

STOKES COUNTY
NORTH CAROLINA

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

STOKES COUNTY, NORTH CAROLINA
BASIC FINANCIAL STATEMENTS AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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FINANCIAL SECTION

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

To the Board of Commissioners
Stokes County
Danbury, North Carolina

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stokes County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Stokes County Water and Sewer Authority were not audited in accordance with *Government Auditing Standards*.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stokes County, North Carolina, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stokes County's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material 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 6, 2017 on our consideration of Stokes County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stokes County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Stokes 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 6, 2017, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is November 19, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

This section of Stokes County's (the County) financial report represents our discussion and analysis of the financial performance of the County for the year ended June 30, 2017. This information should be read in conjunction with the transmittal letter at the front of this report and the County's audited financial statements, which immediately follow this section.

Financial Highlights

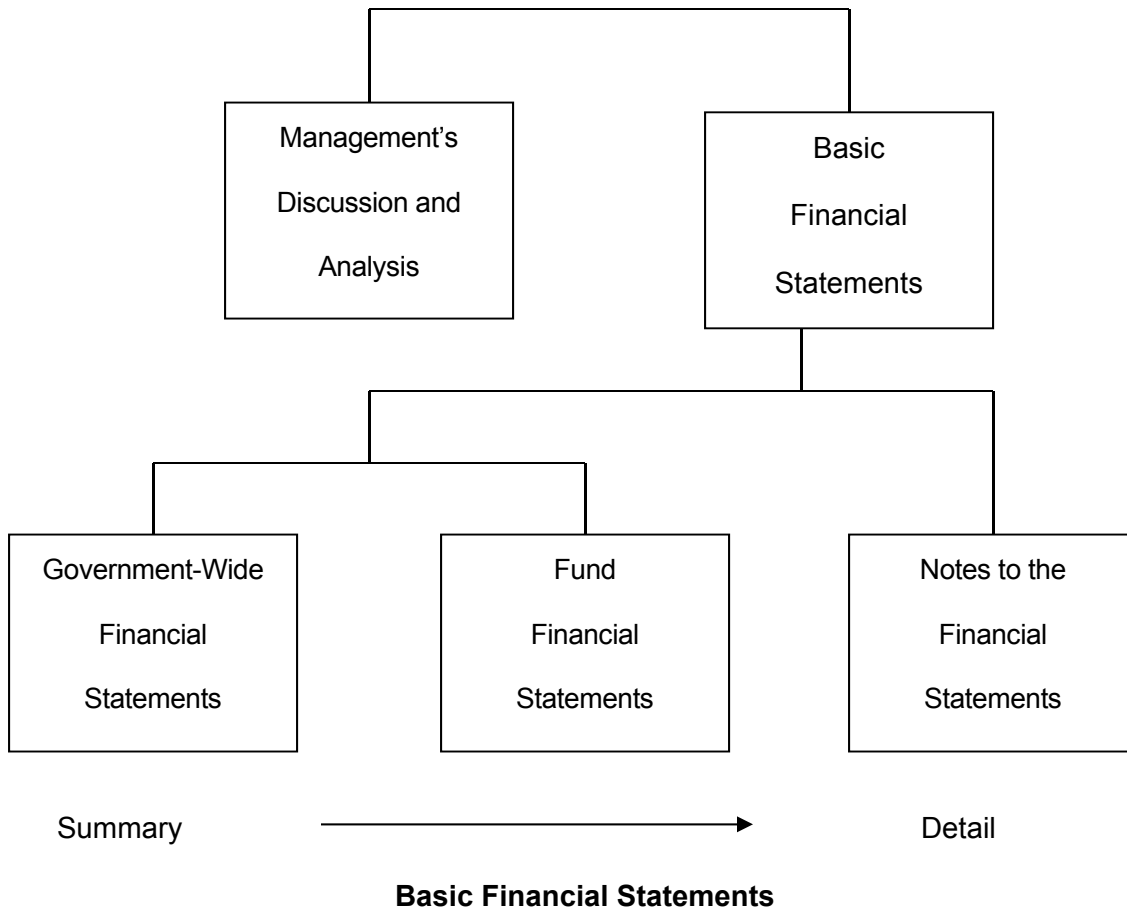
- The assets and deferred outflows of resources of Stokes County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$45,516,511 (net position).
- The government's total net position increased by \$4,566,524, primarily due to management's focus on monitoring spending and maximizing revenue collections.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,834,786, after a net decrease in fund balance of \$716,044. Approximately 34.36% of this total amount, or \$8,876,707, is restricted and committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,997,977, or 34%, of total General Fund expenditures and transfers to other funds for the fiscal year.
- Stokes County's total debt decreased by \$3,337,217 (8.58%) during the current fiscal year due to retirement of debt and installment purchase contract for equipment.
- Stokes County maintained its Aa2 rating with Moody's and AA-rating with Standard and Poor for the third consecutive year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



The first two statements (Exhibits 1 and 2) 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 3 through 9) 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. After the notes, **Supplemental Information** is provided to show details about the County's nonmajor governmental funds and internal services funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Following the notes is the **Required Supplemental Information**. This section contains funding information about the County's pension plans.

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. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those activities that are intended to recover all or a significant portion of their costs through user fees and other charges. These include sewer services for the Town of Danbury, Danbury Water System, and operations of Stokes-Reynolds Memorial Hospital, Inc. The final category is the component unit. The County has one component unit - the Water and Sewer Authority - which currently provides only water services to limited parts of the County.

The government-wide financial statements are on Exhibits 1 and 2 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. Stokes 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 Stokes 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Stokes 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 - Stokes County has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Stokes County uses enterprise funds to account for its sewer activity, water activity, and for the hospital operations. These funds are the same as those separate activities shown in the 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. Stokes County has seven fiduciary funds, all of which are agency funds.

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 9 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Stokes County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes to the financial statements of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Stokes County exceeded liabilities and deferred inflows of resources by \$45,516,511 as of June 30, 2017. The County's net position increased by \$4,566,524 for the fiscal year ended June 30, 2017. One of the largest portions, \$35,529,713 (78.06%), reflects the County's investment in capital assets (e.g. land, buildings, furniture and equipment, vehicle and motor equipment, etc.), less any related debt still outstanding that was issued to acquire those items. Stokes County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Stokes County's investment in its 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

An additional portion of Stokes County's net position, \$6,902,712 (15.17%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,084,086 (6.78%) is unrestricted.

Stokes County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 30,236,784	\$ 30,589,542	\$ 392,448	\$ 480,230	\$ 30,629,232	\$ 31,069,772
Capital assets	54,456,676	52,869,179	2,452,753	2,385,504	56,909,429	55,254,683
Total assets	84,693,460	83,458,721	2,845,201	2,865,734	87,538,661	86,324,455
Deferred outflow s of resources	3,048,685	701,762	-	-	3,048,685	701,762
Long-term liabilities	42,788,409	42,690,722	-	-	42,788,409	42,690,722
Other liabilities	2,084,755	2,487,372	4,428	14,302	2,089,183	2,501,674
Total liabilities	44,873,164	45,178,094	4,428	14,302	44,877,592	45,192,396
Deferred inflow s of resources	193,243	423,431	-	-	193,243	423,431
Net Position:						
Net investment in capital assets	33,076,960	30,570,480	2,452,753	2,385,504	35,529,713	32,955,984
Restricted	6,902,712	6,865,006	-	-	6,902,712	6,865,006
Unrestricted	2,696,066	1,123,472	388,020	465,928	3,084,086	1,589,400
Total	\$ 42,675,738	\$ 38,558,958	\$ 2,840,773	\$ 2,851,432	\$ 45,516,511	\$ 41,410,390

Governmental Activities: Governmental activities increased the County's net position by \$4,577,183, resulting in net position of \$42,675,738. Key elements of this increase are as follows:

- Increase in the collections of taxes
- Increase in sales tax reimbursement due to the economy
- Due to the treasury increase interest rates
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget

Business-Type Activities: Business-type activities decreased \$10,659, resulting in net position of \$2,840,773. Key elements of this decrease are as follows:

- Sewer System Fund continues to be stable. The expansion of the sewer system to the Community College site has been completed.
- Danbury Water Fund continues to be stable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Stokes County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,852,773	\$ 4,046,291	\$ 393,465	\$ 381,763	\$ 4,246,238	\$ 4,428,054
Operating grants and contributions	8,334,769	8,748,231	-	-	8,334,769	8,748,231
Capital grants and contributions	300,000	1,333,768	-	-	300,000	1,333,768
General revenues:						
Property taxes	21,437,973	26,823,399	-	-	21,437,973	26,823,399
Other taxes	16,271,856	7,992,700	-	-	16,271,856	7,992,700
Investment earnings	155,003	64,752	873	506	155,876	65,258
Other	413,511	355,532	-	-	413,511	355,532
Total revenues	50,765,885	49,364,673	394,338	382,269	51,160,223	49,746,942
Expenses:						
General government	3,963,519	5,004,345	-	-	3,963,519	5,004,345
Public safety	12,905,651	12,447,177	-	-	12,905,651	12,447,177
Environmental protection	1,230,304	1,473,956	-	-	1,230,304	1,473,956
Economic and physical development	1,644,987	463,367	-	-	1,644,987	463,367
Human services	10,632,366	10,913,588	-	-	10,632,366	10,913,588
Culture and recreation	954,401	834,797	-	-	954,401	834,797
Intergovernmental:						
Schools	13,166,897	12,391,603	-	-	13,166,897	12,391,603
Debt service:						
Interest and fiscal charges	1,608,907	1,629,827	-	-	1,608,907	1,629,827
Stokes Reynolds Revenue Bond Fund	-	-	253,393	910,667	253,393	910,667
Regional Sewer Fund	-	-	119,496	128,886	119,496	128,886
Danbury Water Fund	-	-	113,778	110,275	113,778	110,275
Total expenses	46,107,032	45,158,660	486,667	1,149,828	46,593,699	46,308,488
Increase (decrease) in net position before transfers	4,658,853	4,206,013	(92,329)	(767,559)	4,566,524	3,438,454
Transfers in (out)	(81,670)	(690,000)	81,670	690,000	-	-
Increase (decrease) in net position	4,577,183	3,516,013	(10,659)	(77,559)	4,566,524	3,438,454
Net position - beginning, previously reported	38,558,958	35,042,945	2,851,432	2,928,991	41,410,390	37,971,936
Restatement	(460,403)	-	-	-	(460,403)	-
Net position - beginning, restated	38,098,555	35,042,945	2,851,432	2,928,991	40,949,987	37,971,936
Net position - ending	\$42,675,738	\$38,558,958	\$2,840,773	\$2,851,432	\$45,516,511	\$41,410,390

Figure 3 (Changes in Net Position) reflects an increase in net position of \$4,577,183 for governmental activities. This increase was due largely to the increase in revenues over expenditures in the General Fund. Total governmental activities generated revenues of \$50,765,885 while expenses in this category totaled \$46,107,032. After transfers to the business-type activities, the total net position stands at \$42,675,738.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities generated revenue of \$394,338 and had expenses of \$486,667. Net position decreased in the business-type activities by (\$10,659). The County had continued diligence in water and sewer revenue collections and resolution of delinquent accounts.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of the Stokes County. At the end of the current fiscal year, fund balance available in the General Fund was \$19,773,675 while total fund balance reached \$22,658,365. The governing body of Stokes County has determined that the County should maintain an available fund balance of 20% of General Fund expenditures in case of unforeseen needs or opportunities in addition to meeting the cash flow needs for the County. The County currently has an available fund balance of 44.65% of General Fund expenditures and transfers to other funds while total fund balance represents 49.44% of that same amount.

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities. There are currently four ongoing projects: Lawsonville Elementary School, Community College projects, Petree project, Jail expansion project and school roofing and other school projects. At the end of the current fiscal year, restricted fund balance was \$1,029,880. Total net change in fund balance was an decrease of \$1,901,237.

At June 30, 2017, the governmental funds of Stokes County reported a combined fund balance of \$25,834,786, a 2.8% decrease over last year. The primary reason for this decrease is the completion of several capital projects, which reduced the fund balance in the Capital Project Fund.

General Fund Budgetary Highlights: Over the course of the year, the County revised the budget several times to account for changes in revenue expectations. The County monitored expenditures closely and reduced spending levels as necessary so as to live within the budget and end the year with a surplus. 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 or expand services. The County made changes to its General Fund revenue estimate to recognize the loss of State reimbursements, changes in anticipated grant funding and proceeds from debt issuance. Expenditure budgets were increased during the fiscal year primarily to authorize additional expenditures for new grant awards and new projects. The County's expenditure final budget increased \$872,907 over the approved budget, but actual expenditures were ultimately \$2,111,708 less than the final budget. Total expenditures increase \$1,022,830 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Total General Fund actual revenues increased \$2,086,449 from the prior year. The General Fund balance increased because the County was conservative spending, loss of hold harmless revenue source and, in accordance with North Carolina local government fiscal law, ensured that expenditures did not exceed the budget authorization.

The cash balance in the General Fund increased \$1,533,411 from the prior year-end. The slow recovery of the economic and collection of delinquent accounts has contributed to the increase. In addition, the economy downward swing mainly has impacted sales tax revenues compared to both budget and the prior year collections. The County received an increase in sales taxes of approximately \$1,835,945 over the prior year due to the new sales tax Article 44*524.

General Fund expenditures increased \$1,045,111, or approximately 2.4%, from the prior year.

Analysis of Fund Balance: A recap of the historical analysis of fund balance for the period 2006-07 through 2016-17 includes the following noteworthy points:

- In the fiscal year 2006-07, the County had a zero based budget to continue to increase the fund balance. The department's budgets that were increased were due to mandated increases and additions that occurred in the fiscal year 2005-06 budgets that would reflect full fiscal year expenditure. The County continues to analyze the department's budget quarterly for review and adjustments. The County's General Fund unreserved fund balance is \$5,591,968, or 14.53%, of annual General Fund expenditures.
- In the fiscal year 2007-08, the County had a zero based budget for a second consecutive year to continue building the fund balance. The department's budgets that received increases were due to mandated increases and necessary capital outlay items and projects. The County has continued to analyze the department's budget quarterly for savings and/or increases in cost of services. The County's General Fund unreserved fund balance is \$7,561,378, or 19.57%, of annual General Fund expenditures.
- In the fiscal year 2008-09, the County continued to budget on a zero bases due to the economy and the need to increase the fund balance. The department's budgets that received increases were due to mandated increases and necessary capital outlay items and projects. The County is continuing to analyze the department's budgets on a quarterly basis for savings and/or increases in cost of services. And this fiscal year, the County has especially been caution with reviewing the revenues and expenditures due to the economy. The County's General Fund unreserved, undesignated fund balance is \$8,265,346, or 21.67%, of annual General Fund expenditures. The County has started several capital projects such as Stokes Opportunity Center, EMS station, Community College, and several school building projects with the funding coming from other sources and financing. The debt that the County has entered into will be paid with debt service coming off the books and lottery funds. A Dedicated Fund for debt service has been established for the reserve of debt service funds.
- In the fiscal year 2009-10, the County continues to budget conservatively due to the economy. The department's budgets that received increases were due to mandated increases, capital outlay items and projects. The County continues its quarterly reviews of department's budget for savings and/or increases in cost of services. The County has also reviewed its revenues closely due to the economy. The County's General Fund unreserved, undesignated fund balance is \$7,602,723, or 19.38%, of annual General

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund expenditures (net of transfers). The County has started several capital projects such as EMS station, Early College/Community College campus, and several schools building projects with the funding coming from other sources and financing. A Dedicated Fund for debt service was setup last year to reserve debt payments coming off, lottery funds and one time appropriate for debt payments.

