

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.

Law Enforcement Center/Jail Construction Project Fund. This is a capital project fund to account for the construction of a new law enforcement center and jail.

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; the 3% Interest Payable to the State Fund, which accounts for three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Ad Valorem Tax - Other Municipalities Fund, which 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.

Nonmajor Funds. The County maintains 7 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, and Scattered Site CDBG Project 10-C-2133 Fund are reported as capital projects funds.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when 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.

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).

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 2,903,589
Total governmental activities	<u>\$ 2,903,589</u>

Business-Type Activities:

Landfill Fund:

Landfill closure	\$ 4,068,097
Total business-type activities	<u>\$ 4,068,097</u>

Total restricted cash	<u>\$ 6,971,686</u>
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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, 2013. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 does not have an item that meets this criterion. 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 three items that meet the criterion for this category – prepaid taxes, other receivables, and property taxes receivable.

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.

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

Net Position/Fund Balances

Net Position

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted net position as of June 30, 2014 are as follows:

	Governmental Activities
Stabilization by State statute	\$ 3,821,646
Crime prevention	96,002
Register of Deeds	290,794
Public safety	517,866
Economic and physical development	70,718
Total	<u>\$ 4,797,026</u>

Unrestricted Net Position

The County has \$36,350,000 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 in tact.

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, 2014, the County had \$19,349 non-spendable fund balance for inventories.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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)].	\$ 3,541,433	\$ 41,092	\$ 239,121
<i>Restricted for Public Safety - Crime Prevention</i> – portion of fund balance that is restricted by revenue source for crime prevention expenditures.	96,002	-	-
<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.	290,794	-	-
<i>Restricted for Public Safety - Law Enforcement</i> – portion of fund balance that is restricted by revenue source for law enforcement expenditures.	-	26,091	-
<i>Restricted for Public Safety - Law Enforcement</i> – portion of fund balance that is restricted by revenue source for construction of a jail.	-	-	2,903,589
<i>Restricted for Public Safety - E-911</i> – portion of fund balance that is restricted by revenue source for E911 expenditures.	-	491,775	-
<i>Restricted for Economic Development</i> – portion of fund balance that is restricted by revenue source for Community Development Block Grant expenditures.	-	-	70,718
	<u>\$ 3,928,229</u>	<u>\$ 558,958</u>	<u>\$ 3,213,428</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent bond proceeds of \$2,903,589, as of June 30, 2014.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 action 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.

	General Fund
Subsequent year's expenditures	<u>\$ 825,000</u>

Unassigned Fund Balance

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

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

Wilkes County has not adopted a formal fund balance policy.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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)	\$ 28,926,583
Less:	
Non-spendable	(19,349)
Stabilization by State statute	<u>(3,541,433)</u>
Available for appropriation	<u>\$ 25,365,801</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.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, the County made expenditures in excess of the approved budget in the General Fund.

The County did not budget for the expense related to motor vehicle tax collections by the state in the fiscal year 2014 budget.

The County will be more diligent in the future in monitoring the budget of the General Fund along with pre-auditing invoices before approval. This will also be budgeted for in the 2015 fiscal year budget.

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the County's deposits had a carrying amount of \$35,269,186 and a bank balance of \$36,498,793. Of the bank balance, \$1,285,027 was covered by federal depository insurance and \$35,213,766 was covered by collateral held under the Pooling Method.

At June 30, 2014, Wilkes County had \$5,330 cash on hand.

Investments

At June 30, 2014, Wilkes County had \$1,372,028 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.

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>
2011	\$ 3,676,232	\$ 873,106	\$ 4,549,338
2012	3,813,434	562,481	4,375,915
2013	3,916,526	225,200	4,141,726
2014	<u>3,965,965</u>	<u>-</u>	<u>3,965,965</u>
Total	<u>\$ 15,372,157</u>	<u>\$ 1,660,787</u>	<u>\$ 17,032,944</u>

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Receivables

Receivables at the government-wide level at June 30, 2014 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities Landfill</u>	<u>Airport</u>
Taxes Receivable:			
Taxes receivable	\$ 4,709,617	\$ -	\$ -
Allowance for doubtful accounts	(973,836)	-	-
Total taxes receivable	<u>\$ 3,735,781</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts Receivable:			
Other	\$ 714,547	\$ -	\$ -
EMS/Landfill/Airport sales	3,166,245	256,857	64,230
Allowance for doubtful accounts	(2,548,577)	(17,976)	-
Total accounts receivable	<u>\$ 1,332,215</u>	<u>\$ 238,881</u>	<u>\$ 64,230</u>
Due from Other Governments:			
Local option sales tax distribution	\$ 1,999,484	\$ -	\$ -
Sales tax refund	409,097	23,428	4,422
Motor vehicle tax	257,565	-	-
Grants	-	-	31,110
Total due from other governments	<u>\$ 2,666,146</u>	<u>\$ 23,428</u>	<u>\$ 35,532</u>

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u>				<u>Balance</u>
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 1,804,349	\$ 200,300	\$ -	\$ -	\$ 2,004,649
Construction in progress	3,064,405	9,111,128	-	-	12,175,533
Total non-depreciable capital assets	<u>4,868,754</u>	<u>9,311,428</u>	<u>-</u>	<u>-</u>	<u>14,180,182</u>
Depreciable Capital Assets:					
Buildings	16,446,171	590,902	-	-	17,037,073
Other improvements	2,670,337	921,538	-	-	3,591,875
Equipment	13,247,494	986,934	204,605	-	14,029,823
Total depreciable capital assets	<u>32,364,002</u>	<u>2,499,374</u>	<u>204,605</u>	<u>-</u>	<u>34,658,771</u>
Less Accumulated Depreciation:					
Buildings	5,694,199	345,753	-	-	6,039,952
Other improvements	901,069	104,543	-	-	1,005,612
Equipment	7,163,489	850,269	197,816	-	7,815,942
Total accumulated depreciation	<u>13,758,757</u>	<u>\$ 1,300,565</u>	<u>\$ 197,816</u>	<u>\$ -</u>	<u>14,861,506</u>
Total depreciable capital assets, net	<u>18,605,245</u>				<u>19,797,265</u>
Governmental activities capital assets, net	<u>\$ 23,473,999</u>				<u>\$ 33,977,447</u>

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

General government	\$ 370,277
Public safety	690,909
Environmental protection	11,737
Human services	114,028
Cultural and recreational	<u>113,614</u>
Total	<u>\$ 1,300,565</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	Balance	Increases	Decreases	Transfers	Balance
	July 1, 2013	Increases	Decreases	Transfers	June 30, 2014
Business-Type Activities:					
Landfill:					
Non-Depreciable Capital Assets:					
Land	\$ 2,272,068	\$ 285,000	\$ -	\$ -	\$ 2,557,068
Total non-depreciable assets	2,272,068	285,000	-	-	2,557,068
Depreciable Capital Assets:					
Buildings	363,638	-	-	-	363,638
Other improvements	5,323,248	6,284	-	-	5,329,532
Equipment	3,572,025	24,750	-	-	3,596,775
Total depreciable capital assets	9,258,911	31,034	-	-	9,289,945
Less Accumulated Depreciation:					
Buildings	346,578	1,223	-	-	347,801
Other improvements	3,245,714	25,048	-	-	3,270,762
Equipment	2,366,226	240,338	-	-	2,606,564
Total accumulated depreciation	5,958,518	\$ 266,609	\$ -	\$ -	6,225,127
Total depreciable capital assets, net	3,300,393				3,064,818
Landfill capital assets, net	5,572,461				5,621,886
Airport:					
Non-Depreciable Capital Assets:					
Land	2,843,877	\$ -	\$ -	\$ -	2,843,877
Construction in progress	193,648	103,292	-	-	296,940
Total non-depreciable capital assets	3,037,525	103,292	-	-	3,140,817
Depreciable Capital Assets:					
Buildings	429,099	-	-	-	429,099
Other improvements	15,932,244	-	-	-	15,932,244
Equipment	201,340	-	-	-	201,340
Total depreciable capital assets	16,562,683	-	-	-	16,562,683
Less Accumulated Depreciation:					
Buildings	105,200	14,210	-	-	119,410
Other improvements	6,954,497	489,561	-	-	7,444,058
Equipment	87,788	13,459	-	-	101,247
Total accumulated depreciation	7,147,485	\$ 517,230	\$ -	\$ -	7,664,715
Total depreciable capital assets, net	9,415,198				8,897,968
Airport capital assets, net	12,452,723				12,038,785
Business-type activities capital assets, net	\$ 18,025,184				\$ 17,660,671