- In the fiscal year 2010-11, the County has continued to budget conservatively due to the economy. The department's budgets that received increase in the fiscal year were due to mandated increases, capital outlay items and projects. The County has continued to do quarterly reviews of departmental budgets for savings and/or increases in the cost of services. Revenues are reviewed monthly due to the economy. The County's General Fund unassigned fund balance is \$9,852,461, or 24.56%, of annual General Fund expenditures and transfers out. The County has completed the School project, Nancy Reynolds Elementary, first stage of the Early College project, and started the new school projects and second stage of early college.
- In the fiscal year 2011-12, the County continues to budget conservatively due to the economy. Increases in departmental budgets were due to mandated increases, capital outlay items and projects. The County continues to do quarterly reviews of departmental budgets for savings and/or increases in the cost of services. Revenues are reviewed monthly due to the economy. The County's General Fund unassigned fund balance is \$11,756,502, or 27.9%, of annual General Fund expenditures and transfers out. The County has completed the school projects, Nancy Reynolds Elementary School, and early college. The Southeastern Stokes Middle School, and Poplar Spring Elementary School has started. The County is starting the process for the Community College projects and Lawsonville Elementary School project.
- In the fiscal year 2012-13, the County's budget was based on conservative estimates due to the economy. Increases in departmental budgets were due to mandated increases, capital outlay items and capital projects. The County continues to do quarterly reviews of departmental budgets for savings and/or increases in the cost of services. Revenues are reviewed monthly due to the economy. The County's General Fund unassigned fund balance is \$10,572,140, or 23.24%, of annual General Fund expenditures and transfers out. The County has completed the school projects, Nancy Reynolds Elementary School, Southeastern Stokes Middle School, and Poplar Spring Elementary School and second stage of the Early College project. The County is starting the Community College projects and Lawsonville Elementary School project.
- In the fiscal year 2013-14, the County's continued to base the budget on conservative estimates due to the economy. Departmental budgets increased due to mandated increase, capital outlay items and capital projects. The County has continued to do quarterly reviews of departmental budgets for savings and/or increases in cost of services. Revenues are reviewed on a monthly basis due to the economy. The County's General Fund unassigned fund balance is \$11,373,416, or 26.5%, of annual General Fund expenditures and transfers out. The County has completed the school projects, Southeastern Middle School and Poplar Spring Elementary School. The County has started the Lawsonville Elementary School and Community College projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- In the fiscal year 2014-15, the County's budget was based on conservative estimates due to the economy. Departmental budgets increased due to mandated increases, capital outlay and capital projects. The County continues to do quarterly review of departmental budgets for savings and/or increases in cost of services. Revenues are reviewed on a monthly basis due to the economy. Fiscal year 2014-15, the County appropriated \$2,823,913 fund balance to balance the budget but only used \$113,329 of which \$66,434 was used for capital outlay. Before the County appropriates fund balance an estimated balance is calculated and the figure of what could be appropriated is based on retaining an estimated 20% fund balance. The County's General Fund unassigned fund balance is \$10,690,583, or 25.1%, of annual General Fund expenditures and transfers out. The County has Lawsonville Elementary School, Community College, and Sewer Extension to Meadows Community projects.
- In the fiscal year 2015-16, the County's budget was based on conservative estimates. Departmental budgets increased due to mandated increases, turn over issues, capital outlay and capital projects. The County continues to do quarterly review of departmental budgets for savings and/or increases in cost of services. Revenues are reviewed on a monthly basis. Fiscal year 2015-16, the County appropriated \$2,804,446 fund balance to balance the budget. The appropriation was not used due to the revenues being over budget \$1,067,783 and expenditures being less than budget \$2,375,168, therefore, the fund balance increased \$638,505. An estimated fund balance is calculated to figure what could be appropriated based on retaining an estimated 20% fund balance. The County's unassigned fund balance is \$13,165,483 or 29.73% of annual expenditures and transfers out. The County has Lawsonville Elementary School, Community College, Sewer Extension to Meadows Community projects, Jail Expansion project, Petree project and School Roof project. The County is working with a company on broadband internet services for the unserved and underserved citizens.
- In the fiscal year 2016-17, the County continues to budget revenues and expenditure conservatively. The department's budgets that received increases was due to mandates, capital outlay and projects. The County reviews budgets quarterly for savings and/or increases in cost of services. Revenues are reviewed closely to recognize increases and/or decreases. Fiscal year 2016-17, the County appropriated \$2,265,814 to balance the budget. The appropriation was not used due to the revenues coming in \$2,170,029, which was the new sales tax, increase in sales taxes and other revenues. Expenditures were \$2,111,708 less than budget, therefore the fund balance increased \$2,015,923. An estimated fund balance is calculated to figure what could be appropriated based on retaining an estimated 20% fund balance. The County's unassigned fund balance is 15,057,977 or 33.60% of annual expenditures and transfers out. The County has Lawsonville Elementary School, Community College, Sewer Extension to Meadows Community project, Jail expansion project, Petree project and other School projects. The County has been working with a company to provide broadband internet services for the unserved and underserved citizens.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Local Government Commission (LGC), an arm of the Department of State Treasurer and the statutes, **recommends** that tax-levying units such as counties and cities have an available fund balance equal to at least 8% of annual General Fund expenditures. The 8% level is used because it approximates one month's expenditures. This is considered to be a minimum level - a floor below that the balance should not fall. Having an available fund balance that is less than the recommended minimum for tax-levying units could have an adverse impact on a unit's credit rating, causing it to pay more in interest when issuing bonds.

Proprietary Funds: The business-type funds had a decrease in net position of \$10,659 compared to the prior year.

Capital Asset and Debt Administration

Capital Assets: Stokes County's investment in capital assets for its governmental and business-type activities, as of June 30, 2017, totals \$56,909,429 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment including vehicles, park facilities, hospital facilities, and wastewater collection system.

Stokes County's Capital Assets (Net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,714,418	\$ 3,714,418	\$ 266,370	\$ 266,370	\$ 3,980,788	\$ 3,980,788
Construction in progress	12,777,543	10,025,385	-	-	12,777,543	10,025,385
Total non-depreciable assets	16,491,961	13,739,803	266,370	266,370	16,758,331	14,006,173
Buildings and improvements	48,676,340	48,597,306	3,611,422	3,611,422	52,287,762	52,208,728
Furniture and equipment	7,048,261	6,912,535	4,910,893	4,822,016	11,959,154	11,734,551
Vehicles	5,516,025	5,057,547	25,123	-	5,541,148	5,057,547
Sewer lines	-	-	2,053,111	2,000,376	2,053,111	2,000,376
Total depreciable assets	61,240,626	60,567,388	10,600,549	10,433,814	71,841,175	71,001,202
Accumulated depreciation	23,275,911	21,438,012	8,414,166	8,314,680	31,690,077	29,752,692
Depreciable assets, net	37,964,715	39,129,376	2,186,383	2,119,134	40,151,098	41,248,510
Total	\$ 54,456,676	\$ 52,869,179	\$ 2,452,753	\$ 2,385,504	\$ 56,909,429	\$ 55,254,683

Additional information on the County's capital assets can be found in the notes to the basic financial statements after Exhibit 9.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Long-Term Debt: As of June 30, 2017, Stokes County had total debt outstanding of \$35,550,840, of which \$815,560 is debt backed by the full faith and credit of the County in the form of general obligation bonds.

Stokes County's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 815,560	\$ 2,055,828	\$ -	\$ -	\$ 815,560	\$ 2,055,828
Installment purchase	22,461,280	23,442,410	-	-	22,461,280	23,442,410
QSCB	10,526,942	11,483,937	-	-	10,526,942	11,483,937
QZAB	1,747,058	1,905,882	-	-	1,747,058	1,905,882
Total	\$ 35,550,840	\$ 38,888,057	\$ -	\$ -	\$ 35,550,840	\$ 38,888,057

Stokes County's total debt has decreased by \$3,337,217 during the past fiscal year.

Stokes County has maintained its Aa2 bond rating from Moody's Investor Services and AA-rating from Standard and Poor's Corporation. These bond ratings are a clear indication of the sound financial condition of Stokes County. The achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the County's boundaries. The legal debt margin for Stokes County is \$268,884,000. These statutory limits exceed the County's realistic debt capacity.

Economic Factors

Stokes County's population per 2015 Census was 46,763, representing a .0136% decrease since the 2010 Census figure.

The 2015 Per Capita Income figure for Stokes County was \$32,811, and the Median Household Income was \$42,889.

The rate of unemployment in Stokes County for 2017 June was 4.1%.

The majority of Stokes County jobs are in the Services Sector followed by the Trade, Transportation and Utilities Sector, and Construction.

The 2016 Total Retail Sales (with food/drink) is \$1,493,844.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Major new investments in Stokes County for 2016-17 include:

- Buy local campaign for Stokes County from local farmers.
- Art Market project first stage has been completed and re-open with space available to performances.
- Sewer has been constructed to the Community College and the Meadows area.
- Community College project has been completed and is open.
- Walmart opened these facility in King in March 2017.
- Camp Semtona and Moore Spring property transferred to the State Park System from N.C. State University renovations and plans for properties underway.
- Petree project for medical center and community center in Pine Hall has been completed.
- Jail expansion
- Private citizen purchased Francisco Elementary School to locate a business.

The Stokes County Economic Development Commission embarked on a new plan of work. This plan encompasses four distinct strategies that are inter-linked and, if successfully accomplished, should greatly enhance the lives of many of our residents. The four priorities are: Business Retention, Expansion, Tourism Development, New Business Recruitment, and Entrepreneurial Development. These were broken down into long and short-term priorities, and specific plans have been established to assist with the process. Many of these goals are inter-related and require having access to high-speed internet to be effective. These goals will be evaluated annually and adjusted as necessary to insure that the efforts are having the desired results.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: The County budgets its revenues and expenditures on a conservative basis. Revenues were based on the prior year collections with any additional funds to increase the fund balance. Expenditures were based on a conservative basis with mandated and necessary capital outlay. The County evaluates its year-to-date spending on a quarterly basis to determine where additional budget cuts can be made based on expenditures incurred to date in an effort to increase its fund balance. Revenues from the new sales tax and Walmart sales tax was budgeted conservatively.

The County's General Fund budget increased \$3,063,351 (6.66%) from prior year, due to operational cost, employee compensation, capital outlay and debt service expenditures in fiscal year 2016-17. School debt service payments are funded by 4 cent tax fund (Dedicated Debt Service Fund) and lottery funds.

Business-Type Activities: The County continues to look for grants and funding for the extension of water and sewer in the County. The County has entered into a new lease agreement with Life Brite for the operations of the hospital.

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 Director, Stokes County, Post Office Box 20, Danbury, North Carolina 27016; (336) 593-2405 or jedwards@co.stokes.nc.us.

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BASIC FINANCIAL STATEMENTS

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STOKES COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Stokes County Water and Sewer Authority
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 20,339,009	\$ 440,417	\$ 20,779,426	\$ 97,644
Taxes receivable, net	1,291,653	-	1,291,653	-
Accounts receivable, net	1,558,427	24,114	1,582,541	7,695
Due from other governments	2,707,559	-	2,707,559	-
Internal balances	73,536	(73,536)	-	-
Inventory, at cost	83,241	-	83,241	-
Restricted cash and cash equivalents	4,114,522	1,453	4,115,975	6,069
Net pension asset	68,837	-	68,837	-
Capital assets				
Non-depreciable capital assets	16,491,961	266,370	16,758,331	59,979
Other capital assets, net of accumulated depreciation	37,964,715	2,186,383	40,151,098	1,030,864
Total capital assets	54,456,676	2,452,753	56,909,429	1,090,843
Total assets	84,693,460	2,845,201	87,538,661	1,202,251
DEFERRED OUTFLOWS OF RESOURCES	3,048,685	-	3,048,685	-
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable and accrued liabilities	1,876,654	2,975	1,879,629	4,678
Accrued interest payable	208,101	-	208,101	-
Liabilities to be paid from restricted assets	-	1,453	1,453	6,069
Long-term liabilities:				
Due within one year	10,554,545	-	10,554,545	-
Net pension liability - LGERS	3,330,156	-	3,330,156	-
Total pension liability - LEOSSA	837,336	-	837,336	-
Due in more than one year	28,066,372	-	28,066,372	-
Total liabilities	44,873,164	4,428	44,877,592	10,747
DEFERRED INFLOWS OF RESOURCES	193,243	-	193,243	-
Net position:				
Net investment in capital assets	33,076,960	2,452,753	35,529,713	1,090,843
Restricted:				
Stabilization by State statute	3,154,275	-	3,154,275	-
Register of Deeds	90,802	-	90,802	-
Health Department - Title XIX	525,670	-	525,670	-
Debt service	2,651,424	-	2,651,424	-
Public safety	480,541	-	480,541	-
Unrestricted	2,696,066	388,020	3,084,086	100,661
Total net position	\$ 42,675,738	\$ 2,840,773	\$ 45,516,511	\$ 1,191,504

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Exhibit 2
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,963,519	\$ 472,867	\$ 54,768	\$ -
Public safety	12,905,651	2,471,176	597,580	-
Environmental protection	1,230,304	27,884	-	-
Economic and physical development	1,644,987	266,675	791,171	-
Human services	10,632,366	614,171	6,441,250	-
Culture and recreation	954,401	-	-	-
Intergovernmental:				
Education	13,166,897	-	450,000	300,000
Debt service:				
Interest and fiscal charges	1,608,907	-	-	-
Total governmental activities	<u>46,107,032</u>	<u>3,852,773</u>	<u>8,334,769</u>	<u>300,000</u>
Business-type activities:				
Stokes-Reynolds Memorial Hospital Fund	253,393	98,601	-	-
Regional Sewer Fund	119,496	138,489	-	-
Danbury Water Fund	<u>113,778</u>	<u>156,375</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>486,667</u>	<u>393,465</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 46,593,699</u>	<u>\$ 4,246,238</u>	<u>\$ 8,334,769</u>	<u>\$ 300,000</u>
Component Unit:				
Stokes County Water and Sewer Authority	\$ 180,535	\$ 169,833	\$ -	\$ -
Total component units	<u>\$ 180,535</u>	<u>\$ 169,833</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Exhibit 2
Page 2 of 2

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
				Stokes County
Functions/Programs	Governmental Activities	Business-Type Activities	Total	Water and Sewer Authority
Primary Government:				
Governmental activities:				
General government	\$ (3,435,884)	\$ -	\$ (3,435,884)	\$ -
Public safety	(9,836,895)	-	(9,836,895)	-
Environmental protection	(1,202,420)	-	(1,202,420)	-
Economic and physical development	(587,141)	-	(587,141)	-
Human services	(3,576,945)	-	(3,576,945)	-
Culture and recreation	(954,401)	-	(954,401)	-
Intergovernmental:				
Education	(12,416,897)	-	(12,416,897)	-
Debt service:				
Interest and fiscal charges	(1,608,907)	-	(1,608,907)	-
Total governmental activities	(33,619,490)	-	(33,619,490)	-
Business-type activities:				
Stokes-Reynolds Memorial Hospital Fund	-	(154,792)	(154,792)	-
Regional Sewer Fund	-	18,993	18,993	-
Danbury Water Fund	-	42,597	42,597	-
Total business-type activities	-	(93,202)	(93,202)	-
Total primary government	(33,619,490)	(93,202)	(33,712,692)	-
Component Unit:				
Stokes County Water and Sewer Authority	-	-	-	(10,702)
Total component units	-	-	-	(10,702)
General revenues:				
Taxes:				
Property taxes, levied for general purposes	21,437,973	-	21,437,973	-
Sales tax	6,100,572	-	6,100,572	-
Other unrestricted intergovernmental revenue	10,171,284	-	10,171,284	-
Interest earnings	155,003	873	155,876	1,770
Other	413,511	-	413,511	37,534
Total general revenues excluding transfers	38,278,343	873	38,279,216	39,304
Transfers to/from other funds	(81,670)	81,670	-	-
Total general revenues and transfers	38,196,673	82,543	38,279,216	39,304
Change in net position	4,577,183	(10,659)	4,566,524	28,602
Net position - beginning, previously reported	38,558,958	2,851,432	41,410,390	1,162,902
Restatement	(460,403)	-	(460,403)	-
Net position - beginning, restated	38,098,555	2,851,432	40,949,987	1,162,902
Net position - ending	\$ 42,675,738	\$ 2,840,773	\$ 45,516,511	\$ 1,191,504

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	Major Funds		Nonmajor	
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,438,725	\$ 634,576	\$ 1,265,708	\$ 20,339,009
Taxes receivable, net	1,183,365	-	108,288	1,291,653
Accounts receivable, net	1,132,065	-	426,362	1,558,427
Due from other governments	2,707,559	-	-	2,707,559
Advance to other funds	73,536	-	-	73,536
Inventory	83,241	-	-	83,241
Restricted cash and cash equivalents	3,084,642	1,029,880	-	4,114,522
Total assets	<u>\$ 26,703,133</u>	<u>\$ 1,664,456</u>	<u>\$ 1,800,358</u>	<u>\$ 30,167,947</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,696,549	\$ 176,166	\$ 3,939	\$ 1,876,654
Total liabilities	<u>1,696,549</u>	<u>176,166</u>	<u>3,939</u>	<u>1,876,654</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,348,219</u>	<u>-</u>	<u>108,288</u>	<u>2,456,507</u>
Fund Balances:				
Non-spendable, not in spendable form:				
Interfund loans	73,536	-	-	73,536
Inventory	83,241	-	-	83,241
Restricted:				
Stabilization by State statute	2,727,913	-	426,362	3,154,275
Restricted, all others	3,177,094	1,029,880	480,541	4,687,515
Committed	-	458,410	576,507	1,034,917
Assigned:				
Subsequent year's expenditures	1,598,604	-	-	1,598,604
Assigned, all others	-	-	204,721	204,721
Unassigned	<u>14,997,977</u>	<u>-</u>	<u>-</u>	<u>14,997,977</u>
Total fund balances	<u>22,658,365</u>	<u>1,488,290</u>	<u>1,688,131</u>	<u>25,834,786</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 26,703,133</u>	<u>\$ 1,664,456</u>	<u>\$ 1,800,358</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.				54,456,676
Net pension asset				68,837
Net pension liability				(3,330,156)
Total pension liability				(837,336)
Deferred charge related to refunding				51,683
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position				799,420
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.				2,403,364
Pension related deferrals				2,057,481
Some liabilities, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:				
Bonds, certificates of participation, and installment purchases				(35,550,840)
Accrued interest payable				(208,101)
OPEB				(1,928,179)
Compensated absences and retirement benefits				(1,141,897)
Net position of governmental funds				<u>\$ 42,675,738</u>