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 33,977,447	\$ 17,660,671
Long-term debt	(48,334,190)	(316,538)
Long-term debt for assets not owned by the County	36,350,000	-
Unspent debt proceeds	2,903,589	-
Net investment in capital assets	\$ 24,896,846	\$ 17,344,133

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2014 were as follows:

	Governmental Activities	Business-Type Activities	Total
Vendors	\$ 2,680,105	\$ 121,968	\$ 2,802,073
Other expenses	62,322	53	62,375
Retainage payable	542,752	-	542,752
Total accounts payable	\$ 3,285,179	\$ 122,021	\$ 3,407,200

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. Wilkes County contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS 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, or by calling (919) 981-5454.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of Wilkes County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$1,074,568, \$1,013,456, and \$1,045,355, respectively. The contributions made by the County equaled the required contributions for each year.

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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Active plan members	<u>81</u>
Total	<u>91</u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

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

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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The annual required contribution for the current year was determined as of December 31, 2012 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 percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 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	\$ 158,082
Interest on net pension obligation	24,897
Adjustment to annual required contribution	<u>(40,568)</u>
Annual pension costs	142,411
Contributions made	<u>136,915</u>
Increase (decrease) in net pension obligation	5,496
Net pension obligation:	
Beginning of year - July 1	<u>497,939</u>
End of year - June 30	<u><u>\$ 503,435</u></u>

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>
6/30/2012	\$ 126,739	99.50%	\$ 488,147
6/30/2013	142,254	93.12%	497,939
6/30/2014	142,411	96.14%	503,435

Funded Status and Funding Progress. As of December 31, 2013, 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 \$1,588,212. The covered payroll was \$2,677,481, and the ratio of the UAAL to the covered payroll was 59.32 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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 were \$147,995, which consisted of \$127,667 from the County and \$20,328 from the law enforcement officers.

Registers of Deeds' Supplemental Pension Fund

Plan Description. Wilkes County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible County Register of Deeds whom 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. The 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 Fund. 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. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$5,119.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the County made payments for post-retirement health benefit contributions of \$666,620. 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, 2013, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	86
Active members	<u>446</u>
Total	<u><u>532</u></u>

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The current annual required contribution rate (ARC) is 9.44% of annual covered payroll. For fiscal year 2014, the County contributed \$666,620 or 4.30% of annual covered payroll. Contributions by employees for the fiscal year ended June 30, 2014 were \$131,188. 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	\$ 1,463,164
Interest on net OPEB obligation	210,375
Adjustment to annual required contribution	<u>(200,974)</u>
Annual OPEB cost (expense)	1,472,565
Contributions made	<u>666,620</u>
Increase (decrease) in net OPEB obligation	805,945
Net OPEB obligation:	
Beginning of year - July 1	<u>5,259,383</u>
End of year - June 30	<u>\$ 6,065,328</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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>
2012	\$ 1,357,634	26.90%	\$ 4,256,292
2013	1,425,240	26.90%	5,259,383
2014	1,472,565	45.27%	6,065,328

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funded Status and Funding Progress. As of December 31, 2013, 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 \$20,953,247. The covered payroll (annual payroll of active employees covered by the plan) was \$15,498,996 and the ratio of the UAAL to the covered payroll was 135.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

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

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.0%, and (b) 7.75% - 5.00% pre-medical cost trend rate and a 5.75%-5.0% post medical trend rate with 2019 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, 2013 was 30 years.

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 \$6,520,000 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 49% 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 2014. 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. Transfers of \$280,000 were made from the Landfill Closure and Post-Closure Reserve Fund to the Landfill Enterprise Fund during the fiscal year ended June 30, 2014 to purchase 41.49 acres of land adjoining the current landfill property to have access to soil for closure cover and for future cell expansion. These funds and transfers from prior years are held in investments with a cost of \$4,068,097 (market value \$4,068,097) 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.

Deferred Inflows of Resources

The balance in deferred inflows of resources on the fund statements and the government-wide statements at year-end is composed of the following elements:

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 72,798
Taxes receivable, net (General)	3,416,766	-
Taxes receivable, net (Special Revenue)	319,015	-
Other receivables, net (General)	617,668	-
Total	<u>\$4,353,449</u>	<u>\$ 72,798</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 \$42,563,326.

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 Grant Administrator, and EMS is 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.

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>2013</u>	<u>2014</u>
Balance, beginning of year	\$ 693,199	\$ 643,588
Incurred claims (including IBNRs) and changes in estimates	3,664,334	3,920,041
Less claims payments	<u>(3,713,945)</u>	<u>(3,868,057)</u>
Balance, end of year	<u>\$ 643,588</u>	<u>\$ 695,572</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Contingent Liabilities

At June 30, 2014, 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, 2014 was \$4,088. These funds were appropriated by the county and paid toward these liabilities in the year ended June 30, 2014. 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.

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	\$ 13,019
John Deere Tractor	7/8/2011	37	Monthly	1,665

The following is an analysis of the assets recorded under capital leases at June 30, 2014:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment - Landfill	\$ 720,584	\$ 204,166	\$ 516,418
Equipment - Airport	56,139	16,842	39,297

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ended June 30	Amount
2015	\$ 156,232
2016	156,232
2017	<u>13,019</u>
Total minimum lease payments	325,483
Less amount representing interest	<u>8,945</u>
Present value of the minimum lease payments	<u>\$ 316,538</u>

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

\$ 144,190

\$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.

11,840,000

\$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

26,840,000

\$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

9,510,000

Total installment purchase agreements

\$ 48,334,190

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

For Wilkes County, the future minimum payments as of June 30, 2014 are as follows:

Year Ending	Governmental Activities			
	June 30	Principal	Interest	Total
2015	\$ 3,504,775	\$ 1,800,582	\$ 5,305,357	
2016	3,485,174	1,683,648	5,168,822	
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	
2020-2024	12,963,775	5,086,558	18,050,333	
2025-2029	9,480,000	3,181,399	12,661,399	
2030-2034	6,105,000	1,520,144	7,625,144	
2035-2036	2,430,000	182,250	2,612,250	
Total	<u>\$ 48,334,190</u>	<u>\$ 17,817,987</u>	<u>\$ 66,152,177</u>	

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental Activities:					
Installment purchase	\$ 51,858,578	\$ -	\$ 3,524,388	\$ 48,334,190	\$ 3,504,775
Compensated absences	2,038,640	1,169,613	1,528,980	1,679,273	1,529,000
Incurred, but not reported, health claims	643,588	3,920,041	3,868,057	695,572	-
Net pension obligation	497,939	142,411	136,915	503,435	-
Net OPEB obligation	5,042,895	1,411,054	631,806	5,822,143	-
Total governmental activities	<u>\$ 60,081,640</u>	<u>\$ 6,643,119</u>	<u>\$ 9,690,146</u>	<u>\$ 57,034,613</u>	<u>\$ 5,033,775</u>
Business-Type Activities:					
Landfill					
Capital lease	\$ 462,532	\$ -	\$ 145,994	\$ 316,538	\$ 149,813
Accrued landfill closure and post-closure care costs	6,520,000	-	-	6,520,000	-
Compensated absences	79,474	61,760	59,606	81,628	60,000
Net OPEB obligation	178,284	51,292	29,306	200,270	-
Total landfill fund	<u>\$ 7,240,290</u>	<u>\$ 113,052</u>	<u>\$ 234,906</u>	<u>\$ 7,118,436</u>	<u>\$ 209,813</u>
Airport Fund					
Capital lease	\$ 19,496	\$ -	\$ 19,496	\$ -	\$ -
Compensated absences	10,802	8,663	8,102	11,363	8,100
OPEB obligation	38,204	10,219	5,508	42,915	-
Total airport fund	<u>\$ 68,502</u>	<u>\$ 18,882</u>	<u>\$ 33,106</u>	<u>\$ 54,278</u>	<u>\$ 8,100</u>

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

At June 30, 2014, Wilkes County had a legal debt margin of approximately \$405,700,000.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, there were no industrial revenue bonds outstanding.

4. Interfund Transactions

Transfers

In fiscal year 2014, the County made the following transfers within its fund structure.

	Transfers		
	From	To	Purpose
Operating Transfers			
From/To Other Funds:			
General Fund	\$ 35,000	\$ -	
Gardner Glass Capital Project Fund	-	35,000	To reimburse fund for project expenditures.
Total transfers	\$ 35,000	\$ 35,000	

Due to/from Other Funds

Balances due to/from other funds at June 30, 2014, consist of the following:

<u>Due to/Due from Other Funds:</u>	
Due to the General Fund from the Airport Fund to repay funds to cover cash flow shortage	\$ 400,000
Due to General Fund from the Highway 268 Water Extension Project to replay funds to cover cash flow shortage	40,953
Total	\$ 440,953

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 \$3,312,584 and \$650,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2014. 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, 2014. Complete financial statements for Wilkes Community College may be obtained from the Community College's administrative offices at P.O. Box 120, Wilkesboro, North Carolina 28697.

The County also participates in a joint venture to operate Smokey 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, 2014. 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, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$537,020 to the Library to supplement its activities. Complete financial statements for the Appalachian Regional Library can be obtained from the Library's offices at 148 Library Drive, West Jefferson, North Carolina 28694.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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, 2014.

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.

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WILKES COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
		Liability (AAL) - Projected Unit Credit (b)					
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%
12/31/2008	-	938,611		938,611	0.00%	2,528,173	37.13%
12/31/2007	-	845,571		845,571	0.00%	2,231,243	37.90%
12/31/2006	-	665,756		665,756	0.00%	2,271,030	29.32%
12/31/2005	-	615,955		615,955	0.00%	2,160,847	28.51%
12/31/2004	-	661,523		661,523	0.00%	1,925,400	34.36%
12/31/2003	-	529,940		529,940	0.00%	1,909,004	27.76%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage of ARC Contributed
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%
2008	83,070	22.39%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	17 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, 2014

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					
12/31/2013	\$ -	\$ 20,953,247		\$ 20,953,247	0.00%	\$ 15,498,996	135.2%
12/31/2012	-	19,662,306		19,662,306	0.00%	15,392,827	127.7%
12/31/2011	-	19,335,244		19,335,244	0.00%	15,075,055	128.3%
12/31/2009	-	16,301,175		16,301,175	0.00%	15,626,239	104.3%
12/31/2008	-	19,178,521		19,178,521	0.00%	15,620,150	122.8%
12/31/2007	-	17,830,366		17,830,366	0.00%	14,442,616	123.5%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Percentage of ARC Contributed
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	12/31/2013
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% - 7.75%
Post-medical cost trend rate	5.00% - 5.75%
Year of Ultimate trend rate	2019

* Includes inflation at 3.0%

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 35,046,749	\$ 36,867,499	\$ 1,820,750	\$ 35,665,404
Penalties and interest	254,000	564,647	310,647	501,797
Total	35,300,749	37,432,146	2,131,397	36,167,201
Local Option Sales Taxes:				
Article 39 one percent	4,400,663	4,929,720	529,057	4,531,660
Article 40 one-half of one percent	3,429,861	3,764,946	335,085	3,662,137
Article 42 one-half of one percent	2,386,307	2,661,252	274,945	2,462,594
Article 44 one-half of one percent	-	15,009	15,009	12,462
Article 46 one-fourth of one percent	1,135,666	1,222,527	86,861	1,156,398
Total	11,352,497	12,593,454	1,240,957	11,825,251
Other Taxes and Licenses:				
Real estate transfer taxes	100,000	134,092	34,092	121,882
Privilege licenses	2,000	10,719	8,719	9,130
Total	102,000	144,811	42,811	131,012
Unrestricted Intergovernmental:				
Payments in lieu of taxes	20,000	26,541	6,541	27,158
Beer and wine tax	225,000	267,605	42,605	247,578
Total	245,000	294,146	49,146	274,736
Restricted Intergovernmental:				
Federal and State grants	10,821,342	8,723,309	(2,098,033)	9,498,015
Lottery proceeds	726,000	726,000	-	1,051,011
Court facility fees	110,000	125,425	15,425	118,566
Fines and forfeitures	20,500	19,272	(1,228)	23,738
Other	530,151	367,549	(162,602)	138,342
Total	12,207,993	9,961,555	(2,246,438)	10,829,672
Permits and Fees:				
Building permits	183,500	226,502	43,002	195,968
Register of Deeds	183,500	191,771	8,271	213,466
Total	367,000	418,273	51,273	409,434

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Sales and Services:				
Ambulance and rescue squad fees	2,805,754	3,071,259	265,505	3,223,302
Jail fees	50,000	44,239	(5,761)	50,078
Rents and fees	5,304,510	4,799,938	(504,572)	6,153,119
Recreation fees	102,500	110,252	7,752	113,146
Total	8,262,764	8,025,688	(237,076)	9,539,645
Investment Earnings:				
Investment earnings	50,500	31,374	(19,126)	50,690
Miscellaneous:				
Other	862,489	1,100,211	237,722	1,461,503
Total revenues	68,750,992	70,001,658	1,250,666	70,689,144
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	95,438	93,865		95,087
Other operating expenditures	146,950	221,234		119,763
Total	242,388	315,099	(72,711)	214,850
Administration:				
Salaries and employee benefits	303,195	302,648		299,153
Other operating expenditures	29,200	15,513		24,994
Total	332,395	318,161	14,234	324,147
Elections:				
Salaries and employee benefits	219,973	192,615		221,785
Other operating expenditures	114,700	78,490		75,580
Total	334,673	271,105	63,568	297,365
Finance:				
Salaries and employee benefits	319,730	318,139		314,745
Other operating expenditures	28,900	27,030		22,571
Total	348,630	345,169	3,461	337,316