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Major		Nonmajor	
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 25,010,414	\$ -	\$ 2,338,547	\$ 27,348,961
Other taxes and licenses	6,365,799	-	2,461,695	8,827,494
Intergovernmental	9,678,558	300,000	-	9,978,558
Permits and fees	403,868	-	-	403,868
Sales and services	3,448,906	-	-	3,448,906
Investment earnings	147,934	3,907	3,162	155,003
Other revenues	403,532	9,979	-	413,511
Total revenues	<u>45,459,011</u>	<u>313,886</u>	<u>4,803,404</u>	<u>50,576,301</u>
Expenditures:				
Current:				
General government	4,935,597	-	-	4,935,597
Public safety	9,589,234	59,404	3,218,996	12,867,634
Environmental protection	1,223,224	-	-	1,223,224
Economic and physical development	1,608,669	-	-	1,608,669
Human services	10,064,901	494,133	-	10,559,034
Culture and recreation	824,526	-	-	824,526
Special appropriations	521,918	-	-	521,918
Intergovernmental:				
Education	10,252,180	2,904,626	651,000	13,807,806
Debt service:				
Principal	3,737,637	-	-	3,737,637
Interest and fiscal charges	1,525,050	-	-	1,525,050
Total expenditures	<u>44,282,936</u>	<u>3,458,163</u>	<u>3,869,996</u>	<u>51,611,095</u>
Excess of revenues over (under) expenditures	<u>1,176,075</u>	<u>(3,144,277)</u>	<u>933,408</u>	<u>(1,034,794)</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,288,733	1,243,040	244,232	2,776,005
Transfers to other funds	(1,543,942)	-	(1,313,733)	(2,857,675)
Debt issued	400,420	-	-	400,420
Total other financing sources (uses)	<u>145,211</u>	<u>1,243,040</u>	<u>(1,069,501)</u>	<u>318,750</u>
Net change in fund balances	1,321,286	(1,901,237)	(136,093)	(716,044)
Fund balances at beginning of year	<u>21,337,079</u>	<u>3,389,527</u>	<u>1,824,224</u>	<u>26,550,830</u>
Fund balances at end of year	<u>\$ 22,658,365</u>	<u>\$ 1,488,290</u>	<u>\$ 1,688,131</u>	<u>\$ 25,834,786</u>

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2017

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities:

Total Net Change in Fund Balances - Governmental Funds	\$ (716,044)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlay expenditures recorded in the fund statements, but capitalized as assets in the Statement of Activities	3,639,413
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Depreciation and amortization expense recorded on the Statement of Activities, but not in the fund statements	(1,947,553)
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In the fund statements only the proceeds from the sale of capital assets are reported. The Statement of Activities reports the gain or loss on the sale capital assets.	(104,361)
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Change in deferred outflows - pension	2,412,185
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Change in deferred inflows - pension	235,346
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Change in net pension asset and liability	(2,660,547)
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The issuance of long-term debt or the repayment of the principal of long-term debt effects the current financial resources of the governmental funds, but has no effect on net position.	
Debt issued	(400,420)
Principal repayments	3,737,637

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Amortization of deferred charges and premiums	(65,262)
Accrued interest expense	(18,594)
Compensated absences	(63,520)
Accrued retirement	(45,586)
OPEB	(225,485)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	799,974
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Changes in net position of governmental activities	<u>\$ 4,577,183</u>
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The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 23,216,033	\$ 23,216,033	\$ 23,501,233	\$ 285,200
Other taxes and licenses	4,746,620	4,746,945	6,365,799	1,618,854
Intergovernmental	8,840,142	9,327,166	9,306,849	(20,317)
Permits and fees	329,064	329,064	403,868	74,804
Sales and services	3,042,760	3,089,710	3,084,742	(4,968)
Investment earnings	50,000	50,000	140,640	90,640
Other revenues	41,630	137,359	263,175	125,816
Total revenues	40,266,249	40,896,277	43,066,306	2,170,029
Expenditures:				
Current:				
General government	5,080,749	5,209,849	4,935,597	274,252
Public safety	9,557,103	9,931,695	9,589,234	342,461
Environmental protection	1,285,384	1,317,759	1,223,224	94,535
Economic and physical development	1,634,082	1,735,081	1,608,669	126,412
Human services	9,931,612	9,986,711	8,984,153	1,002,558
Culture and recreation	727,151	828,266	824,526	3,740
Special appropriations	502,085	535,590	521,918	13,672
Contingency	320,000	227,504	-	227,504
Intergovernmental:				
Education	10,154,460	10,273,078	10,252,180	20,898
Debt service:				
Principal	3,816,697	3,737,642	3,737,637	5
Interest and fiscal charges	1,431,666	1,530,721	1,525,050	5,671
Total expenditures	44,440,989	45,313,896	43,202,188	2,111,708
Excess of revenues over (under) expenditures	(4,174,740)	(4,417,619)	(135,882)	4,281,737
Other Financing Sources (Uses):				
Transfers from other funds	3,051,541	3,238,352	3,238,352	-
Transfers (to) other funds	(1,540,761)	(1,486,967)	(1,486,967)	-
Debt issued	400,420	400,420	400,420	-
Total other financing sources (uses)	1,911,200	2,151,805	2,151,805	-
Excess of revenues and other sources over (under) expenditures and other uses	(2,263,540)	(2,265,814)	2,015,923	4,281,737
Fund balance appropriated	2,263,540	2,265,814	-	(2,265,814)
Net change in fund balance	\$ -	\$ -	2,015,923	\$ 2,015,923
Fund balance at beginning of year			17,465,348	
Fund balance at end of year			<u>\$ 19,481,271</u>	

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2017

	Major			
	Stokes- Reynolds Memorial Hospital Fund	Regional Sewer Fund	Danbury Water Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 47,877	\$ 189,031	\$ 203,509	\$ 440,417
Accounts receivable, net	-	11,024	13,090	24,114
Total current assets	<u>47,877</u>	<u>200,055</u>	<u>216,599</u>	<u>464,531</u>
Non-current assets:				
Restricted cash and cash equivalents	-	-	1,453	1,453
Capital assets:				
Land	228,849	-	37,521	266,370
Buildings	3,611,422	-	-	3,611,422
Equipment	3,413,218	25,123	1,497,675	4,936,016
Sewer lines	-	2,053,111	-	2,053,111
Accumulated depreciation	(7,024,640)	(1,042,924)	(346,602)	(8,414,166)
Total capital assets	<u>228,849</u>	<u>1,035,310</u>	<u>1,188,594</u>	<u>2,452,753</u>
Total non-current assets	<u>228,849</u>	<u>1,035,310</u>	<u>1,190,047</u>	<u>2,454,206</u>
Total assets	<u>276,726</u>	<u>1,235,365</u>	<u>1,406,646</u>	<u>2,918,737</u>
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and accrued liabilities	-	1,900	1,075	2,975
Advance from other funds	-	-	73,536	73,536
Total current liabilities	<u>-</u>	<u>1,900</u>	<u>74,611</u>	<u>76,511</u>
Non-current liabilities:				
Liabilities payable from restricted assets	-	-	1,453	1,453
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>1,453</u>	<u>1,453</u>
Total liabilities	<u>-</u>	<u>1,900</u>	<u>76,064</u>	<u>77,964</u>
Net position:				
Net investment in capital assets	228,849	1,035,310	1,188,594	2,452,753
Unrestricted	<u>47,877</u>	<u>198,155</u>	<u>141,988</u>	<u>388,020</u>
Total net position	<u>\$ 276,726</u>	<u>\$ 1,233,465</u>	<u>\$ 1,330,582</u>	<u>\$ 2,840,773</u>

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Major			
	Stokes- Reynolds Memorial Hospital Fund	Regional Sewer Fund	Danbury Water Fund	Total
Operating Revenues:				
Charges for sales and services	\$ 98,601	\$ 134,889	\$ 156,375	\$ 389,865
Tap fees	-	3,600	-	3,600
Total operating revenues	<u>98,601</u>	<u>138,489</u>	<u>156,375</u>	<u>393,465</u>
Operating Expenses:				
Operating	253,393	61,150	68,547	383,090
Depreciation and amortization	-	58,346	41,140	99,486
Total operating expenses	<u>253,393</u>	<u>119,496</u>	<u>109,687</u>	<u>482,576</u>
Operating income (loss)	<u>(154,792)</u>	<u>18,993</u>	<u>46,688</u>	<u>(89,111)</u>
Non-Operating Revenues (Expenses):				
Interest expense	-	-	(4,091)	(4,091)
Interest earned on investments	38	663	172	873
Total non-operating revenues (expenses)	<u>38</u>	<u>663</u>	<u>(3,919)</u>	<u>(3,218)</u>
Income (loss) before transfers	<u>(154,754)</u>	<u>19,656</u>	<u>42,769</u>	<u>(92,329)</u>
Transfers in	91,670	-	-	91,670
Transfers out	(10,000)	-	-	(10,000)
Total transfers and contributions	<u>81,670</u>	<u>-</u>	<u>-</u>	<u>81,670</u>
Change in fund net position	(73,084)	19,656	42,769	(10,659)
Total net position, beginning	<u>349,810</u>	<u>1,213,809</u>	<u>1,287,813</u>	<u>2,851,432</u>
Total net position, ending	<u><u>\$ 276,726</u></u>	<u><u>\$ 1,233,465</u></u>	<u><u>\$ 1,330,582</u></u>	<u><u>\$ 2,840,773</u></u>

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities			
	Major			Total
	Stokes-Reynolds Memorial Hospital Fund	Regional Sewer Fund	Danbury Water Fund	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 98,601	\$ 146,392	\$ 158,714	\$ 403,707
Cash paid for goods and services	(253,393)	(41,374)	(54,315)	(349,082)
Cash paid to employees	-	(18,226)	(25,701)	(43,927)
Net cash provided (used) by operating activities	(154,792)	86,792	78,698	10,698
Cash Flows from Non-Capital Financing Activities:				
Loans (to) from other funds	-	-	(9,100)	(9,100)
Transfers in (out)	81,670	-	-	81,670
Net cash provided (used) by non-capital financing activities	81,670	-	(9,100)	72,570
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(52,735)	(114,000)	(166,735)
Interest paid	-	-	(4,091)	(4,091)
Net cash used by capital and related financing activities	-	(52,735)	(118,091)	(170,826)
Cash Flows from Investing Activities:				
Interest on investments	38	663	172	873
Net cash provided by investing activities	38	663	172	873
Net increase (decrease) in cash and cash equivalents	(73,084)	34,720	(48,321)	(86,685)
Cash and cash equivalents at beginning of year	120,961	154,311	253,283	528,555
Cash and cash equivalents at end of year	\$ 47,877	\$ 189,031	\$ 204,962	\$ 441,870
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (154,792)	\$ 18,993	\$ 46,688	\$ (89,111)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	-	58,346	41,140	99,486
Pension expense				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	7,903	2,294	10,197
Increase (decrease) in accounts payable and accrued liabilities	-	1,550	(11,424)	(9,874)
Net cash provided by (used) operating activities	\$ (154,792)	\$ 86,792	\$ 78,698	\$ 10,698

The accompanying notes are an integral part of this statement.

STOKES COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 61,639
Accounts receivable	<u>11,994</u>
Total assets	<u><u>\$ 73,633</u></u>
LIABILITIES	
Accounts payable	\$ 20,988
Miscellaneous liabilities	<u>52,645</u>
Total liabilities	<u><u>\$ 73,633</u></u>

The accompanying notes are an integral part of this statement.

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STOKES COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. Summary of Significant Accounting Policies

The accounting policies of Stokes County and its component units 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. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Stokes County Water and Sewer Authority (the "Authority") exists to construct and operate a water system for the County's residents. The Authority is presented as if it were an enterprise fund.

Stokes-Reynolds Memorial Hospital, Inc. (the "Hospital") is no longer a component unit of the County. The Hospital operations were transferred by the County to a third party, effective August 1, 2011.

Component Unit	Reporting Method	Criteria for Inclusion	For Separate Financial Statements
Stokes County Water and Sewer Authority	Discrete	The County's Board of Commissioners appoints the governing board for the Authority.	Stokes County Water and Sewer Authority, Danbury, NC

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the County) and its component units. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation (Continued)

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.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary fund. 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund. The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The County reports the following major enterprise funds:

Stokes-Reynolds Memorial Hospital Fund. This fund accounts for the operational losses of the Stokes-Reynolds Hospital, Inc. facilities and equipment.

Regional Sewer Fund. This fund accounts for the County's sewer operations.

Danbury Water Fund. This fund accounts for the County's water operations.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. **Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation (Continued)

Additionally, the County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains five Agency Funds: the Social Services Fund, which accounts for monies deposited with the Social Services Department; the Recreation Fund, which accounts for monies deposited with the County by various organizations in the County to be expended along with matching funds from the County on various projects requested by the organizations and approved by the County; the Penalties and Interest School, which accounts for penalties and interest remitted to schools; the Stokes County Jail, which accounts for monies received for the benefit of inmates; and the Stokes County 4-H Fund, which accounts for operations of 4-H programs.

Non-major Funds. The County maintains seven legally budgeted funds. The Emergency Telephone System Fund, the Service District Fire District Fund, the Rural Hall Fire District Fund, the King Fire District Fund, and the Walnut Cove Fire District Fund are reported as non-major special revenue funds. The Schools Capital Outlay Reserve Fund and the Capital Reserve Fund are reported as non-major capital projects funds. The Dedicated Debt Service Fund and the Health Department Title XIX Fund are consolidated in the General Fund in accordance with GASB Statement No. 54.

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 Fund, and Fiduciary Fund Financial Statements. The government-wide, proprietary fund, 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 all eligibility requirements have been satisfied.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Measurement Focus, Basis of Accounting (Continued)

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 for the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. 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 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a 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 the 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. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Measurement Focus, Basis of Accounting (Continued)

Sales taxes collected and certain intergovernmental revenues, such as the 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. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General, Special Revenues, Capital Reserve Fund, and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Capital Projects Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for the General Fund, Special Revenue Funds, and Enterprise Funds. The County Manager is authorized to make budget transfers between objects of expenditure within a department without limitation and without approval by the Board of Commissioners. Amounts up to \$5,000 may be transferred between departments of the same fund by the County Manager with an official report on such transfers at the next regular meeting of the Board of Commissioners. All other transfers require prior approval by the Board of Commissioners. During the year, a number of 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. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

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.

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

1. Deposits and Investments

All deposits of the County and Stokes County Water and Sewer Authority (the "Authority") are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County and Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and Authority 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 and the Authority to invest in obligations of the United States or obligations fully guaranteed, both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County's and the Authority's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value. The NCCMT-Government Portfolio, an SEC-registered (2a-7) external investment pool, are measured at amortized cost, 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 earnings and investment contracts are reported at cost.

2. 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. The Authority considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited to use, to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the County and the Authority before any services are supplied are restricted to the service for which the deposit was collected. The County's Capital Projects Fund unspent debt proceeds is classified as restricted

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

assets, because their use is completely restricted to the purpose for which the bonds were originally issued. The Dedicated Debt Service Fund, Health Medicaid Title XIX Fund, and Mental Health MOE Fund are classified as restricted assets, because their use is completely restricted to the purpose for which the fund was established.

Governmental Activities:

General Fund	Dedicated Debt Service Fund	\$ 2,637,120
General Fund	Health Medicaid Title XIX Fund	287,663
General Fund	Mental Health MOE Fund	159,859
Capital Project Fund	Unexpended bond proceeds	<u>1,029,880</u>
Total Governmental Activities		<u>4,114,522</u>

Business-Type Activities:

Danbury Water Fund	Customers deposits	<u>1,453</u>
Total Business-Type Activities		<u>1,453</u>

Total Restricted Cash	<u><u>\$ 4,115,975</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Inventories and Prepaid items

The inventories of the County are valued at cost (first-in, first-out method), which approximates market. The inventory of the General Fund consists of expendable supplies that are recorded as expenditures when consumed.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

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.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The County's minimum capitalization threshold is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	40 years
Improvements	20 years
Furniture and equipment	5 to 10 years
Vehicles	5 years
Computer equipment and software	3 to 5 years

The County holds title to certain Stokes County Board of Education properties, which have not been included in fixed 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 fixed assets in the financial statements of the Stokes County Board of Education.

8. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has three items that meet this criterion – a charge on refunding, pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the Statement of Net

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet the criterion for this category – prepaid taxes, taxes receivable, other receivables, and other pension related deferrals.

9. 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 other financing source.