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Tax Administration:				
Salaries and employee benefits	915,047	911,594		895,443
Other operating expenditures	240,798	207,728		242,767
Capital outlay	23,500	22,769		-
Total	1,179,345	1,142,091	37,254	1,138,210
Legal:				
Professional services	198,500	169,925	28,575	183,453
Register of Deeds:				
Salaries and employee benefits	248,712	247,393		245,874
Other operating expenditures	111,750	61,114		74,071
Total	360,462	308,507	51,955	319,945
Public Buildings:				
Salaries and employee benefits	107,293	106,815		91,259
Other operating expenditures	237,910	214,432		147,859
Capital outlay	1,800,000	1,662,639		236,855
Total	2,145,203	1,983,886	161,317	475,973
Court Facilities:				
Salaries and employee benefits	122,869	113,921		121,248
Other operating expenditures	268,200	211,155		222,654
Total	391,069	325,076	65,993	343,902
Central Services:				
Data Processing:				
Salaries and employee benefits	143,223	142,962		141,512
Other operating expenditures	142,000	142,195		141,893
Capital outlay	50,000	49,744		12,740
Total	335,223	334,901	322	296,145
Central Garage:				
Salaries and employee benefits	271,317	260,296		269,420
Other operating expenditures	378,620	338,369		333,416
Capital outlay	23,000	22,019		-
Total	672,937	620,684	52,253	602,836

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Purchasing:				
Salaries and employee benefits	92,928	92,745		91,878
Other operating expenditures	6,595	5,756		2,676
Total	99,523	98,501	1,022	94,554
Other Central Services:				
Other expenditures	687,600	602,407		649,214
Group insurance	1,595,000	889,264		909,430
Total	2,282,600	1,491,671	790,929	1,558,644
Total general government	8,922,948	7,724,776	1,198,172	6,187,340
Public Safety:				
Sheriff:				
Salaries and employee benefits	4,010,788	3,966,322		3,853,868
Other operating expenditures	492,672	461,842		270,356
Capital outlay	125,000	104,852		131,264
Total	4,628,460	4,533,016	95,444	4,255,488
Drug Crime Prevention:				
Other operating expenditures	120,000	70,410		63,761
Capital outlay	45,000	44,142		-
Total	165,000	114,552	50,448	63,761
Animal Control:				
Salaries and employee benefits	477,567	477,563		456,407
Other operating expenditures	138,987	102,697		92,220
Capital outlay	33,613	33,612		26,675
Total	650,167	613,872	36,295	575,302
Jail:				
Salaries and employee benefits	1,240,966	1,190,637		1,228,991
Other operating expenditures	1,754,500	1,510,358		1,492,040
Capital outlay	25,000	24,204		57,423
Total	3,020,466	2,725,199	295,267	2,778,454

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Criminal Justice:				
Salaries and employee benefits	79,216	73,911		78,665
Other operating expenditures	9,455	6,128		6,642
Total	88,671	80,039	8,632	85,307
Emergency Management:				
Salaries and employee benefits	59,927	59,802		59,212
Other operating expenditures	37,802	20,579		21,581
Capital outlay	47,278	47,278		-
Total	145,007	127,659	17,348	80,793
Fire:				
Salaries and employee benefits	111,798	111,692		110,542
Other operating expenditures	81,025	76,356		79,747
Capital outlay	12,000	12,000		26,415
Assistance to local fire departments	2,520	2,485		2,483
Total	207,343	202,533	4,810	219,187
Inspections:				
Salaries and employee benefits	536,201	462,435		489,083
Other operating expenditures	44,300	22,944		25,898
Total	580,501	485,379	95,122	538,981
Medical Examiner:				
Salaries and employee benefits	-	-		6,352
Other operating expenditures	85,000	68,465		39,140
Total	85,000	68,465	16,535	45,492
Emergency Medical Services:				
Salaries and employee benefits	2,669,090	2,588,127		2,568,451
Other operating expenditures	715,604	646,948		663,743
Capital outlay	431,053	429,797		99,724
Total	3,815,747	3,664,872	150,875	3,331,918
Emergency Communications Center:				
Salaries and employee benefits	771,840	745,814		748,157
Other operating expenditures	263,800	206,838		195,165
Capital outlay	56,500	53,099		122,450
Total	1,092,140	1,005,751	86,389	1,065,772
Total public safety	14,478,502	13,621,337	857,165	13,076,645

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Environmental Protection:				
Reservoir expenditures	160,000	131,344	28,656	143,244
Total environmental protection	160,000	131,344	28,656	143,244
Economic and Physical Development:				
Economic Development:				
Other operating expenditures	823,113	696,566		556,359
Total	823,113	696,566	126,547	556,359
Planning and Zoning:				
Salaries and employee benefits	192,778	177,622		178,153
Other operating expenditures	135,650	57,164		172,958
Total	328,428	234,786	93,642	351,111
Agricultural Extension:				
Salaries and employee benefits	202,840	197,260		195,893
Other operating expenditures	36,271	22,941		26,150
Total	239,111	220,201	18,910	222,043
Extension Local:				
Salaries and employee benefits	1,077	-		4,393
Other operating expenditures	79,735	27,554		35,490
Total	80,812	27,554	53,258	39,883
Forestry:				
Salaries and employee benefits	1,120	461		1,943
Other operating expenditures	109,837	104,678		81,921
Total	110,957	105,139	5,818	83,864
Soil Conservation:				
Salaries and employee benefits	226,617	225,744		223,365
Other operating expenditures	55,250	55,250		55,250
Total	281,867	280,994	873	278,615
Community Development:				
Other operating expenditures	220,397	213,154		161,214
Total	220,397	213,154	7,243	161,214
Total economic and physical development	2,084,685	1,778,394	306,291	1,693,089

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Human Services:				
Health:				
Administration:				
Salaries and employee benefits	1,622,519	1,613,885		1,599,005
Other operating expenditures	417,118	357,634		495,082
Capital outlay	30,590	29,640		-
Total	<u>2,070,227</u>	<u>2,001,159</u>	69,068	<u>2,094,087</u>
Program Salaries:				
Salaries and employee benefits	3,294	3,210		6,891
Total	<u>3,294</u>	<u>3,210</u>	84	<u>6,891</u>
Environmental Health:				
Other operating expenditures	4,000	4,000		4,000
Total	<u>4,000</u>	<u>4,000</u>	-	<u>4,000</u>
Food and Lodging:				
Other operating expenditures	11,825	11,810	15	8,154
Tuberculosis:				
Other operating expenditures	3,305	3,305	-	3,305
Bioterrorism:				
Salaries and employee benefits	-	3,314		1,641
Other operating expenditures	37,518	34,204		50,096
Total	<u>37,518</u>	<u>37,518</u>	-	<u>51,737</u>
Health Immunization Other:				
Salaries and employee benefits	20,426	20,426		20,628
Total	<u>20,426</u>	<u>20,426</u>	-	<u>20,628</u>
Health Case Management:				
Salaries and employee benefits	297,990	296,450		301,271
Other operating expenditures	17,311	15,846		14,206
Total	<u>315,301</u>	<u>312,296</u>	3,005	<u>315,477</u>
Adult Health:				
Salaries and employee benefits	128,828	105,622		192,421
Other operating expenditures	93,000	63,227		57,993
Total	<u>221,828</u>	<u>168,849</u>	52,979	<u>250,414</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Health Care Connection:				
Salaries and employee benefits	43,874	42,191		79,488
Other operating expenditures	85,989	85,275		133,560
Total	129,863	127,466	2,397	213,048
Communicable Disease:				
Other operating expenditures	2,293	2,293		2,293
Total	2,293	2,293	-	2,293
Comprehensive Cancer Control:				
Salaries and employee benefits	1,308	1,308		6,439
Other operating expenditures	43,845	38,876		59,134
Total	45,153	40,184	4,969	65,573
Family Planning:				
Salaries and employee benefits	104,293	104,292		77,177
Other operating expenditures	74,950	45,253		53,189
Total	179,243	149,545	29,698	130,366
Health Diabetes Grant:				
Salaries and employee benefits	47,096	42,528		55,750
Other operating expenditures	80,829	58,830		50,770
Total	127,925	101,358	26,567	106,520
Health Promotion:				
Salaries and employee benefits	14,066	14,460		12,018
Other operating expenditures	9,753	7,407		9,667
Total	23,819	21,867	1,952	21,685
Mesh Units - Schools:				
Salaries and employee benefits	95,070	95,070		65,683
Other operating expenditures	27,300	21,123		37,853
Total	122,370	116,193	6,177	103,536
Wilkes Dental Clinic:				
Other operating expenditures	1,500,000	1,265,157	234,843	1,395,274
Maternal Clinic:				
Salaries and employee benefits	42,310	24,241		13,390
Other operating expenditures	31,000	16,802		8,772
Total	73,310	41,043	32,267	22,162