10. Compensated Absences

The vacation policies of the County and the Authority provide for the accumulation of up to 180 days earned vacation leave, with such leave being fully vested when earned. For the County's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The sick leave policies of the County and the Authority provide 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 neither of the entities has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component unit.

11. 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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

The County's net investment in capital assets is calculated as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net	\$ 54,456,676	\$ 2,452,753
Less, capital debt:		
Gross debt	35,550,840	-
Less:		
Non-capital related debt	13,089,561	-
Deferred outflows	51,683	-
Unspent debt proceeds	1,029,880	-
Capital debt, net	<u>21,379,716</u>	<u>-</u>
Net investment in capital assets	<u>\$ 33,076,960</u>	<u>\$ 2,452,753</u>

Fund Balances

In the governmental funds 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 balances as follows:

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

Interfund Loans - portion of fund balance that is not an available resource because it represents the non-current portion of the interfund loans, which are not spendable resources.

Inventory - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventory, which are not spendable resources.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State statute [G.S. 159-8(a)].

Restricted for General Government - portion of fund balance restricted by revenue source for future capital projects.

Restricted for Public Safety - portion of fund balance restricted by revenue source for the operations of the E-911 and fire district funds of the County.

Restricted for Debt Service - portion of fund balance restricted for future debt service payments.

Restricted for Health Department - portion of fund balance restricted for future health Title XIX expenditures.

Restricted for Mental Health MOE - portion of fund balance restricted for future mental health payments.

Restricted fund balance at June 30, 2017 is as follows:

Purpose	General Fund	Capital Projects Fund	Other Governmental Funds
Stabilization by State statute	\$ 2,727,913	\$ -	\$ 426,362
General government	-	1,029,880	-
Public safety	-	-	480,541
Mental Health MOE	159,859	-	-
Health Department - Title XIX	365,811	-	-
Debt service	2,651,424	-	-
Total	<u>\$ 5,905,007</u>	<u>\$ 1,029,880</u>	<u>\$ 906,903</u>

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of unspent debt proceeds of \$1,029,880, and Register of Deeds \$90,802 as of June 30, 2017.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing body 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 on the ordinance remains in place until similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Capital Reserve and Capital Projects - portion of fund balance that was committed by the Board for future capital outlay.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

Committed fund balance at June 30, 2017 is as follows:

Purpose	Capital Projects Fund	Other Governmental Funds
Committed:		
General government	\$ 458,410	\$ 446,446
Public safety	-	96,461
Human services	-	20,000
Education	-	13,600
Total	<u>\$ 458,410</u>	<u>\$ 576,507</u>

Assigned Fund Balance - portion of fund balance that the Stokes County governing board has budgeted and intends to use for specific purposes.

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

Assigned for Debt Service – portion of fund balance assigned for future debt service payments.

Assigned fund balance at June 30, 2017, is as follows:

Purpose	General Fund	Other Governmental Funds
Assigned:		
Subsequent year's expenditures	\$ 1,598,604	\$ -
Debt service	-	204,721
Total	<u>\$ 1,598,604</u>	<u>\$ 204,721</u>

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

Stokes County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director 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 Director has the authority to deviate from this policy if it's in the best interest of the County.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

Stokes County does not have a formal minimum fund balance policy.

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

Total fund balance - General Fund	\$ 22,658,365
Less:	
Interfund loans	73,536
Inventory	83,241
Stabilization by State statute	<u>2,727,913</u>
Total Available Fund Balance	<u><u>\$ 19,773,675</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

I. Summary of Significant Accounting Policies (Continued)

F. Reconciliation of the General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual to the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Legally budgeted Health Department Title XIX and Dedicated Debt Service Funds are consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit 4). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending (Exhibit 5)	\$ 19,481,271
Health Department Title XIX Fund:	
Revenues:	
Intergovernmental	371,709
Sales and services	364,164
Investment earnings	192
Other revenues	28,099
Expenditures:	
Human services	(1,063,994)
Transfers in - General Fund	255,561
Dedicated Debt Service Fund:	
Revenues:	
Ad valorem taxes	1,509,181
Investment earnings	7,051
Transfers in - General Fund	866,200
Transfers out - General Fund	(3,192,659)
Mental Health MOE Fund:	
Revenues:	
Investment earnings	51
Other revenues	112,258
Expenditures:	
Human services	(16,754)
Transfer in - General Fund	64,304
Fund balance, beginning	3,871,731
Fund balance, ending (Exhibit 4)	<u>\$ 22,658,365</u>

G. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Government Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "State-administered defined benefit pension plans"). For purposes of measuring the net pension liability (asset), deferred outflows of resource and deferred inflows of resources related to pensions and pension expense information about the fiduciary net positions of the State-administered defined benefit pension plans and additions

NOTES TO FINANCIAL STATEMENTS (Continued)

to/deductions from the State-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the State-administered defined benefit pension plans. Investments are reported at fair value.

II. Detail Notes On All Funds

A. Assets

1. 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's agents in the County'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 the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County does not have a policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the County's deposits had a carrying amount of \$7,545,383 and a bank balance of \$8,197,065. Of the bank balance, \$3,368,713 was covered by federal depository insurance, and \$4,828,352 was covered by collateral held under the Pooling Method. At June 30, 2017, Stokes County had \$2,705 cash on hand.

At June 30, 2017, the Authority had deposits with carrying amounts of \$101,665 and a bank balance of \$101,665. The Authority had investments in the North Carolina Capital Management Trust Government Portfolio of \$2,048, which carried a credit rating of AAAm by Standard & Poor's. The Authority has no policy on credit risk.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

2. Investments

At June 30, 2017, the County's investment balances were as follows:

	Valuation Measurement Method	Book Value	Maturity	Rating
North Carolina Capital Management Trust:				
Government Portfolio	Amortized Cost	\$ 7,158,699	N/A	AAAm
Term Portfolio	Fair Value - Level 1	10,250,253	\$ 10,250,253	\$ -
Total		<u>\$ 17,408,952</u>		

Because the NC Capital Management Trust Term Portfolio has a weight average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1; Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The County does not have a formal investment policy.

Credit Risk. The County does not have a formal policy on managing credit risk. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The County's Investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies and in high-grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the North Carolina 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

4. Receivables

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

	Taxes	Accounts	Due from Other Governments	Total
Governmental activities:				
General	\$ 1,589,058	\$ 5,526,512	\$ 2,554,855	\$ 9,670,425
Other governmental	108,288	426,362	152,704	687,354
Total receivables	1,697,346	5,952,874	2,707,559	10,357,779
Allowance for doubtful accounts	(405,693)	(4,394,447)	-	(4,800,140)
Total-governmental activities	<u>\$ 1,291,653</u>	<u>\$ 1,558,427</u>	<u>\$ 2,707,559</u>	<u>\$ 5,557,639</u>

	Accounts
Business-type activities:	
Regional Sewer Fund	\$ 11,024
Danbury Water Fund	13,090
Total-business-type activities	<u>\$ 24,114</u>

Due from Other Governments:	
Local option sales tax	\$ 1,049,448
NC Department of Social Services	465,182
DMV Motor Vehicles	240,330
Other	952,599
Total due from other governments	<u>\$ 2,707,559</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,714,418	\$ -	\$ -	\$ 3,714,418
Construction in progress	10,025,385	2,752,158	-	12,777,543
Total capital assets not being depreciated	<u>13,739,803</u>	<u>2,752,158</u>	<u>-</u>	<u>16,491,961</u>
Capital assets being depreciated:				
Buildings	48,597,306	79,035	-	48,676,340
Furniture and equipment	6,912,535	344,250	208,524	7,048,261
Vehicle and motor equipment	5,057,547	463,970	5,492	5,516,025
Total capital assets being depreciated	<u>60,567,388</u>	<u>887,255</u>	<u>214,016</u>	<u>61,240,626</u>
Less accumulated depreciation for:				
Buildings	12,520,851	1,242,469	-	13,763,320
Furniture and equipment	5,097,751	286,272	104,162	5,279,860
Vehicle and motor equipment	3,819,410	418,813	5,492	4,232,731
Total accumulated depreciation	<u>21,438,012</u>	<u>\$ 1,947,553</u>	<u>\$ 109,655</u>	<u>23,275,911</u>
Total capital assets being depreciated, net	<u>39,129,376</u>			<u>37,964,715</u>
Governmental activities capital assets, net	<u>\$ 52,869,179</u>			<u>\$ 54,456,676</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

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

General government	\$ 294,794
Public safety	707,942
Environmental protection	49,860
Economic and physical development	599
Human services	127,211
Schools	733,701
Culture and recreation	<u>33,446</u>
Total depreciation expense	<u>\$ 1,947,553</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

	Restated Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Stokes-Reynolds Memorial Hospital Fund:				
Capital assets not being depreciated:				
Land	\$ 228,849	\$ -	\$ -	\$ 228,849
Capital assets being depreciated:				
Buildings	3,611,422	-	-	3,611,422
Equipment	3,413,218	-	-	3,413,218
Total capital assets being depreciated	7,024,640	-	-	7,024,640
Less accumulated depreciation for:				
Buildings	3,611,422	-	-	3,611,422
Equipment	3,413,218	-	-	3,413,218
Total accumulated depreciation	7,024,640	\$ -	\$ -	7,024,640
Total capital assets being depreciated, net	-			-
Stokes-Reynolds capital assets, net	\$ 228,849			\$ 228,849
Regional Sewer Fund:				
Capital assets being depreciated:				
Sewer lines	\$ 2,000,376	\$ 52,735	\$ -	\$ 2,053,111
Vehicle	25,123	-	-	25,123
Total capital assets being depreciated	2,025,499	52,735	-	2,078,234
Less accumulated depreciation for:				
Sewer lines	959,455	58,346	-	1,017,801
Vehicle	25,123	-	-	25,123
Total accumulated depreciation	984,578	\$ 58,346	\$ -	1,042,924
Sewer capital assets, net	\$ 1,040,921			\$ 1,035,310

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities (continued):				
Danbury Water Fund:				
Land	\$ 37,521	\$ -	\$ -	\$ 37,521
Total capital assets not being depreciated	37,521	-	-	37,521
Capital assets being depreciated:				
Equipment	1,383,675	114,000	-	1,497,675
Less accumulated depreciation for:				
Equipment	305,462	\$ 41,140	\$ -	346,602
Total capital assets being depreciated, net	1,078,213			1,151,073
Danbury Water Fund capital assets, net	<u>\$ 1,115,734</u>			<u>\$ 1,188,594</u>

Construction Commitments

The County has active construction projects as of June 30, 2017. The projects include the Lawsonville Elementary School, Jail Project, Petree Project, Roof and other School projects and the Community College projects. At June 30, 2017, the County's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Lawsonville Elementary School	\$ 2,125,823	\$ 1,798
Jail Project	350,322	4,849,678
School Roofs	430,347	241,744
Chestnut Grove Paving Project	-	50,000
Germanton School Roof	173,018	226,982
North Stokes Baseball Field Lights	4,079	-
South Stokes Baseball Field Lights	101,870	-
Lawsonville School Ball Field Lights	15,000	-
Petree Project	1,308,740	9,364
Community College - Sewer Extension	3,430,222	736,973
Community College	5,547,636	518,432
Total	<u>\$ 13,487,057</u>	<u>\$ 6,634,971</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

Discretely Presented Component Units

Capital asset activity for the Stokes County Water and Sewer Authority for the year ended June 30, 2017 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 59,979	\$ -	\$ -	\$ 59,979
Capital assets being depreciated:				
Water lines	1,517,807	-	-	1,517,807
Equipment	17,728	6,000	-	23,728
Total capital assets being depreciated	1,535,535	6,000	-	1,541,535
Less accumulated depreciation for:				
Water lines	467,144	30,356	-	497,500
Equipment	11,926	1,245	-	13,171
Total accumulated depreciation	479,070	<u>\$ 31,601</u>	<u>\$ -</u>	510,671
 Total capital assets being depreciated, net	<u>1,056,465</u>			<u>1,030,864</u>
 Water and Sewer Authority capital assets, net	<u>\$ 1,116,444</u>			<u>\$ 1,090,843</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Accrued Salaries</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 532,190	\$ 518,124	\$ 646,235	\$ 1,696,549
Capital Projects Fund	176,166	-	-	176,166
Other governmental funds	3,939	-	-	3,939
Total governmental activities	<u>\$ 712,295</u>	<u>\$ 518,124</u>	<u>\$ 646,235</u>	<u>\$ 1,876,654</u>
Business-type activities:				
Regional Sewer Fund	\$ 1,900	\$ -	\$ -	\$ 1,900
Danbury Water Fund	1,075	-	-	1,075
Total business-type activities	<u>\$ 2,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,975</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Stokes 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters)/ Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service, and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return on the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contributions provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.0% of compensation for law enforcement officers and 7.36% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$773,777 for the year ended June 30, 2017.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an applications for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

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

At June 30, 2017, the County reported a liability of \$3,330,156 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .15691%, which was an increase of .0022% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$790,775. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,568	\$ 116,692
Changes of assumptions	228,086	-
Net difference between projected and actual earnings on pension plan investments	1,841,157	-
Change in proportion and differences between County contributions and proportionate share of contributions	44,212	5,894
County contributions subsequent to the measurement date	773,777	-
Total	<u>\$ 2,949,800</u>	<u>\$ 122,586</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

\$773,777 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 314,496
2019	314,779
2020	885,533
2021	538,629
2022	-
Thereafter	-
Total	<u>\$ 2,053,437</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 7,904,013	\$ 3,330,156	\$ (490,270)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.* Stokes County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>47</u>
Total	<u>52</u>

A separate report was not issued for the plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

2. *Summary of Significant Accounting Policies*

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

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

3. Actuarial Assumptions

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

Inflation	3.0 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

3. *Contributions*

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$45,342 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$837,336. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$64,272.

	Outflows of Resources	Inflows of Resources
Changes of assumptions	\$ -	\$ 14,604
County benefit payments and plan administrative expense made subsequent to the measurement date	22,327	-
Total	<u>\$ 22,327</u>	<u>\$ 14,604</u>

\$22,327 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 2,858
2019	2,858
2020	2,858
2021	2,858
2022	2,858
Thereafter	314
Total	<u>\$ 14,604</u>

\$21,645 paid as benefits came due and \$682 administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total Pension Liability	<u>\$ 899,342</u>	<u>\$ 837,336</u>	<u>\$ 780,290</u>

Schedule of Change in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 833,251
Service cost	37,951
Interest on the total pension liability	28,938
Changes of assumptions or other inputs	(17,462)
Benefit payments	(45,342)
Ending balance of the total pension liability	<u>\$ 837,336</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

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

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to Supplemental Retirement Income Plans (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 City. 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 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 Comptroller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The County contributed \$84,457 for the reporting year. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Stokes 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. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the State House of Representatives, and the State Treasurer, and State Superintendent, who

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,316 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$68,837 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .36819%, which was a decrease of .02% from its proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

For the year ended June 30, 2017, the County recognized pension expense of \$4,162. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74	\$ 891
Changes of assumptions	18,340	
Net difference between projected and actual earnings on pension plan investments	117	-
Changes in proportion and differences between County contributions and proportionate share of contributions	3,028	2,019
County contributions subsequent to the measurement date	3,316	-
Total	<u>\$ 24,875</u>	<u>\$ 2,910</u>

\$3,316 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 6,947
2019	8,780
2020	3,689
2021	(767)
2022	-
Thereafter	-
Total	<u>\$ 18,649</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve, and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class of June 30, 2016 is 1.4%.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

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

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (55,505)	\$ 68,837	\$ (80,037)

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

e. Other Post-Employment Benefits - Stokes County

Plan Description. The County adopted a new policy on March 15, 1999, to provide post-employment healthcare benefits as a single-employer defined benefit plan to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following criteria. Retirees hired prior to March 15, 1999 receive the same benefits as active employees. The new policy is a sliding scale based upon years of service in the LGERS and Stokes County. A retiring employee must follow both guidelines to be eligible for retiree health insurance coverage.

Minimum Years of Service	Minimum Stokes County Service	County Contribution	Employee Contribution
25 years +	20 years +	100.00%	0.00%
25 years +	10 years +	50.00%	50.00%
20 years +	10 years +	0.00%	100.00%

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

4. Pension Plan Obligations (Continued)

e. Other Post-Employment Benefits - Stokes County (Continued)

1. Stokes County Service must be the final years preceding retirement.
2. Employees and family members will be dropped from Stokes County Health Insurance when employee reaches age 65 per insurance carrier.
3. Retiree must decide on coverage immediately upon retirement.
4. County will only pay individual premium, if applicable.
5. Coverage may change depending upon the County's insurance carrier.
6. Coverage, costs, and insurance carriers are determined yearly.

A separate report was not issued for the plan.