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
MCC and MOW:				
Salaries and employee benefits	161,221	149,369		189,238
Other operating expenditures	70,706	11,105		2,421
Total	231,927	160,474	71,453	191,659
Child Health:				
Salaries and employee benefits	280,731	272,268		298,352
Other operating expenditures	152,014	55,410		39,079
Total	432,745	327,678	105,067	337,431
CSC and MOW:				
Salaries and employee benefits	224,487	135,851		103,940
Other operating expenditures	50,517	13,175		6,889
Total	275,004	149,026	125,978	110,829
Women, Infants, and Children:				
Salaries and employee benefits	316,736	316,735		177,497
Other operating expenditures	46,050	42,714		19,487
Total	362,786	359,449	3,337	196,984
School Nurse Funding:				
Other operating expenditures	150,000	150,000	-	150,000
Smart Start				
Salaries and employee benefits	46,348	45,753	595	-
Other operating expenditures	8,350	7,356	994	-
Total	54,698	53,109	1,589	-
Total health	6,398,860	5,627,415	771,445	5,802,053
Mental Health:				
Contribution to other agencies	521,634	519,292	2,342	522,837
Total mental health	521,634	519,292	2,342	522,837
Social Services:				
Administration:				
Salaries and employee benefits	5,089,429	4,855,662		4,842,121
Other operating expenditures	419,243	377,681		348,803
Capital outlay	21,000	21,000		28,025
Total	5,529,672	5,254,343	275,329	5,218,949

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Medicaid Program:				
County participation only	2,058,500	1,859,550		1,424,445
Total	2,058,500	1,859,550	198,950	1,424,445
Food Stamps Program:				
Other operating expenditures	602,028	544,067		714,275
Total	602,028	544,067	57,961	714,275
Low Income Energy Assistance Program:				
Other operating expenditures	473,954	473,000	954	212,800
WorkFirst:				
Contract services	385,800	234,132		296,999
Total	385,800	234,132	151,668	296,999
Daycare Operations:				
Contract services	2,200,317	1,914,906		1,946,982
Total	2,200,317	1,914,906	285,411	1,946,982
In-Home Service:				
Other operating expenditures	39,913	11,132		20,162
Total	39,913	11,132	28,781	20,162
Foster Care:				
Salaries and employee benefits	7,536	1,322		3,337
Other operating expenditures	1,991,503	1,898,130		1,744,359
Total	1,999,039	1,899,452	99,587	1,747,696
Other Assistance:				
Other operating expenditures	93,943	52,369		37,753
Total	93,943	52,369	41,574	37,753
Total social services	13,383,166	12,242,951	1,140,215	11,620,061
Other Human Services:				
Veterans Service Officer:				
Salaries and employee benefits	151,849	151,516		148,947
Other operating expenditures	8,500	6,591		5,577
Total	160,349	158,107	2,242	154,524

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over /Under	2013
	Budget	Actual		Actual
Youth Services:				
Salaries and employee benefits	16,492	16,492		11,727
Other operating expenditures	4,984	4,198		2,411
Contributions to other agencies	276,261	265,413		257,420
Total	297,737	286,103	11,634	271,558
Senior Citizens Services:				
Contributions to other services	650,000	539,268	110,732	555,993
Other Services:				
Contributions to other agencies	570,150	570,150	-	562,429
Total other human services	1,678,236	1,553,628	124,608	1,544,504
Total human services	21,981,896	19,943,286	2,038,610	19,489,455
Cultural and Recreation:				
Recreation:				
Salaries and employee benefits	506,950	506,299		525,412
Other operating expenditures	325,710	295,584		275,377
Capital outlay	22,000	21,529		18,000
Total	854,660	823,412	31,248	818,789
Libraries:				
Contribution to regional library	537,020	537,020	-	514,020
Museums and Art				
	34,588	34,030	558	34,588
Total cultural and recreation	1,426,268	1,394,462	31,806	1,367,397
Education:				
Public schools - current expenses	10,573,988	10,873,988		12,104,628
Public schools - capital outlay	2,562,848	2,209,351		1,566,001
Public schools - (lottery) capital outlay	726,000	726,000		1,051,011
Community colleges - current	3,312,584	3,312,584		3,041,629
Community colleges - capital outlay	650,000	650,000		350,000
Total education	17,825,420	17,771,923	53,497	18,113,269

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over /Under	Actual
Debt Service:				
Principal retirement	3,649,387	3,524,388		3,189,010
Interest and fees	2,106,769	1,912,833		1,792,320
Total debt service	5,756,156	5,437,221	318,935	4,981,330
Total expenditures	72,635,875	67,802,743	4,833,132	65,051,769
Revenues over (under) expenditures	(3,884,883)	2,198,915	6,083,798	5,637,375
Other Financing Sources (Uses):				
Transfers out	(35,000)	(35,000)	-	-
Sale of capital assets	3,000	31,047	28,047	23,822
Appropriated fund balance	3,916,883	-	(3,916,883)	-
Total other financing sources (uses)	3,884,883	(3,953)	(3,888,836)	23,822
Net change in fund balance	\$ -	2,194,962	\$ 2,194,962	5,661,197
Fund Balance:				
Beginning of year - July 1		26,731,621		21,070,424
End of year - June 30		\$ 28,926,583		\$ 26,731,621

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, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Investment earnings	\$ -	\$ 501	\$ 5,558	\$ 6,059	\$ 6,059
Expenditures:					
General government:					
Capital outlay	12,690,000	1,456,194	9,628,352	11,084,546	1,605,454
Revenues over (under) expenditures	(12,690,000)	(1,455,693)	(9,628,352)	(11,084,546)	1,605,454
Other Financing Sources (Uses):					
Installment purchase obligations issued	12,690,000	12,690,000	-	12,690,000	-
Total other financing sources (uses)	12,690,000	12,690,000	-	12,690,000	-
Net change in fund balance	\$ -	\$ 11,234,307	\$ (9,622,794)	\$ 1,611,513	\$ 1,611,513

WILKES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2014

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total
Assets:			
Cash and cash equivalents	\$ 865,448	\$ 70,718	\$ 936,166
Taxes receivable, net	319,015	-	319,015
Accounts receivable, net	-	41,511	41,511
Due from other governments	<u>41,092</u>	<u>-</u>	<u>41,092</u>
Total assets	<u>\$ 1,225,555</u>	<u>\$ 112,229</u>	<u>\$ 1,337,784</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 347,582	\$ 558	\$ 348,140
Due to other funds	<u>-</u>	<u>40,953</u>	<u>40,953</u>
Total liabilities	<u>347,582</u>	<u>41,511</u>	<u>389,093</u>
Deferred Inflows of Resources	<u>319,015</u>	<u>-</u>	<u>319,015</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	41,092	41,511	82,603
Restricted, all other	517,866	70,718	588,584
Unassigned	<u>-</u>	<u>(41,511)</u>	<u>(41,511)</u>
Total fund balances	<u>558,958</u>	<u>70,718</u>	<u>629,676</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,225,555</u>	<u>\$ 112,229</u>	<u>\$ 1,337,784</u>

WILKES, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Nonmajor</u>		
	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 3,192,351	\$ -	\$ 3,192,351
Restricted intergovernmental	1,929	149,782	151,711
Sales and services	349,520	-	349,520
Investment earnings	378	24	402
Total revenues	<u>3,544,178</u>	<u>149,806</u>	<u>3,693,984</u>
Expenditures:			
Public safety	3,469,527	-	3,469,527
Economic and physical development	-	118,055	118,055
Total expenditures	<u>3,469,527</u>	<u>118,055</u>	<u>3,587,582</u>
Revenues over (under) expenditures	<u>74,651</u>	<u>31,751</u>	<u>106,402</u>
Other Financing Sources (Uses):			
Transfers in	-	35,000	35,000
Total other financing sources (uses)	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Net change in fund balances	74,651	66,751	141,402
Fund Balances:			
Beginning of year - July 1	<u>484,307</u>	<u>3,967</u>	<u>488,274</u>
End of year - June 30	<u>\$ 558,958</u>	<u>\$ 70,718</u>	<u>\$ 629,676</u>

WILKES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Fire District Fund	Law Enforcement Restricted Fund	Wireless E-911 Telephone System Fund	Total
Assets:				
Cash and cash equivalents	\$ 340,863	\$ 26,091	\$ 498,494	\$ 865,448
Taxes receivable, net	319,015	-	-	319,015
Due from other governments	<u>-</u>	<u>63</u>	<u>41,029</u>	<u>41,092</u>
Total assets	<u>\$ 659,878</u>	<u>\$ 26,154</u>	<u>\$ 539,523</u>	<u>\$ 1,225,555</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 340,863	\$ -	\$ 6,719	\$ 347,582
Total liabilities	<u>340,863</u>	<u>-</u>	<u>6,719</u>	<u>347,582</u>
Deferred Inflows of Resources	<u>319,015</u>	<u>-</u>	<u>-</u>	<u>319,015</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	-	63	41,029	41,092
Restricted, all other	-	26,091	491,775	517,866
Total fund balances	<u>-</u>	<u>26,154</u>	<u>532,804</u>	<u>558,958</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 659,878</u>	<u>\$ 26,154</u>	<u>\$ 539,523</u>	<u>\$ 1,225,555</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, 2014**

	Fire District Fund	Law Enforcement Restricted Fund	E-911 Telephone System Fund	Total
Revenues:				
Ad valorem taxes	\$ 3,192,351	\$ -	\$ -	\$ 3,192,351
Restricted intergovernmental	-	1,929	-	1,929
Sales and services	-	-	349,520	349,520
Investment earnings	-	28	350	378
Total revenues	<u>3,192,351</u>	<u>1,957</u>	<u>349,870</u>	<u>3,544,178</u>
Expenditures:				
Public safety	3,192,351	900	148,669	3,341,920
Capital outlay	-	10,000	117,607	127,607
Total expenditures	<u>3,192,351</u>	<u>10,900</u>	<u>266,276</u>	<u>3,469,527</u>
Net change in fund balances	-	(8,943)	83,594	74,651
Fund Balances:				
Beginning of year - July 1	<u>-</u>	<u>35,097</u>	<u>449,210</u>	<u>484,307</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 26,154</u>	<u>\$ 532,804</u>	<u>\$ 558,958</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Ad valorem taxes	\$ 3,343,749	\$ 3,192,351	\$ (151,398)	\$ 3,181,224
Total revenues	<u>3,343,749</u>	<u>3,192,351</u>	<u>(151,398)</u>	<u>3,181,224</u>
Expenditures:				
Public safety:				
Tax collection fees	-	9,121	(9,121)	-
Distribution to fire districts	<u>3,343,749</u>	<u>3,183,230</u>	<u>160,519</u>	<u>3,181,219</u>
Total expenditures	<u>3,343,749</u>	<u>3,192,351</u>	<u>151,398</u>	<u>3,181,219</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:				
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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental:				
Law enforcement restricted grant	\$ -	\$ 1,929	\$ 1,929	\$ -
Investment earnings	25	28	3	60
Total revenues	25	1,957	1,932	60
Expenditures:				
Public safety:				
Law enforcement restricted	10,025	900	9,125	-
Capital outlay	10,000	10,000	-	-
Total expenditures	20,025	10,900	9,125	-
Revenues over (under) expenditures	(20,000)	(8,943)	11,057	60
Other Financing Sources (Uses):				
Appropriated fund balance	20,000	-	(20,000)	-
Total other financing sources (uses)	20,000	-	(20,000)	-
Net change in fund balance	\$ -	(8,943)	\$ (8,943)	60
Fund Balance:				
Beginning of year - July 1		35,097		35,037
End of year - June 30		\$ 26,154		\$ 35,097

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
E-911 telephone surcharge	\$ 353,653	\$ 349,520	\$ (4,133)	\$ 353,653
Investment earnings	500	350	(150)	1,436
Total revenues	<u>354,153</u>	<u>349,870</u>	<u>(4,283)</u>	<u>355,089</u>
Expenditures:				
Public safety:				
Other operating expenditures	324,153	148,669	175,484	277,629
Capital outlay	130,000	117,607	12,393	132,539
Total expenditures	<u>454,153</u>	<u>266,276</u>	<u>187,877</u>	<u>410,168</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>83,594</u>	<u>183,594</u>	<u>(55,079)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>100,000</u>	-	<u>(100,000)</u>	-
Total other financing sources (uses)	<u>100,000</u>	-	<u>(100,000)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>83,594</u>	<u>\$ 83,594</u>	<u>(55,079)</u>
Fund Balance:				
Beginning of year - July 1		<u>449,210</u>		<u>504,289</u>
End of year - June 30		<u>\$ 532,804</u>		<u>\$ 449,210</u>

WILKES COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	<u>Urgent Repair 13 Project</u>	<u>Gardner Glass</u>	<u>Highway 268 Water Extension Project</u>	<u>Scattered Site CDBG Project 10-C-2133</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 35,718	\$ 35,000	\$ -	\$ -	\$ 70,718
Accounts receivable, net	-	-	41,511	-	41,511
Total assets	<u>\$ 35,718</u>	<u>\$ 35,000</u>	<u>\$ 41,511</u>	<u>\$ -</u>	<u>\$ 112,229</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 558	\$ -	\$ 558
Due to other funds	-	-	40,953	-	40,953
Total liabilities	<u>-</u>	<u>-</u>	<u>41,511</u>	<u>-</u>	<u>41,511</u>
Fund Balances:					
Restricted:					
Stabilization by State statute	-	-	41,511	-	41,511
Restricted, other	35,718	35,000	-	-	70,718
Unassigned	-	-	(41,511)	-	(41,511)
Total fund balances	<u>35,718</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>70,718</u>
Total liabilities and fund balances	<u>\$ 35,718</u>	<u>\$ 35,000</u>	<u>\$ 41,511</u>	<u>\$ -</u>	<u>\$ 112,229</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, 2014