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

Retirees and dependents receiving benefits	18
Active Members – general employees	254
Active Members – law enforcement officers	<u>43</u>
Total	<u><u>322</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 that retire with 25 years of service or more, or that retire with approved disability retirement, the County pays 100% of the cost for pre-65 healthcare coverage for the retiree. Years of service are considered years of creditable service with the Local Governmental Employees' Retirement System. Retirees will cease to be eligible for group health insurance at age 65, this includes dependent(s). The retiree will be responsible for paying the cost of dependent coverage if dependent coverage is elected. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current annual required contribution rate (ARC) is 3.61% of annual covered payroll. For Fiscal Year 2017, the County contributed \$128,783, or 1.32% of annual covered payroll. Contributions by employees for the fiscal year ended June 30, 2017 were \$20,075. The County's obligation to contribute to the post-retirement benefit plan is established and may be amended by the County Commissioners.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

e. Other Post-Employment Benefits - Stokes County (Continued)

Summary of Significant Accounting Policies

Benefit expenditures are made from the General Fund, which is reported on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. There 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 30 years.

The following table shows the components of the County's annual OPEB cost for the current 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	\$	351,224
Valuation Discount Rate		4.00%
Interest on net OPEB obligation		68,108
Amortization Factor		26.1695
Adjustment to annual required contribution		(65,064)
Annual OPEB cost (expense)		354,268
Contributions made		(128,783)
Increase (decrease) in net OPEB obligation		225,485
Net OPEB obligation, beginning of year		1,702,694
Net OPEB obligation, end of year	\$	1,928,179

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

Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 343,230	37.80%	\$ 1,489,017
2016	353,841	39.61%	1,702,694
2017	354,268	36.35%	1,928,179

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

e. Other Post-Employment Benefits - Stokes County (Continued)

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL), was \$3,972,525. The covered payroll (annual payroll of active employees covered by the plan) was \$9,723,915, and the ratio of the UAAL to the covered payroll was 40.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.00%, and (b) a 7.75% - 5.00% medical cost trend rate with 2022, the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as level percentage of pay-on-an-open basis. The remaining amortization period at December 31, 2015 was 30 years.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

f. Other Employment Benefits - Stokes County

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 between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County considers these contributions to be immaterial.

3. Deferred Inflows/Outflows of Resources

	Deferred Outflows	Deferred Inflows
Charge on refunding of debt	\$ 51,683	\$ -
Pension deferrals:		
LGERS	2,176,023	122,586
LEO	-	14,604
Register of Deeds	21,559	2,910
Contributions to pension plan in 2016-17 fiscal year:		
LGERS	773,777	-
LEO	22,327	-
Register of Deeds	3,316	-
Taxes receivable, net (General)	-	1,183,365
Taxes receivable, net (Special Revenue)	-	108,288
Prepaid taxes not yet earned	-	53,143
Other receivables	-	1,111,711
Total	<u>\$ 3,048,685</u>	<u>\$ 2,596,607</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

4. 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 three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract for any one occurrence, with an annual aggregate of \$50 million for flood and earthquake, with other sub-limits for other coverage per the County's contract. The County also purchases general, auto, public officials, law enforcement and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and medical and dental insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence and an additional \$500,000 annual aggregate up to a \$2 million limit for liability coverage, \$145 million of aggregate annual losses in excess of \$100,000 per occurrence and an additional \$1 million annual aggregate for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 per occurrence, and \$300,000 annual aggregate for workers' compensation.

For medical and dental insurance, the County is reinsured through the pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$250,000.

The County carries commercial insurance for all other risks of loss. 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 is in an area of the State that has been mapped and designated as "X" area (an area close to a river, lake, or stream) by the Federal Emergency Management. Flood coverage is excluded on property located in the 100-year flood zone as designated by the Federal Emergency Management Agency. Stokes County's insurance is administered by the North Carolina Association of County Commissioners with a deductible of \$25,000 per occurrence for floods.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any time of the County's funds are performance bonded through a commercial surety bond. The Finance Director and the Tax Administrator are individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

5. Contingent Liabilities

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith credit and taxing power of the County. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2017 are comprised of the following individual issues.

Serviced by the County's General Fund:

\$4,670,000 2014 Refinancing School Building bonds,
Series 1996 & 1998, principal due on June 1 in
installments of \$1,329,319 through 2018, interest payable
June 1 and December 1, varying from 1.62%

\$ 815,561

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 815,560	\$ 13,212
Total	\$ 815,560	\$ 13,212

At June 30, 2017, Stokes County had a legal debt margin of \$268,884,000

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. Installment Purchase Contracts and Notes Payable

In October 2008, the County entered into an installment purchase contract for the purpose of roofing and EMS building projects. The contract provides for ten annual principal payments of \$40,000, interest rate at 3.61%, and secured by the Government Center. At June 30, 2017, the balance outstanding was \$80,000.

On September 4, 2015, the County refinanced this installment financing contract for the purpose of the acquisition of land for schools and the acquisition of portable classroom units. The amended contracts provides for fourteen annual principal payments of \$72,700 for the acquisition of land, at interest rate from 3.79% to 2.79%, and nine annual principal payments of \$76,333 for portable classrooms, at interest rate from 4.07% to 2.27%. At June 30, 2017, the balances outstanding on those debts were \$872,400 and \$534,333, respectively.

On July 16, 2015, the County refinanced this installment financing contract for the purpose of constructing a new Nancy Reynolds School and the purchase of land and PODS for Community College (Early College) project. The contract provides for annual principal payments ranging from \$100,000 – \$950,000, with interest at an average annual rate of 4.89% to 2.89%, and is collateralized by a deed of trust on school building. At June 30, 2017, the balance outstanding was \$11,000,000.

In September 2011, the County entered into an installment financing contract using Qualified School Construction Bonds (QSCB) for the purchase of constructing a New Elementary School and constructing a building at the Southeastern Middle School. The contract provides for seventeen annual principal payments of \$956,995 at a rate of 5.07% with a tax credit rate of 4.48% for an effective rate of .59%. At June 30, 2017, the balance outstanding was \$10,526,942.

In September 2011, the County entered into an installment financing contract using Qualified Zone Academy Bonds (QZAB) for the purchase of constructing a new building and renovations of a facility at the Southeastern Middle School. The contract provides for seventeen annual principal payments of \$68,445 at a rate of 5.07% with a tax credit rate of 4.48% for an effective rate of .59%. At June 30, 2017, the balance outstanding was \$1,747,058.

In June 2016, the County entered into an installment financing contract for the purpose of real property acquisition for the Community College. This is an interim financing agreement with the entire loan balance due in Fiscal Year 2017. The contract provides for one balloon principal payment of \$6,052,100 and an interest payment of \$776,686. At June 30, 2017, the balance outstanding was \$6,052,100.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. Installment Purchase Contracts and Notes Payable (Continued)

In October 2012, the County entered into an installment financing contract for the purpose of purchasing Mobile/Portable radios, Emergency Responder VHF Paging System, and E911 Facility Relation. The contract provides for five annual principal payments of \$325,870 at a rate of 1.370%. At June 30, 2017, the balance outstanding was \$344,486.

In June 2013, the County entered into an installment financing contract for the purpose of purchasing Autumn Square building and land. The contract provides for monthly payment principal and interest of \$5,191.51 for ten years. At June 30, 2017, the balance outstanding was \$336,709.

In September 2013, the County entered into an installment financing contract for the purpose of construction and renovations at the Lawsonville Elementary School. The contract provides for an annual principal payment of \$150,000 and interest payment bi-annual for fifteen years at a rate of 2.44%. At June 30, 2017, the balance outstanding was \$1,800,000.

In December 2013, the County entered into an installment financing contract for the purchase of vehicles, ambulance, and servers. The contract provides for a yearly payment of \$100,569. At June 30, 2017, the balance outstanding was \$99,073.

In September 2014, the County entered into an installment financing contract for the purchase of vehicles, ambulance, and computers. The contract provides for a yearly payment of \$110,874. At June 30, 2017, the balance outstanding was \$217,286.

In September 2015, the County entered into an installment financing contract for the purchase of vehicles, ambulance, and garage truck. The contract provides for a yearly payment of \$210,528. At June 30, 2017, the balance outstanding was \$430,472.

In July 2014, the County entered into a lease agreement for the purchase of tax office software. The agreement provides for a yearly payment of \$42,000. At June 30, 2016, the balance outstanding was \$294,000.

In August 2016, the County entered into a lease agreement for the purchase of ambulance and six patrol vehicles. The agreement provides for a yearly payment of \$137,174. At June 30, 2017, the balance outstanding was \$400,420.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 8,597,088	\$ 1,405,091
2019	2,509,635	1,379,089
2020	2,592,207	1,335,118
2021	2,458,857	1,296,562
2022	2,460,884	1,259,803
2023-2027	11,715,391	5,768,078
2028-2032	4,401,219	1,139,425
Total	<u>\$ 34,735,281</u>	<u>\$ 13,583,166</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

d. Long-Term Obligations Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balances June 30, 2017	Due Within One Year
Governmental Activities:					
General obligation debt	\$ 2,055,828	\$ -	\$ 1,240,267	\$ 815,561	\$ 815,560
Installment purchase contracts	23,442,410	400,420	1,381,550	22,461,280	7,481,269
Schools QSCB	11,483,937	-	956,995	10,526,942	956,995
Schools QZAB	1,905,882	-	158,824	1,747,058	158,824
Vacation, holiday, and compensatory time	1,078,377	1,130,628	1,067,108	1,141,897	1,141,897
Law Enforcement Officers' Special Separation Allowance	327,265	510,071	-	837,336	-
Net pension liability (LGERS)	694,329	2,635,827	-	3,330,156	-
Other post-employment benefits	1,702,694	225,485	-	1,928,179	-
Total governmental activities	<u>\$ 42,690,722</u>	<u>\$ 4,902,431</u>	<u>\$ 4,804,744</u>	<u>\$ 42,788,409</u>	<u>\$ 10,554,545</u>

Compensated absences, net pension obligation, and OPEB typically have been liquidated in the General Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

II. Detail Notes On All Funds (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2017 consist of the following:

From the Capital Reserve Fund to the General Fund for the acquisition of various general government, public safety and education assets in the current year	\$ 288,733
From School Capital Outlay and Capital Reserve Fund to General Fund for Debt Service payment	1,000,000
From Dedicated Debt Service Fund to General Fund for debt payment	1,949,619
From the General Fund to the Capital Reserve Fund to accumulate resources for the acquisition or construction of various general government, public safety and others	234,232
From the General Fund to the Dedicated Fund Debt Service Fund for debt service	866,200
From General Fund to Stokes Reynolds Memorial Hospital Fund to cover expenditure	66,670
From General Fund to Health Department Title XIX Fund to transfer fund balance for Title XIX	255,561
From General Fund to Mental Health MOE Fund to account for the fund balance	64,304
From Capital Reserve Funds to Stokes Reynolds Memorial Hospital Fund for capital improvement	25,000
From Dedicated Debt Service Fund to Capital Project Fund for school projects	1,243,040
From Stokes Reynolds Memorial Hospital Fund to Capital Reserve Fund for capital outlay per lease agreement	<u>10,000</u>
Total	<u>\$ 6,003,359</u>

D. Due To/From Other Funds

At June 30, 2017, the Danbury Water Enterprise Fund Capital Project Fund owed the General Fund \$73,536 for advances to cover matching grant funding. The original loan of \$136,500 is being repaid in annual installments of \$11,910 over 15 years, including interest at 3.86%.

III. Danbury Water System

On July 1, 2008, the County resumed operations of the Danbury Water System. The lease with the Town of Danbury was terminated.

NOTES TO FINANCIAL STATEMENTS (Continued)

IV. Hospital

On February 28, 2010, the lease between N.C. Baptist Hospitals, Inc. and Stokes County expired. A transfer and corporation reorganization agreement was approved. The Board of County Commissioners became the Board of Trustees for the Stokes-Reynolds Memorial Hospital, Inc., and a management company was hired to operate the Hospital. On June 27, 2011, the Board of County Commissioners approved leasing the Stokes-Reynolds Memorial Hospital to Pioneer Health Services of Stokes County, Inc. effective August 1, 2011. The Stokes-Reynolds Memorial Hospital, Inc. was transferred to Stokes County to collect account receivables and pay invoices for the corporation. Pioneer Health Services filed bankruptcy on March 31, 2016. The County appropriated funding to keep the hospital open until bankruptcy procedures allowed LifeBrite Hospital Group, LLC to assume the lease. A second amendment to lease and transfer agreement to LifeBrite Hospital Group, LLC was approved by the County Commissioners on November 3, 2016.

V. Joint Ventures

The County, in conjunction with Forsyth County, Davie County and Rockingham County, participates in Cardinal Innovations Healthcare, an area mental health authority. Cardinal Innovations Healthcare is a joint venture established to provide the participating counties with legally mandated mental health services. The County has an ongoing financial responsibility for Cardinal Innovations Healthcare because Cardinal Innovations continued existence depends on the participating governments' continued funding. The County contributed \$209,259 to Cardinal Innovations Healthcare and \$176,561 was deposited into the Mental Health MOE Fund held by the County during the fiscal year ended June 30, 2017. None of the participating governments has any equity interest in Cardinal Innovations Healthcare, so no equity interest has been reflected in the financial statements at June 30, 2017. Complete financial statements for Cardinal Innovations Healthcare can be obtained from its administrative office at Suite 400 10150 Mallard Creek Road, Charlotte, North Carolina.

The County also participates in a joint venture to operate Northwestern Regional Library with three other local governments. The County appoints three members to the 13-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 has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$480,970 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 111 North Front Street, Elkin, North Carolina 28621.

VI. Jointly Governed Organization

The County, in conjunction with five other counties and 21 municipalities, established the Piedmont Triad Regional 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 \$9,825 to the Council during the fiscal year ended June 30, 2017. The County was the subrecipient of various Federal and State grants

NOTES TO FINANCIAL STATEMENTS (Continued)

VI. Jointly Governed Organization (Continued)

totaling approximately \$397,243 from the U. S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources that was passed through the Council.

VII. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Special Supplemental Nutrition Program for Women, Infants and Children	\$ 462,431	\$ -
Foster Care Title IV-E	298,219	89,164
Title IV-E Adoption Assistance	397,916	100,227
Temporary Assistance for Needy Families/Work First	163,055	
Chafee Foster Care Independence Program	32,784	
Medical Assistance Program	38,077,735	20,365,362
Children's Health Insurance Program – N.C. Health Choice	965,377	8,498
State/County Special Assistance for Adults-DBP	-	510,341
Child Welfare Services - Adoption Subsidy	-	116,552
SFHF Maximization	-	20,448
State Foster Home	-	33,657
Extended F/C Maximization Non Title IV-E	-	900
Total	<u>\$ 40,397,517</u>	<u>\$ 21,245,149</u>

VIII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

NOTES TO FINANCIAL STATEMENTS (Continued)

IX. Stewardship, Compliance, and Accountability

The County is in violation of N.C. General Statute 159-28 which requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act. The budget for the project was not entered in the accounting system and was over budget \$161,123. Monitoring over purchase orders was not being performed. Management concurs. Management also adds that this will be resolved in the next fiscal year.

The County is in violation of N.C. General Statute 159-8 which requires that all money received and expended by a local government should be included in the budget ordinance. General Statute 159-28 requires that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made. Management concurs. Management also adds that this will be resolved in the next fiscal year.

X. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not within Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ended June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net pension for the governmental activities decreased \$460,403.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

- Law Enforcement Officers' Special Separation Allowance Change In Total Pension Liability
- Law Enforcement Officers' Special Separation Allowance Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Funding Progress for the Other Post-Employment Benefits
- Schedule of Employer Contributions for the Other Post-Employment Benefits
- Notes to the Required Schedules for the Other Post-Employment Benefits
- Schedule of Local Government Employees' Retirement Systems Proportionate Share of Net Pension Liability (Asset)
- Schedule of Local Government Employees' Retirement System Contributions
- Schedule of Register of Deeds' Supplemental Pension Fund Proportionate Share of Net Pension Liability (Asset)
- Schedule of Register of Deeds' Supplemental Pension Fund Contributions

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STOKES COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
Year Ended June 30, 2017

Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 833,251
Service cost	37,951
Interest on the total pension liability	28,938
Changes of assumptions or other inputs	(17,462)
Benefit payments	(45,342)
Ending balance of the total pension liability	<u>\$ 837,336</u>

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

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

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED
PAYROLL LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
Year Ended June 30, 2017

Law Enforcement Officers' Special Separation Allowance

	<u>2017</u>
Total pension liability	\$ 837,336
Covered payroll	\$ 1,659,202
Total pension liability as a percentage of covered payroll	50.47%

Notes to the Schedules:

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

STOKES COUNTY, NORTH CAROLINA
OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2017

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) ÷ (c)
12/31/2008	\$ -	\$ 3,150,181	\$ 3,150,181	0.00%	\$ 9,216,289	34.2%
12/31/2011	-	3,450,819	3,450,819	0.00%	9,116,772	37.9%
12/31/2013	-	3,792,557	3,792,557	0.00%	9,316,545	40.7%
12/31/2015	-	3,972,525	3,972,525	0.00%	9,723,915	40.9%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	\$ 343,230	37.80%
2016	351,179	39.91%
2017	351,224	36.67%

Notes to the Required Schedules:

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

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Amortization	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Pre-Medical cost trend rate	7.75%-5.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.00%

STOKES COUNTY, NORTH CAROLINA
STOKES COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Last Four Fiscal Years*

Local Governmental Employees' Retirement System				
	2017	2016	2015	2014
Stokes County's proportion of the net pension liability (asset) (%)	0.15691%	0.15471%	0.16026%	0.16460%
Stokes County's proportion of the net pension liability (asset) (\$)	\$ 3,330,156	\$ 694,329	\$ (945,128)	\$ 1,984,062
Stokes County's covered-employee payroll	\$ 10,277,209	\$ 9,533,524	\$ 9,389,406	\$ 8,950,303
Stokes County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.40%	7.28%	(10.07%)	22.17%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY CONTRIBUTIONS
LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Last Four Fiscal Years

Local Governmental Employees' Retirement System				
	2017	2016	2015	2014
Contractually required contribution	\$ 773,777	\$ 679,569	\$ 679,145	\$ 670,748
Contributions in relation to the contractually required contribution	773,777	679,569	679,145	670,748
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Stokes County's covered-employee payroll	\$ 10,454,639	\$ 10,277,209	\$ 9,533,524	\$ 9,389,406
Contributions as a percentage of covered-employee payroll	7.40%	6.61%	7.12%	7.14%

STOKES COUNTY, NORTH CAROLINA
STOKES COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Last Four Fiscal Years*

Register of Deeds' Supplemental Pension Fund				
	2017	2016	2015	2014
Stokes County's proportion of the net pension liability (asset) (%)	0.36819%	0.38609%	0.36388%	0.35446%
Stokes County's proportion of the net pension liability (asset) (\$)	\$ (68,837)	\$ (89,472)	\$ (82,486)	\$ (75,713)
Stokes County's covered-employee payroll	\$ 60,595	\$ 58,031	\$ 55,620	\$ 54,326
Stokes County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-113.60%	-154.18%	-148.30%	-139.37%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

STOKES COUNTY, NORTH CAROLINA
STOKES COUNTY'S CONTRIBUTIONS
LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Last Four Fiscal Years

Register of Deeds' Supplemental Pension Fund				
	2017	2016	2015	2014
Contractually required contribution	\$ 3,316	\$ 3,008	\$ 3,089	\$ 2,971
Contributions in relation to the contractually required contribution	3,316	3,008	3,089	2,971
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Stokes County's covered-employee payroll	\$ 61,935	\$ 60,595	\$ 58,031	\$ 55,620
Contributions as a percentage of covered-employee payroll	5.35%	4.96%	5.32%	5.34%

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SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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STOKES COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND CONSOLIDATED
Year Ended June 30, 2017

	General Fund	Dedicated Debt Service Fund	Health Department Title XIX Fund	Mental Health MOE Fund	Eliminations	Total General Fund
Revenues:						
Ad valorem taxes	\$ 23,501,233	\$ 1,509,181	\$ -	\$ -	\$ -	\$ 25,010,414
Other taxes and licenses	6,365,799	-	-	-	-	6,365,799
Intergovernmental	9,306,849	-	371,709	-	-	9,678,558
Permits and fees	403,868	-	-	-	-	403,868
Sales and services	3,084,742	-	364,164	-	-	3,448,906
Investment earnings	140,640	7,051	192	51	-	147,934
Other revenues	263,175	-	28,099	112,258	-	403,532
Total revenues	43,066,306	1,516,232	764,164	112,309	-	45,459,011
Expenditures:						
Current:						
General government	4,935,597	-	-	-	-	4,935,597
Public safety	9,589,234	-	-	-	-	9,589,234
Environmental protection	1,223,224	-	-	-	-	1,223,224
Economic and physical development	1,608,669	-	-	-	-	1,608,669
Human services	8,984,153	-	1,063,994	16,754	-	10,064,901
Culture and recreation	824,526	-	-	-	-	824,526
Special appropriations	521,918	-	-	-	-	521,918
Intergovernmental:						
Education	10,252,180	-	-	-	-	10,252,180
Debt service:						
Principal	3,737,637	-	-	-	-	3,737,637
Interest and fiscal charges	1,525,050	-	-	-	-	1,525,050
Total expenditures	43,202,188	-	1,063,994	16,754	-	44,282,936
Excess of revenues over (under) expenditures	(135,882)	1,516,232	(299,830)	95,555	-	1,176,075
Other Financing Sources (Uses):						
Transfers from other funds	3,238,352	866,200	255,561	64,304	(3,135,684)	1,288,733
Transfers to other funds	(1,486,967)	(3,192,659)	-	-	3,135,684	(1,543,942)
Debt issued	400,420	-	-	-	-	400,420
Total other financing sources (uses)	2,151,805	(2,326,459)	255,561	64,304	-	145,211
Net change in fund balances	2,015,923	(810,227)	(44,269)	159,859	-	1,321,286
Fund balances at beginning of year	17,465,348	3,461,651	410,080	-	-	21,337,079
Fund balances at end of year	\$ 19,481,271	\$ 2,651,424	\$ 365,811	\$ 159,859	\$ -	\$ 22,658,365

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 23,066,033	\$ 23,290,805	\$ 224,772
Penalties and interest	150,000	210,428	60,428
Total	<u>23,216,033</u>	<u>23,501,233</u>	<u>285,200</u>
Other Taxes and Licenses:			
Local option sales taxes	4,532,620	6,100,572	1,567,952
White goods disposal tax	12,000	26,609	14,609
Scrap tire disposal tax	55,000	62,609	7,609
Solid waste disposal tax	30,000	32,424	2,424
Electronic Management Program	3,000	3,520	520
Real estate transfer taxes	75,000	104,183	29,183
ABC bottle tax	3,325	3,325	-
Dog tag licenses	36,000	32,557	(3,443)
Total	<u>4,746,945</u>	<u>6,365,799</u>	<u>1,618,854</u>
Unrestricted Intergovernmental Revenues:			
Medicaid Relief - Hold harmless	601,670	1,163,342	561,672
Beer and wine tax	160,000	175,386	15,386
ABC net revenue	4,000	5,062	1,062
Total	<u>765,670</u>	<u>1,343,790</u>	<u>578,120</u>
Restricted Intergovernmental Revenues:			
State grants, including federal pass-through monies	8,031,496	7,421,589	(609,907)
Public School Capital Lottery	450,000	450,000	-
Court costs and facilities fees	80,000	91,470	11,470
Total	<u>8,561,496</u>	<u>7,963,059</u>	<u>(598,437)</u>
Permits and Fees:			
Building permits and inspection fees	167,264	217,241	49,977
Register of Deeds	161,800	186,627	24,827
Total	<u>329,064</u>	<u>403,868</u>	<u>74,804</u>
Sales and Services:			
Rents, concessions and fees	1,429,710	1,376,421	(53,289)
Ambulance fees	1,660,000	1,708,321	48,321
Total	<u>3,089,710</u>	<u>3,084,742</u>	<u>(4,968)</u>
Investment Earnings	50,000	140,640	90,640
Total	<u>50,000</u>	<u>140,640</u>	<u>90,640</u>
Other General Revenues:			
Sale of materials	7,000	25,000	18,000
Insurance claim refunds	67,181	75,119	7,938
Other	63,178	163,056	99,878
Total	<u>137,359</u>	<u>263,175</u>	<u>125,816</u>
Total revenues	<u>40,896,277</u>	<u>43,066,306</u>	<u>2,170,029</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Current Operating:			
General Government:			
Governing Body:			
Salaries	56,000	52,762	3,238
Employee benefits	129,119	127,270	1,849
Operating expenditures	817,271	785,034	32,237
Supplies	700	1,233	(533)
Total	<u>1,003,090</u>	<u>966,299</u>	<u>36,791</u>
Administrative:			
Salaries	155,509	155,488	21
Employee benefits	31,765	31,670	95
Operating expenditures	14,988	13,230	1,758
Supplies	2,300	2,105	195
Total	<u>204,562</u>	<u>202,493</u>	<u>2,069</u>
Elections:			
Salaries	80,173	79,796	377
Employee benefits	25,621	25,386	235
Operating expenditures	80,130	57,317	22,813
Supplies	7,750	6,990	760
Total	<u>193,674</u>	<u>169,489</u>	<u>24,185</u>
Finance:			
Salaries	172,156	172,018	138
Employee benefits	52,190	51,565	625
Operating expenditures	169,975	159,989	9,986
Supplies	7,500	7,212	288
Capital outlay	17,447	16,936	511
Total	<u>419,268</u>	<u>407,720</u>	<u>11,548</u>
Purchasing:			
Salaries	57,311	57,309	2
Employee benefits	17,512	17,303	209
Operating expenditures	6,123	4,328	1,795
Supplies	1,300	887	413
Total	<u>82,246</u>	<u>79,827</u>	<u>2,419</u>
Information Systems:			
Salaries	135,128	134,455	673
Employee benefits	42,121	36,918	5,203
Operating expenditures	23,375	18,922	4,453
Supplies	3,700	2,402	1,298
Capital outlay	8,500	8,405	95
Total	<u>212,824</u>	<u>201,102</u>	<u>11,722</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Tax Administration:			
Salaries	355,828	355,102	726
Employee benefits	121,283	120,159	1,124
Operating expenditures	310,333	296,432	13,901
Supplies	5,915	4,914	1,001
Total	793,359	776,607	16,752
Legal:			
Operating expenditures	165,000	162,043	2,957
Total	165,000	162,043	2,957
Register of Deeds:			
Salaries	124,915	124,856	59
Employee benefits	42,464	41,793	671
Operating expenditures	74,350	74,034	316
Supplies	4,295	4,074	221
Capital outlay	2,000	1,975	25
Total	248,024	246,732	1,292
Public Buildings:			
Salaries	283,322	279,007	4,315
Employee benefits	107,219	104,027	3,192
Operating expenditures	635,075	546,948	88,127
Supplies	65,000	55,936	9,064
Capital outlay	149,146	133,045	16,101
Total	1,239,762	1,118,963	120,799
Superior Court:			
Operating expenditures	94,650	80,186	14,464
Supplies	400	70	330
Capital Outlay	500	500	-
Total	95,550	80,756	14,794
Vehicle Maintenance:			
Salaries	106,592	106,553	39
Employee benefits	36,446	36,069	377
Operating expenditures	25,765	22,132	3,633
Supplies	4,800	4,698	102
Capital outlay	275	-	275
Total	173,878	169,452	4,426
Mapping/GIS:			
Salaries	110,197	110,133	64
Employee benefits	36,627	35,976	651
Operating expenditures	36,795	29,395	7,400
Supplies	5,950	5,685	265
Total	189,569	181,189	8,380

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revaluation			
Salaries	115,551	114,809	742
Employee benefits	36,292	35,738	554
Operating expenditures	32,000	19,384	12,616
Supplies	5,200	2,994	2,206
Total	189,043	172,925	16,118
Total general government	5,209,849	4,935,597	274,252
Public Safety:			
Sheriff:			
Salaries	2,138,550	2,120,396	18,154
Employee benefits	689,431	686,489	2,942
Operating expenditures	209,363	195,372	13,991
Supplies	166,567	155,893	10,674
Capital outlay	229,693	224,755	4,938
Total	3,433,604	3,382,905	50,699
Jail:			
Salaries	857,361	848,026	9,335
Employee benefits	253,695	243,804	9,891
Operating expenditures	694,039	605,283	88,756
Supplies	15,100	12,756	2,344
Capital outlay	12,280	11,701	579
Total	1,832,475	1,721,570	110,905
Animal Control:			
Salaries	107,692	107,448	244
Employee benefits	36,191	34,283	1,908
Operating expenditures	56,450	47,336	9,114
Supplies	20,500	18,437	2,063
Capital Outlay	20,390	18,826	1,564
Total	241,223	226,330	14,893
Emergency Management:			
Salaries	61,659	61,653	6
Employee benefits	16,445	16,263	182
Operating expenditures	26,670	12,153	14,517
Supplies	5,710	1,084	4,626
Capital outlay	43,000	43,000	-
Total	153,484	134,153	19,331
Emergency Medical Services:			
Salaries	1,664,773	1,614,126	50,647
Employee benefits	454,837	437,800	17,037
Operating expenditures	311,836	274,755	37,081
Supplies	244,150	215,857	28,293
Capital outlay	264,220	264,022	198
Total	2,939,816	2,806,560	133,256

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Emergency Communications:			
Salaries	584,652	586,504	(1,852)
Employee benefits	160,079	158,050	2,029
Operating expenditures	98,186	95,697	2,489
Supplies	2,300	2,339	(39)
Capital outlay	11,251	11,125	126
Total	<u>856,468</u>	<u>853,715</u>	<u>2,753</u>
Fire Marshal:			
Salaries	141,001	138,935	2,066
Employee benefits	40,988	39,699	1,289
Operating expenditures	29,178	25,241	3,937
Supplies	12,600	9,918	2,682
Capital outlay	7,142	7,141	1
Total	<u>230,909</u>	<u>220,934</u>	<u>9,975</u>
Medical Examiner:			
Contracted services	80,500	79,604	896
Total	<u>80,500</u>	<u>79,604</u>	<u>896</u>
Day Reporting Center:			
Salaries	100,783	100,441	342
Employee benefits	33,771	33,655	116
Operating expenditures	23,902	24,854	(952)
Supplies	4,177	3,930	247
Capital outlay	583	583	-
Total	<u>163,216</u>	<u>163,463</u>	<u>(247)</u>
Total public safety	<u>9,931,695</u>	<u>9,589,234</u>	<u>342,461</u>
Environmental Protection:			
Solid Waste Collection:			
Salaries	346,740	344,080	2,660
Employee benefits	82,104	81,966	138
Operating expenditures	804,215	726,064	78,151
Supplies	69,465	55,916	13,549
Capital outlay	15,235	15,198	37
Total environmental protection	<u>1,317,759</u>	<u>1,223,224</u>	<u>94,535</u>
Economic and Physical Development:			
Economic Development:			
Salaries	29,167	29,093	74
Employee benefits	9,221	9,059	162
Operating expenditures	684,100	675,712	8,388
Supplies	500	495	5
Total	<u>722,988</u>	<u>714,359</u>	<u>8,629</u>

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Planning and Community Development:			
Salaries	295,314	294,355	959
Employee benefits	86,098	83,872	2,226
Operating expenditures	20,775	15,995	4,780
Supplies	6,805	5,969	836
Total	408,992	400,191	8,801
Cooperative Extension:			
Operating expenditures	165,710	144,315	21,395
Supplies	5,930	5,575	355
Capital outlay	2,370	1,822	548
Total	174,010	151,712	22,298
Natural Resources:			
Salaries	75,483	75,454	29
Employee benefits	24,833	24,601	232
Operating expenditures	323,995	238,494	85,501
Supplies	2,780	1,883	897
Capital outlay	2,000	1,975	25
Total	429,091	342,407	86,684
Total economic and physical development	1,735,081	1,608,669	126,412
Human Services:			
Health:			
Administration:			
Salaries	519,150	483,233	35,917
Employee benefits	183,484	157,896	25,588
Operating expenditures	61,390	38,942	22,448
Supplies	16,250	13,205	3,045
Capital outlay	16,797	12,101	4,696
Total	797,071	705,377	91,694
Environmental Health:			
Salaries	170,595	169,491	1,104
Employee benefits	61,575	53,269	8,306
Operating expenditures	28,239	15,908	12,331
Supplies	12,000	11,136	864
Capital outlay	13,224	13,224	-
Total	285,633	263,028	22,605
Total health	1,082,704	968,405	114,299
Mental Health:			
Administration:			
Contracted services	334,841	329,119	5,722
Total	334,841	329,119	5,722

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Social Services:			
Administration:			
Salaries	2,313,933	2,239,221	74,712
Employee benefits	765,847	721,367	44,480
Operating expenditures	1,448,606	1,179,962	268,644
Supplies	45,300	43,117	2,183
Capital outlay	34,500	33,913	587
Total	4,608,186	4,217,580	390,606
General Public Assistance, County share only:			
Adoption assistance	202,468	181,340	21,128
Daycare for children and adults	1,202,102	1,049,858	152,244
Aid to the blind	2,270	-	2,270
Medical assistance - Medicaid	7,800	7,788	12
Aid to families with dependent children - WORKFIRST	120,000	29,302	90,698
Foster Home Fund	995,116	900,195	94,921
Crisis intervention	132,942	79,726	53,216
LIEAP	144,903	144,900	3
Special assistance	545,000	513,306	31,694
Total	3,352,601	2,906,415	446,186
Senior Citizens:			
Salaries	167,026	166,617	409
Employee benefits	51,851	51,503	348
Operating expenditures	359,262	317,423	41,839
Supplies	9,500	6,815	2,685
Total	587,639	542,358	45,281
Total social services	8,548,426	7,666,353	882,073
Veterans Services:			
Salaries	16,767	16,742	25
Employee benefits	2,683	2,682	1
Operating expenditures	1,090	684	406
Supplies	200	168	32
Total	20,740	20,276	464
Total human services	9,986,711	8,984,153	1,002,558
Culture and Recreation:			
Recreation			
Operating expenditures	117,484	117,484	-
Total	117,484	117,484	-
Arts Council:			
Salaries	80,625	80,498	127
Employee benefits	26,168	26,047	121
Operating expenditures	100,000	100,000	-
Total	206,793	206,545	248