	Urgent Repair 13 Project	Gardner Glass	Highway 268 Water Extension Project	Scattered Site CDBG Project 10-C-2133	Total
Revenues:					
Restricted intergovernmental	\$ 75,000	\$ -	\$ 45,074	\$ 29,708	\$ 149,782
Investment earnings	24	-	-	-	24
Total revenues	<u>75,024</u>	<u>-</u>	<u>45,074</u>	<u>29,708</u>	<u>149,806</u>
Expenditures:					
Economic and physical development	39,306	-	40,866	37,883	118,055
Total expenditures	<u>39,306</u>	<u>-</u>	<u>40,866</u>	<u>37,883</u>	<u>118,055</u>
Revenues over (under) expenditures	<u>35,718</u>	<u>-</u>	<u>4,208</u>	<u>(8,175)</u>	<u>31,751</u>
Other Financing Sources (Uses):					
Transfers in	-	35,000	-	-	35,000
Total other financing sources (uses)	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Net change in fund balances	35,718	35,000	4,208	(8,175)	66,751
Fund Balances:					
Beginning of year - July 1	<u>-</u>	<u>-</u>	<u>(4,208)</u>	<u>8,175</u>	<u>3,967</u>
End of year - June 30	<u>\$ 35,718</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,718</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, 2014**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
Urgent Repair Program Grant	\$ 75,000	\$ -	\$ 75,000	\$ 75,000	\$ -
Investment earnings	-	-	24	24	24
Total revenues	<u>75,000</u>	<u>-</u>	<u>75,024</u>	<u>75,024</u>	<u>24</u>
Expenditures:					
Economic development:					
Home repairs	<u>75,000</u>	<u>-</u>	<u>39,306</u>	<u>39,306</u>	<u>35,694</u>
Total expenditures	<u>75,000</u>	<u>-</u>	<u>39,306</u>	<u>39,306</u>	<u>35,694</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,718</u>	<u>\$ 35,718</u>	<u>\$ 35,718</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, 2014

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental	\$ 590,000	\$ -	\$ -	\$ -	\$ (590,000)
Expenditures:					
Economic development:					
Project construction	625,000	-	-	-	(625,000)
Total expenditures	625,000	-	-	-	(625,000)
Other Financing Sources:					
Transfer from General Fund	35,000	-	35,000	35,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 35,000</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, 2014**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental	\$ 898,150	\$ -	\$ 45,074	\$ 45,074	\$ (853,076)
Expenditures:					
Economic development:					
Administration	14,500	-	1,123	1,123	13,377
Project construction	883,650	4,208	39,743	43,951	839,699
Total expenditures	<u>898,150</u>	<u>4,208</u>	<u>40,866</u>	<u>45,074</u>	<u>853,076</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (4,208)</u>	<u>\$ 4,208</u>	<u>\$ -</u>	<u>\$ -</u>

WILKES COUNTY, NORTH CAROLINA

SCATTERED SITE CDBG PROJECT 10-C-2133
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
Community Development Block Grant	\$ 400,000	\$ 253,967	\$ 29,708	\$ 283,675	\$ (116,325)
Expenditures:					
Economic development:					
Salaries and employee benefits	47,000	39,325	5,976	45,301	1,699
Housing rehab	353,000	206,467	31,907	238,374	114,626
Total expenditures	<u>400,000</u>	<u>245,792</u>	<u>37,883</u>	<u>283,675</u>	<u>116,325</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,175</u>	<u>\$ (8,175)</u>	<u>\$ -</u>	<u>\$ -</u>

WILKES COUNTY, NORTH CAROLINA

AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Sales	\$ 1,177,030	\$ 986,810	\$ (190,220)	\$ 1,051,162
Rents	112,000	105,616	(6,384)	90,266
Other operating revenues	5,600	586	(5,014)	6,745
Total operating revenues	<u>1,294,630</u>	<u>1,093,012</u>	<u>(201,618)</u>	<u>1,148,173</u>
Non-operating revenues:				
Restricted intergovernmental	510,000	79,059	(430,941)	326,592
Insurance reimbursements	-	-	-	7,338
Total non-operating revenues	<u>510,000</u>	<u>79,059</u>	<u>(430,941)</u>	<u>333,930</u>
Total revenues	<u>1,804,630</u>	<u>1,172,071</u>	<u>(632,559)</u>	<u>1,482,103</u>
Expenditures:				
Airport operations:				
Salaries and employee benefits	159,138	158,453	685	177,733
Fuel and oil purchases	815,000	708,258	106,742	779,614
Other operating expenditures	244,510	234,790	9,720	222,240
Airport capital projects:				
Construction	566,000	103,292	462,708	350,906
Debt service:				
Debt principal	19,498	19,496	2	18,629
Interest and fees	484	484	-	1,349
Total expenditures	<u>1,804,630</u>	<u>1,224,773</u>	<u>579,857</u>	<u>1,550,471</u>

WILKES COUNTY, NORTH CAROLINA

AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>	<u>Actual</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (52,702)	\$ (52,702)	\$ (68,368)

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (52,702)
Reconciling items:	
Depreciation	(517,230)
Capital outlay	103,292
Change in accrual for unfunded OPEB	(4,711)
Change in accrual for compensated absences	(561)
Long-term debt principal repayments	19,496
Total reconciling items	<u>(399,714)</u>
Change in net position	<u>\$ (452,416)</u>

WILKES COUNTY, NORTH CAROLINA

LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/(Under)	2013
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Solid waste charges	\$ 1,853,800	\$ 2,108,983	\$ 255,183	\$ 2,037,566
Scrap tire disposal tax	24,400	32,371	7,971	40,929
Other operating revenues	218,500	204,475	(14,025)	241,623
Total operating revenues	<u>2,096,700</u>	<u>2,345,829</u>	<u>249,129</u>	<u>2,320,118</u>
Non-operating revenues:				
Interest earnings	500	657	157	986
Total non-operating revenues	<u>500</u>	<u>657</u>	<u>157</u>	<u>986</u>
Total revenues	<u>2,097,200</u>	<u>2,346,486</u>	<u>249,286</u>	<u>2,321,104</u>
Expenditures:				
Landfill operations:				
Salaries and employee benefits	799,542	795,293	4,249	792,695
Other operating expenditures	1,103,126	962,254	140,872	903,807
Capital outlay	318,300	316,034	2,266	51,608
Total landfill operations	<u>2,220,968</u>	<u>2,073,581</u>	<u>147,387</u>	<u>1,748,110</u>
Debt service:				
Principal retirement	145,993	145,994	(1)	142,270
Interest and fees	10,239	10,239	-	13,962
Total debt service	<u>156,232</u>	<u>156,233</u>	<u>(1)</u>	<u>156,232</u>
Total expenditures	<u>2,377,200</u>	<u>2,229,814</u>	<u>147,386</u>	<u>1,904,342</u>
Revenues over (under) expenditures	<u>(280,000)</u>	<u>116,672</u>	<u>396,672</u>	<u>416,762</u>
Other Financing Sources (Uses):				
Transfer out - Landfill Reserve Fund	(5,000)	(5,000)	-	(5,000)
Total other financing sources (uses)	<u>280,000</u>	<u>280,000</u>	<u>-</u>	<u>(5,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 396,672</u>	<u>\$ 396,672</u>	<u>\$ 411,762</u>