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Library:			
Library operations	480,970	480,970	-
Total	480,970	480,970	-
Parks:			
Salaries	6,300	6,165	135
Employee benefits	589	527	62
Operating expenditures	12,950	10,809	2,141
Supplies	1,830	676	1,154
Capital outlay	1,350	1,350	-
Total	23,019	19,527	3,492
Total culture and recreation	828,266	824,526	3,740
Special Appropriations:			
Juvenile Services	15,410	11,500	3,910
Yadkin Valley Economic Development	189,229	189,229	-
N. C. Forestry Service	70,114	69,637	477
Stokes Friends of Youth	104,284	104,104	180
STEP ONE	34,198	34,198	-
Domestic Violence Task Force	5,500	5,500	-
Stokes County Stop Child Abuse Now	29,338	29,338	-
Northwest Piedmont MPO	8,091	-	8,091
Stokes County Fire & Rescue Associates	26,277	26,277	-
Northwest Piedmont Council of Government	1,500	1,016	484
Northwest Piedmont Rural Planning Organization	3,873	3,466	407
Francisco School Facility	40,798	40,675	123
King Senior Center	6,978	6,978	-
Total special appropriations	535,590	521,918	13,672
Public Schools:			
Current expense	9,812,838	9,812,838	-
Poplar Spring Elementary School-Operations	95,440	95,440	-
Special Appropriation	200,000	200,000	-
Community College:			
Salaries	43,030	42,811	219
Employee benefits	16,870	16,046	824
Operating expenditures	87,200	71,073	16,127
Supplies	15,667	11,939	3,728
Capital Outlay	2,033	2,033	-
Total community college	164,800	143,902	20,898
Total education	10,273,078	10,252,180	20,898
Debt Service:			
School:			
Principal	2,755,121	2,755,120	1
Interest	1,486,801	1,481,132	5,669
County Building:			
Principal	982,521	982,517	4
Interest	43,920	43,918	2
Total debt service	5,268,363	5,262,687	5,676

STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Contingency	227,504	-	227,504
Total	227,504	-	227,504
Total expenditures	45,313,896	43,202,188	2,111,708
Excess of revenues over (under) expenditures	(4,417,619)	(135,882)	4,281,737
Other Financing Sources (Uses):			
Transfers - in (out):			
From Capital Reserve Fund	288,733	288,733	-
From School Capital Outlay/Capital Reserve	1,000,000	1,000,000	-
From Dedicated Debt Service Fund	1,949,619	1,949,619	-
To Capital Reserve Fund	(234,232)	(234,232)	-
To Health Department Title XIX Fund	(255,561)	(255,561)	-
To Stokes-Reynolds Memorial Hospital Fund	(66,670)	(66,670)	-
To Mental Health MOE	(64,304)	(64,304)	-
To Dedicated Debt Service Fund	(866,200)	(866,200)	-
Total transfers	1,751,385	1,751,385	-
Proceeds from debt issuance (refunding):			
Installment obligations issued	400,420	400,420	-
Total proceeds from debt issuance	400,420	400,420	-
Total other financing sources (uses)	2,151,805	2,151,805	-
Net change in fund balance	(2,265,814)	2,015,923	4,281,737
Appropriated fund balance	2,265,814	-	(2,265,814)
Excess of revenues and other sources and appropriated fund balance over net change in fund balance	\$ -	2,015,923	\$ 2,015,923
Fund balance, beginning of year		17,465,348	
Fund balance, end of year		\$ 19,481,271	

STOKES COUNTY, NORTH CAROLINA
DEDICATED DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,317,446	\$ 1,355,024	\$ 37,578
Motor vehicle taxes collected by State	140,685	154,598	13,913
Total	<u>1,458,131</u>	<u>1,509,622</u>	<u>51,491</u>
Less: refunds	<u>-</u>	<u>(441)</u>	<u>(441)</u>
Net	1,458,131	1,509,181	51,050
Investment earnings	<u>-</u>	<u>7,051</u>	<u>7,051</u>
Total revenues	<u>1,458,131</u>	<u>1,516,232</u>	<u>58,101</u>
Expenditures:			
Debt service:			
School debt	<u>374,712</u>	<u>-</u>	<u>374,712</u>
Total expenditures	<u>374,712</u>	<u>-</u>	<u>374,712</u>
Excess of revenues over (under) expenditures	<u>1,083,419</u>	<u>1,516,232</u>	<u>432,813</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
To General Fund	(1,949,619)	(1,949,619)	-
To Capital Projects	(1,243,040)	(1,243,040)	-
From General Fund	<u>866,200</u>	<u>866,200</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,326,459)</u>	<u>(2,326,459)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,243,040)	(810,227)	432,813
Appropriated fund balance	<u>1,243,040</u>	<u>-</u>	<u>(1,243,040)</u>
Net change in fund balance	<u>\$ -</u>	<u>(810,227)</u>	<u>\$ (810,227)</u>
Fund balance, beginning of year		<u>3,461,651</u>	
Fund balance, end of year		<u>\$ 2,651,424</u>	

STOKES COUNTY, NORTH CAROLINA
HEALTH DEPARTMENT TITLE XIX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental Revenues:			
State grants, including federal pass-through monies	\$ 372,917	\$ 371,709	\$ (1,208)
Sales and Services:			
Fees	303,000	364,164	61,164
Investment earnings	-	192	192
Other General Revenues:			
Miscellaneous	21,500	28,099	6,599
Total revenues	<u>697,417</u>	<u>764,164</u>	<u>66,747</u>
Expenditures:			
Current operating:			
Adult Health Program:			
Salaries	167,353	157,333	10,020
Employee benefits	52,792	50,417	2,375
Operating expenditures	38,000	30,866	7,134
Supplies	22,500	14,198	8,302
Total	<u>280,645</u>	<u>252,814</u>	<u>27,831</u>
Child Health Program:			
Salaries	95,054	93,591	1,463
Employee benefits	32,112	30,431	1,681
Operating expenditures	172,000	168,715	3,285
Supplies	20,650	8,918	11,732
Total	<u>319,816</u>	<u>301,655</u>	<u>18,161</u>
Family Planning Program:			
Salaries	138,384	135,073	3,311
Employee benefits	47,038	44,342	2,696
Operating expenditures	45,000	34,467	10,533
Supplies	46,616	14,902	31,714
Total	<u>277,038</u>	<u>228,784</u>	<u>48,254</u>
General:			
Operating expenditures	85,002	57,091	27,911
Supplies	52,000	42,431	9,569
Total	<u>137,002</u>	<u>99,522</u>	<u>37,480</u>
Prenatal Program:			
Salaries	74,540	73,539	1,001
Employee benefits	23,937	23,450	487
Operating expenditures	84,500	80,657	3,843
Supplies	5,500	3,573	1,927
Total	<u>188,477</u>	<u>181,219</u>	<u>7,258</u>
Total expenditures	<u>1,202,978</u>	<u>1,063,994</u>	<u>138,984</u>
Excess of revenues over (under) expenditures	<u>(505,561)</u>	<u>(299,830)</u>	<u>205,731</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	255,561	255,561	-
Total other financing sources (uses)	<u>255,561</u>	<u>255,561</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(250,000)	(44,269)	205,731
Appropriated fund balance	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(44,269)</u>	<u>\$ (44,269)</u>
Fund balance, beginning of year		410,080	
Fund balance, end of year		<u>\$ 365,811</u>	

STOKES COUNTY, NORTH CAROLINA
MENTAL HEALTH MOE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 51	\$ 51
Other General Revenues:			
Miscellaneous	32,000	112,258	80,258
Total revenues	<u>32,000</u>	<u>112,309</u>	<u>80,309</u>
Expenditures:			
Current operating:			
Mental Health	64,304	-	64,304
NC211	10,000	9,970	30
Narcan Kits for Law Enforcement/EMS	5,000	-	5,000
Behavioral Health/sustance Abuse Care Management	7,000	-	7,000
DSS Placements/CCS Assists/Psychiatrist	5,000	5,000	-
Media/Education	2,500	-	2,500
Medication Storage/Lock Boxes	2,500	1,784	716
Total expenditures	<u>96,304</u>	<u>16,754</u>	<u>79,550</u>
Excess of revenues over (under) expenditures	<u>(64,304)</u>	<u>95,555</u>	<u>159,859</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	64,304	64,304	-
Total other financing sources (uses)	<u>64,304</u>	<u>64,304</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>159,859</u>	<u>\$ 159,859</u>
Fund balance, beginning of year		-	
Fund balance, end of year		<u>\$ 159,859</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
From Inception and for the Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Funding	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -
ARC Grant	300,000	-	300,000	300,000	-
Forsyth Tech State Funding	250,000	250,000	-	250,000	-
NCDENR	482,500	482,500	-	482,500	-
NCDOT	100,000	100,000	-	100,000	-
Private Donation	1,318,104	1,308,104	9,979	1,318,083	(21)
Sales tax refund	25,804	20,000	-	20,000	(5,804)
Interest on Investment	15,785	35,006	3,907	38,913	23,128
Total revenues	4,492,193	4,195,610	313,886	4,509,496	17,303
Expenditures:					
Lawsonville Elementary School:					
General contract	1,987,909	1,941,709	44,403	1,986,112	1,797
Architect fees	83,805	83,804	-	83,804	1
Miscellaneous expense	55,907	55,907	-	55,907	-
Total Lawsonville Elementary School	2,127,621	2,081,420	44,403	2,125,823	1,798
Community College:					
Construction - Community College	6,000,000	3,637,033	1,845,625	5,482,658	517,342
Construction - Sewer Extension CC	3,682,354	2,643,288	302,093	2,945,381	736,973
Professional services	484,841	484,841	-	484,841	-
Fees	66,068	58,478	6,500	64,978	1,090
Total Community College - Early College	10,233,263	6,823,640	2,154,218	8,977,858	1,255,405
Petree Project					
Construction	1,318,104	814,607	494,133	1,308,740	9,364
Total Petree Project	1,318,104	814,607	494,133	1,308,740	9,364
Jail Project					
Construction/Architect	5,200,000	290,918	59,404	350,322	4,849,678
Total Jail Project	5,200,000	290,918	59,404	350,322	4,849,678
School Roofing Projects					
Construction/Architect	672,091	18,309	412,038	430,347	241,744
Total School Roofing Projects	672,091	18,309	412,038	430,347	241,744
Chestnut Grove Paving Project					
Construction/Architect	50,000	-	-	-	50,000
Total Chestnut Grove Paving Project	50,000	-	-	-	50,000
Germanton School Roofing Project					
Construction/Architect	400,000	-	173,018	173,018	226,982
Total Germanton School Roofing Project	400,000	-	173,018	173,018	226,982
North Stokes Baseball Field Lights					
Construction/Architect	4,079	-	4,079	4,079	-
Total North Stokes Baseball Field Lights	4,079	-	4,079	4,079	-
South Stokes Baseball Field Lights					
Construction/Architect	101,870	-	101,870	101,870	-
Total South Stokes Baseball Field Lights	101,870	-	101,870	101,870	-
Lawsonville Ball Field Lights					
Construction/Architect	15,000	-	15,000	15,000	-
Total Lawsonville Ball Field Lights	15,000	-	15,000	15,000	-
Total expenditures	20,122,028	10,028,894	3,458,163	13,487,057	6,634,971
Excess of revenues over (under) expenditures	(15,629,835)	(5,833,284)	(3,144,277)	(8,977,561)	6,652,274
Other Financing Sources (Uses):					
Operating transfers - in:					
From General Fund	-	36,016	-	36,016	36,016
From Regional Sewer Fund	250,000	250,000	-	250,000	-
From Dedicated Debt Service	1,493,040	250,000	1,243,040	1,493,040	-
Debt issuance - Nancy Reynolds/Community College	534,695	534,695	-	534,695	-
Debt issuance - Lawsonville School	2,100,000	2,100,000	-	2,100,000	-
Debt issuance - Community College	6,052,100	6,052,100	-	6,052,100	-
Debt issuance - Jail	5,200,000	-	-	-	(5,200,000)
Total other financing sources (uses)	15,629,835	9,222,811	1,243,040	10,465,851	(5,163,984)
Net change in fund balance	\$ -	\$ 3,389,527	(1,901,237)	\$ 1,488,290	\$ 1,488,290
Fund balance, beginning of year			3,389,527		
Fund balance, end of year			\$ 1,488,290		

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STOKES COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds				
	Emergency Telephone System	Service District Fire District	Rural Hall Fire District	King Fire District	Walnut Cove Fire District
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 363,703	\$ 76,498	\$ 2,888	\$ 40,500	\$ 891
Taxes receivable, net	-	81,470	2,411	9,609	14,798
Accounts receivable, net	19,145	71,462	3,541	16,848	11,382
Total assets	<u>\$ 382,848</u>	<u>\$ 229,430</u>	<u>\$ 8,840</u>	<u>\$ 66,957</u>	<u>\$ 27,071</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,509	\$ 378	\$ 16	\$ 29	\$ 7
Total liabilities	<u>3,509</u>	<u>378</u>	<u>16</u>	<u>29</u>	<u>7</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>81,470</u>	<u>2,411</u>	<u>9,609</u>	<u>14,798</u>
Fund balances:					
Restricted:					
Stabilization by State statute	19,145	71,462	3,541	16,848	11,382
Restricted, all others	360,194	76,120	2,872	40,471	884
Committed	-	-	-	-	-
Assigned:					
Assigned, all others	-	-	-	-	-
Total fund balances	<u>379,339</u>	<u>147,582</u>	<u>6,413</u>	<u>57,319</u>	<u>12,266</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 382,848</u>	<u>\$ 229,430</u>	<u>\$ 8,840</u>	<u>\$ 66,957</u>	<u>\$ 27,071</u>

STOKES COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30,2017

	Capital Project Funds		Total
	Schools Capital Outlay/Capital Reserve Fund	Capital Reserve Fund	Nonmajor Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 204,721	\$ 576,507	\$ 1,265,708
Taxes receivable, net	-	-	108,288
Accounts receivable, net	303,984	-	426,362
Total assets	<u>\$ 508,705</u>	<u>\$ 576,507</u>	<u>\$ 1,800,358</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,939
Total liabilities	<u>-</u>	<u>-</u>	<u>3,939</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>108,288</u>
Fund balances:			
Restricted:			
Stabilization by State statute	303,984	-	426,362
Restricted, all others	-	-	480,541
Committed	-	576,507	576,507
Assigned:			
Assigned, all others	204,721	-	204,721
Total fund balances	<u>508,705</u>	<u>576,507</u>	<u>1,688,131</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 508,705</u>	<u>\$ 576,507</u>	<u>\$ 1,800,358</u>

STOKES COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Special Revenue Funds				
	Emergency Telephone System	Service District Fire District	Rural Hall Fire District	King Fire District	Walnut Cove Fire District
Revenues:					
Ad valorem taxes, net of refunds	\$ -	\$ 1,673,439	\$ 69,937	\$ 352,612	\$ 242,559
Other taxes and licenses	229,738	329,694	13,047	69,251	48,676
Investment earnings	542	189	9	48	58
Total revenues	<u>230,280</u>	<u>2,003,322</u>	<u>82,993</u>	<u>421,911</u>	<u>291,293</u>
Expenditures:					
Current operating:					
Public safety	461,499	1,955,017	81,000	423,068	298,412
Schools	-	-	-	-	-
Total expenditures	<u>461,499</u>	<u>1,955,017</u>	<u>81,000</u>	<u>423,068</u>	<u>298,412</u>
Excess of revenues over (under) expenditures	<u>(231,219)</u>	<u>48,305</u>	<u>1,993</u>	<u>(1,157)</u>	<u>(7,119)</u>
Other Financing Sources (Uses):					
Operating transfers - in (out):					
From General Fund	-	-	-	-	-
From Stokes-Reynolds Memorial Fund	-	-	-	-	-
To General Fund	-	-	-	-	-
To Stokes Reynolds Memorial Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(231,219)	48,305	1,993	(1,157)	(7,119)
Fund balances, beginning of year	<u>610,558</u>	<u>99,277</u>	<u>4,420</u>	<u>58,476</u>	<u>19,385</u>
Fund balances, end of year	<u>\$ 379,339</u>	<u>\$ 147,582</u>	<u>\$ 6,413</u>	<u>\$ 57,319</u>	<u>\$ 12,266</u>