WILKES COUNTY, NORTH CAROLINA

**LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>		<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/(Under)</u>	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 396,672	
Reconciling items:			
Capital outlay		316,034	
Long-term debt principal repayments		145,994	
Depreciation		(266,609)	
Change in accrual for unfunded OPEB		(21,986)	
Change in accrual for compensated absences		(2,154)	
Intrafund transfer out - Landfill Closure and Post- Closure Reserve Fund		5,000	
Intrafund transfer in - Landfill Closure and Post-Closure Reserve Fund		(285,000)	
Interest from Landfill Closure and Post-Closure Reserve Fund		<u>3,685</u>	
Total reconciling items		<u>(105,036)</u>	
Change in net position		<u>\$ 291,636</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earnings	\$ 10,000	\$ 3,685	\$ (6,315)	\$ 7,835
Other Financing Sources (Uses):				
Sinking reserve	(15,000)	-	(15,000)	-
Transfers in	5,000	5,000	-	5,000
Transfers out	(285,000)	(285,000)	-	-
Appropriated fund balance	285,000	-	285,000	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(280,000)</u>	<u>270,000</u>	<u>5,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (276,315)</u>	<u>\$ (276,315)</u>	<u>\$ 12,835</u>

WILKES COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 114,766	\$ 252,242	\$ 260,310	\$ 106,698
Liabilities:				
Miscellaneous liabilities	\$ 114,766	\$ 252,242	\$ 260,310	\$ 106,698
3% Interest Payable to the State:				
Assets:				
Cash and cash equivalents	\$ 2,569	\$ -	\$ 2,569	\$ -
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 2,569	\$ -	\$ 2,569	\$ -
Ad Valorem Tax - Other Municipalities:				
Assets:				
Cash and cash equivalents	\$ 150,991	\$ 2,410,801	\$ 2,592,489	\$ (30,697)
Taxes receivable	305,013	22,161	-	327,176
Total assets	<u>\$ 456,004</u>	<u>\$ 2,432,962</u>	<u>\$ 2,592,489</u>	<u>\$ 296,479</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 456,004</u>	<u>\$ 2,432,962</u>	<u>\$ 2,592,489</u>	<u>\$ 296,479</u>
Total All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 268,326	\$ 2,663,043	\$ 2,855,368	\$ 76,001
Taxes receivable	305,013	22,161	-	327,176
Total assets	<u>\$ 573,339</u>	<u>\$ 2,685,204</u>	<u>\$ 2,855,368</u>	<u>\$ 403,177</u>
Liabilities:				
Miscellaneous liabilities	\$ 570,770	\$ 2,685,204	\$ 2,852,799	\$ 403,177
Intergovernmental payable - State of North Carolina	2,569	-	2,569	-
Total liabilities	<u>\$ 573,339</u>	<u>\$ 2,685,204</u>	<u>\$ 2,855,368</u>	<u>\$ 403,177</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 37,269,574	\$ (35,574,767)	\$ 1,694,807
2012-2013	2,072,123	-	(1,224,362)	847,761
2011-2012	830,815	-	(226,458)	604,357
2010-2011	548,948	-	(118,649)	430,299
2009-2010	294,089	-	(55,215)	238,874
2008-2009	205,025	-	(32,308)	172,717
2007-2008	150,897	-	(19,488)	131,409
2006-2007	125,308	-	(16,495)	108,813
2005-2006	114,959	-	(13,777)	101,182
2004-2005	87,838	-	(27,455)	60,383
2003-2004	84,657	-	(84,657)	-
Total	<u>\$ 4,514,659</u>	<u>\$ 37,269,574</u>	<u>\$ (37,393,631)</u>	<u>4,390,602</u>
Less: Allowance for uncollectible accounts - General Fund				<u>(973,836)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ 3,416,766</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 37,432,146</u>
Reconciling items:				
Penalties and interest collected				(564,647)
Discounts taken				253,520
Prior year releases and write offs				195,942
Miscellaneous				<u>76,670</u>
Total reconciling items				<u>(38,515)</u>
Total collections and credits				<u>\$ 37,393,631</u>

WILKES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$5,454,966,608	\$ 0.69	\$ 35,599,346	\$ 32,608,581	\$ 2,990,765
Motor vehicles taxed at prior year's rate	181,869,986	0.65	1,329,119	-	1,329,119
Penalties	-		4,290	4,290	-
Total	<u>5,636,836,594</u>		<u>36,932,755</u>	<u>32,612,871</u>	<u>4,319,884</u>
Discoveries:					
Current year taxes	58,475,544	0.69	413,541	413,541	-
Penalties	-		34,564	34,564	-
Total	<u>58,475,544</u>		<u>448,105</u>	<u>448,105</u>	<u>-</u>
Abatements	<u>(16,128,368)</u>	0.69	<u>(111,286)</u>	<u>(74,870)</u>	<u>(36,416)</u>
Total property valuation	<u>\$5,679,183,770</u>				
Net Levy			37,269,574	32,986,106	4,283,468
Less: Uncollected tax at June 30, 2014			<u>1,694,807</u>	<u>1,504,047</u>	<u>190,760</u>
Current Year's Taxes Collected			<u>\$ 35,574,767</u>	<u>\$ 31,482,059</u>	<u>\$ 4,092,708</u>
Current Levy Collection Percentage			<u>95.45%</u>	<u>95.44%</u>	<u>95.55%</u>

WILKES COUNTY NORTH CAROLINA**SECONDARY MARKET DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2014****Assessed Valuation:**

Assessment ratio	100%
Real property	\$ 4,852,701,819
Personal property	684,607,242
Public service companies	<u>141,874,709</u>
Total assessed valuation	<u>\$ 5,679,183,770</u>
Tax rate per \$100	0.69
Levy (includes discoveries, releases, and abatements)	<u>\$ 37,269,574</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, 2014:

Fire protection districts	<u>\$ 2,980,233</u>
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WILKES COUNTY, NORTH CAROLINA

TEN LARGEST TAXPAYERS FOR THE YEAR ENDED JUNE 30, 2014

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2013 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Tyson Farms, Inc.	Food processor	\$ 60,793,248	1.07%
Lowes Home Center, Inc. #1	Retail sales	51,026,254	0.90%
Louisiana Pacific	Building products manufacturing	36,088,560	0.64%
Carolina West Wireless Inc.	Phone company	24,268,170	0.43%
J.C. Faw	Real estate	23,785,850	0.42%
Certaineed Corp.	Building products manufacturing	16,210,651	0.29%
Tyson Foods, Inc.	Food processor	14,609,794	0.26%
Wal-Mart Real Estate Business Trust	Retail sales	12,634,560	0.22%
Cielo Blue Ridge, Inc.	Subdivision/land developer	10,957,133	0.19%
Interflex Group, Inc.	Packaging Supplier	<u>9,693,427</u>	<u>0.17%</u>
Total		<u>\$ 260,067,647</u>	<u>4.58%</u>

WILKES COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
JUNE 30, 2014**

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	\$ 532,804
Cumulative prior period revenues and expenditures not reported in the PSAP report (difference in beginning Fund Balance-budget to actual vs. PSAP report)	29,083
Expense on PSAP report not reported in the fund.	<u>(12,959)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u><u>\$ 548,928</u></u>

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