STOKES COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Capital Project Funds		Total
	Schools Capital Outlay/Capital Reserve Fund	Capital Reserve Fund	Nonmajor Governmental Funds
Revenues:			
Ad valorem taxes, net of refunds	\$ -	\$ -	\$ 2,338,547
Other taxes and licenses	1,771,289	-	2,461,695
Investment earnings	258	2,058	3,162
Total revenues	1,771,547	2,058	4,803,404
Expenditures:			
Current operating:			
Public safety	-	-	3,218,996
Schools	651,000	-	651,000
Total expenditures	651,000	-	3,869,996
Excess of revenues over (under) expenditures	1,120,547	2,058	933,408
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	-	234,232	234,232
From Stokes-Reynolds Memorial Fund	-	10,000	10,000
To General Fund	(1,000,000)	(288,733)	(1,288,733)
To Stokes Reynolds Memorial Fund	-	(25,000)	(25,000)
Total other financing sources (uses)	(1,000,000)	(69,501)	(1,069,501)
Net change in fund balance	120,547	(67,443)	(136,093)
Fund balances, beginning of year	388,158	643,950	1,824,224
Fund balances, end of year	\$ 508,705	\$ 576,507	\$ 1,688,131

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
Emergency Telephone System Fund
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses:			
Restricted intergovernmental revenues	\$ 229,738	\$ 229,738	\$ -
Investment earnings	-	542	542
Total revenues	<u>229,738</u>	<u>230,280</u>	<u>542</u>
Expenditures:			
Current operating:			
Public safety:			
Telephone and furniture	90,500	71,550	18,950
Hardware maintenance	550,504	55,660	494,844
Software maintenance	388,000	287,886	100,114
Training	10,000	4,484	5,516
Functions	50,000	41,919	8,081
Total expenditures	<u>1,089,004</u>	<u>461,499</u>	<u>627,505</u>
Excess of revenues over (under) expenditures	(859,266)	(231,219)	628,047
Appropriated fund balance	<u>859,266</u>	-	<u>(859,266)</u>
Net change in fund balance	<u>\$ -</u>	(231,219)	<u>\$ (231,219)</u>
Fund balance, beginning of year		<u>610,558</u>	
Fund balance, end of year		<u>\$ 379,339</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SERVICE DISTRICT FIRE DISTRICT FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,491,337	\$ 1,489,396	\$ (1,941)
Motor vehicle taxes collected by State	142,845	152,503	9,658
Prior year	26,890	32,315	5,425
Total	<u>1,661,072</u>	<u>1,674,214</u>	<u>13,142</u>
Less: refunds	<u>-</u>	<u>(775)</u>	<u>(775)</u>
Net	1,661,072	1,673,439	12,367
Local option sales tax	276,000	329,694	53,694
Investment earnings	<u>-</u>	<u>189</u>	<u>189</u>
Total revenues	<u>1,937,072</u>	<u>2,003,322</u>	<u>66,250</u>
Expenditures:			
Current operating:			
Public safety	<u>1,955,017</u>	<u>1,955,017</u>	<u>-</u>
Total expenditures	<u>1,955,017</u>	<u>1,955,017</u>	<u>-</u>
Excess of revenues over (under) expenditures	(17,945)	48,305	66,250
Appropriated fund balance	<u>17,945</u>	<u>-</u>	<u>(17,945)</u>
Net change in fund balance	<u>\$ -</u>	48,305	<u>\$ 48,305</u>
Fund balance, beginning of year		<u>99,277</u>	
Fund balance, end of year		<u>\$ 147,582</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RURAL HALL FIRE DISTRICT FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 57,278	\$ 57,748	\$ 470
Motor vehicle taxes collected by State	7,889	9,167	1,278
Prior year	900	3,024	2,124
Total	<u>66,067</u>	<u>69,939</u>	<u>3,872</u>
Less: refunds	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Net	66,067	69,937	3,870
Local option sales tax	11,700	13,047	1,347
Investment earnings	<u>-</u>	<u>9</u>	<u>9</u>
Total revenues	<u>77,767</u>	<u>82,993</u>	<u>5,226</u>
Expenditures:			
Current operating:			
Public safety	<u>81,000</u>	<u>81,000</u>	<u>-</u>
Total expenditures	<u>81,000</u>	<u>81,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	(3,233)	1,993	5,226
Appropriated fund balance	<u>3,233</u>	<u>-</u>	<u>(3,233)</u>
Net change in fund balance	<u>\$ -</u>	1,993	<u>\$ 1,993</u>
Fund balance, beginning of year		<u>4,420</u>	
Fund balance, end of year		<u>\$ 6,413</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
KING FIRE DISTRICT FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes			
Current year	\$ 299,940	\$ 299,679	\$ (261)
Motor vehicle taxes collected by State	42,780	47,078	4,298
Prior year	5,000	5,855	855
Total	<u>347,720</u>	<u>352,612</u>	<u>4,892</u>
 Local option sales tax	 60,000	 69,251	 9,251
Investment earnings	<u>-</u>	<u>48</u>	<u>48</u>
 Total revenues	 <u>407,720</u>	 <u>421,911</u>	 <u>14,191</u>
 Expenditures:			
Current operating:			
Public safety	<u>423,068</u>	<u>423,068</u>	<u>-</u>
Total expenditures	<u>423,068</u>	<u>423,068</u>	<u>-</u>
 Excess of revenues over (under) expenditures	 (15,348)	 (1,157)	 14,191
 Appropriated fund balance	 <u>15,348</u>	 <u>-</u>	 <u>(15,348)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>(1,157)</u>	 <u>\$ (1,157)</u>
 Fund balance, beginning of year		 <u>58,476</u>	
 Fund balance, end of year		 <u>\$ 57,319</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WALNUT COVE FIRE DISTRICT FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 213,374	\$ 207,995	\$ (5,379)
Motor vehicle taxes collected by State	27,012	29,055	2,043
Prior year	5,000	5,514	514
Total	<u>245,386</u>	<u>242,564</u>	<u>(2,822)</u>
Less: refunds	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Net	245,386	242,559	(2,827)
Local option sales tax	37,000	48,676	11,676
Investment earnings	<u>-</u>	<u>58</u>	<u>58</u>
Total revenues	282,386	291,293	8,907
Expenditures:			
Current operating:			
Public safety	<u>298,412</u>	<u>298,412</u>	<u>-</u>
Total expenditures	<u>298,412</u>	<u>298,412</u>	<u>-</u>
Excess of revenues over (under) expenditures	(16,026)	(7,119)	8,907
Appropriated fund balance	<u>16,026</u>	<u>-</u>	<u>(16,026)</u>
Net change in fund balance	<u>\$ -</u>	<u>(7,119)</u>	<u>\$ (7,119)</u>
Fund balance, beginning of year		<u>19,385</u>	
Fund balance, end of year		<u>\$ 12,266</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOLS CAPITAL OUTLAY/CAPITAL RESERVE FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes and licenses:			
Local option sales taxes	\$ 1,651,000	\$ 1,771,289	\$ 120,289
Investment earnings	-	258	258
Total revenues	<u>1,651,000</u>	<u>1,771,547</u>	<u>120,547</u>
Expenditures:			
Schools:			
Capital outlay	<u>651,000</u>	<u>651,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>1,000,000</u>	<u>1,120,547</u>	<u>120,547</u>
Other Financing Sources (Uses):			
Transfers - in (out):			
To General Fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	120,547	<u>\$ 120,547</u>
Fund balance, beginning of year		<u>388,158</u>	
Fund balance, end of year		<u>\$ 508,705</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE FUND
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 2,058	\$ 2,058
Total revenues	<u>-</u>	<u>2,058</u>	<u>2,058</u>
Other Financing Sources (Uses):			
Operating transfers - in (out):			
From General Fund	234,232	234,232	-
From Stokes-Reynolds Memorial Hospital Fund	10,000	10,000	-
To Stokes Reynolds Fund	(25,000)	(25,000)	-
To General Fund	(288,733)	(288,733)	-
Total other financing sources (uses)	<u>(69,501)</u>	<u>(69,501)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(69,501)	(67,443)	2,058
Appropriated fund balance	<u>69,501</u>	<u>-</u>	<u>(69,501)</u>
Net change in fund balance	<u>\$ -</u>	<u>(67,443)</u>	<u>\$ (67,443)</u>
Fund balance, beginning of year		<u>643,950</u>	
Fund balance, end of year		<u>\$ 576,507</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
STOKES-REYNOLDS MEMORIAL HOSPITAL FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Stokes Reynolds Hospital Inc.	\$ 5,000	\$ 88,601	\$ 83,601
Miscellaneous Revenue	10,000	10,000	
Non-operating revenues:			
Interest income	-	38	38
Total revenues	<u>15,000</u>	<u>98,639</u>	<u>83,639</u>
Expenditures:			
Hospital expense	66,670	66,670	-
Operating expense	-	161,123	(161,123)
Improvement	25,000	25,000	-
Stokes-Reynolds Hospital Inc.	5,000	600	4,400
Total expenditures	<u>96,670</u>	<u>253,393</u>	<u>(156,723)</u>
Excess of revenues over (under) expenditures	<u>(81,670)</u>	<u>(154,754)</u>	<u>(73,084)</u>
Other Financing Sources (Uses):			
Operating transfers			
To Capital Reserve Fund	(10,000)	(10,000)	-
From Capital Reserve Fund	25,000	25,000	-
From General Fund	66,670	66,670	-
Total other financing sources (uses)	<u>81,670</u>	<u>81,670</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(73,084)</u>	<u>\$ (73,084)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Depreciation		-	
Change in net position		<u>\$ (73,084)</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
REGIONAL SEWER FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Sewer fees	\$ 173,869	\$ 134,888	\$ (38,981)
Non-operating revenues:			
Tap fees	-	3,600	3,600
Interest income	-	663	663
Total revenues	<u>173,869</u>	<u>139,151</u>	<u>(34,718)</u>
Expenditures:			
Salaries	13,794	13,754	40
Fringe	4,575	4,472	103
Operating expenditures	54,500	36,996	17,504
Maintenance and repairs equipment	20,000	4,941	15,059
Equipment	81,000	53,722	27,278
Total expenditures	<u>173,869</u>	<u>113,885</u>	<u>59,984</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>25,266</u>	<u>\$ 25,266</u>
Reconciliation from Budgetary Basis (Modified Accrual) to full accrual:			
Reconciling items:			
Capital outlay		52,735	
Depreciation		<u>(58,345)</u>	
Change in net position		<u>\$ 19,656</u>	

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
DANBURY WATER FUND
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water fees	\$ 157,852	\$ 156,375	\$ (1,477)
Non-operating revenues:			
Tap fees	3,000	-	(3,000)
Interest income	100	172	72
Total revenues	<u>160,952</u>	<u>156,547</u>	<u>(4,405)</u>
Expenditures:			
Salaries	19,711	19,356	355
Fringe	6,549	6,345	204
Operating expenditures	37,400	27,562	9,838
Maintenance and repairs equipment	20,000	15,284	4,716
Capital outlay	115,300	115,281	19
Other	11,910	2,810	9,100
Total expenditures	<u>210,870</u>	<u>186,638</u>	<u>24,232</u>
Excess of revenues over (under) expenditures	(49,918)	(30,091)	19,827
Net Position appropriated	<u>49,918</u>	<u>-</u>	<u>(49,918)</u>
Excess of revenues and retained earnings appropriated under expenditures and other uses	<u>\$ -</u>	(30,091)	<u>\$ (30,091)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Depreciation		(41,140)	
Capital outlay		<u>114,000</u>	
Change in net position		<u>\$ 42,769</u>	

**STOKES COUNTY, NORTH CAROLINA
COMBINING SCHEDULE OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2017**

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
<u>Social Services Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 28,503	\$ 337,302	\$ 329,147	\$ 36,658
Accounts receivable	7,412	11,994	7,412	11,994
Total	<u>\$ 35,915</u>	<u>\$ 349,296</u>	<u>\$ 336,559</u>	<u>\$ 48,652</u>
LIABILITIES				
Accounts payable	\$ 1,736	\$ 20,573	\$ 1,736	\$ 20,573
Funds held for others	34,179	346,127	352,227	28,079
Total	<u>\$ 35,915</u>	<u>\$ 366,700</u>	<u>\$ 353,963</u>	<u>\$ 48,652</u>
<u>Recreation Fund</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 3,158</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 3,160</u>
LIABILITIES				
Funds held for others	<u>\$ 3,158</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 3,160</u>
<u>Penalties and Interest-School</u>				
ASSETS				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 210,438</u>	<u>\$ 210,438</u>	<u>\$ -</u>
LIABILITIES				
Funds held for others	<u>\$ -</u>	<u>\$ 210,438</u>	<u>\$ 210,438</u>	<u>\$ -</u>
<u>Stokes County Jail</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 5,563</u>	<u>\$ 12,964</u>	<u>\$ -</u>	<u>\$ 18,527</u>
LIABILITIES				
Funds held for others	<u>\$ 5,563</u>	<u>\$ 12,964</u>	<u>\$ -</u>	<u>\$ 18,527</u>

**STOKES COUNTY, NORTH CAROLINA
COMBINING SCHEDULE OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2017**

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
<u>Stokes County 4-H Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 4,148	\$ 17,368	\$ 18,222	\$ 3,294
LIABILITIES				
Accounts payable	\$ 374	\$ 415	\$ 374	\$ 415
Funds held for others	3,774	14,240	15,135	2,879
Total	<u>\$ 4,148</u>	<u>\$ 14,655</u>	<u>\$ 15,509</u>	<u>\$ 3,294</u>
<u>Total All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 41,372	\$ 578,074	\$ 557,807	\$ 61,639
Accounts receivable	7,412	11,994	7,412	11,994
Total	<u>\$ 48,784</u>	<u>\$ 590,068</u>	<u>\$ 565,219</u>	<u>\$ 73,633</u>
LIABILITIES				
Accounts payable	\$ 2,110	\$ 20,988	\$ 2,110	\$ 20,988
Funds held for others	46,674	583,771	577,800	52,645
Total	<u>\$ 48,784</u>	<u>\$ 604,759</u>	<u>\$ 579,910</u>	<u>\$ 73,633</u>

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ADDITIONAL FINANCIAL DATA

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STOKES COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 25,131,675	\$ 24,481,419	\$ 650,256
2015-2016	607,847	-	303,614	304,233
2014-2015	278,790	-	90,981	187,809
2013-2014	192,699	-	54,984	137,715
2012-2013	135,820	-	37,843	97,977
2011-2012	80,999	-	14,293	66,706
2010-2011	58,654	-	7,824	50,830
2009-2010	42,766	-	4,315	38,451
2008-2009	36,037	-	5,176	30,861
2007-2008	26,188	-	2,626	23,562
2006-2007	18,151	-	18,151	-
Total	<u>\$ 1,477,951</u>	<u>\$ 25,131,675</u>	<u>\$ 25,021,226</u>	1,588,400
Less: Allowance for uncollectible ad valorem taxes receivable: General Fund				<u>405,035</u>
Ad valorem taxes receivable, net				<u>\$ 1,183,365</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund				\$ 23,501,233
Taxes - ad valorem - Dedicated Debt Service Fund				1,509,622
Discounts allowed				203,854
Amounts written off for tax year 2006-07 per Statute of Limitations				16,945
Subtotal				<u>25,231,654</u>
Less interest and penalties collected				<u>(210,428)</u>
Total				<u>\$ 25,021,226</u>

STOKES COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
Year Ended June 30, 2017

	County-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,217,149,242	\$ 0.66	\$ 21,233,185	\$ 18,677,856	\$ 2,555,329
Utilities	583,143,939	0.66	3,848,750	3,848,750	-
Penalties	-		15,804	15,804	-
Total	<u>3,800,293,181</u>		<u>25,097,739</u>	<u>22,542,410</u>	<u>2,555,329</u>
Discoveries:					
Current year taxes	<u>10,062,879</u>	0.66	<u>66,415</u>	<u>66,415</u>	<u>-</u>
Abatements					
	<u>(4,921,061)</u>		<u>(32,479)</u>	<u>(32,479)</u>	<u>-</u>
Total property valuation	<u><u>\$ 3,805,434,999</u></u>				
Net levy			25,131,675	22,576,346	2,555,329
Uncollected taxes at June 30, 2017			<u>650,256</u>	<u>650,256</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 24,481,419</u></u>	<u><u>\$ 21,926,090</u></u>	<u><u>\$ 2,555,329</u></u>
Current levy collection percentage			<u><u>97.41%</u></u>	<u><u>97.12%</u></u>	<u><u>100.00%</u></u>
<u>Secondary Market Disclosures</u>					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 2,640,616,841	
Business property				161,432,957	
Personal property				34,088,726	
Motor Vehicle				386,152,569	
Public service companies				583,143,906	
Total assessed valuation				<u><u>\$ 3,805,434,999</u></u>	
Tax rate per \$100					0.66
Levy (includes discoveries, releases and abatements)				<u><u>\$ 25,131,675</u></u>	

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

Fire Protection Districts

Service District	\$ 1,701,125
Rural Hall	69,203
King	354,622
Walnut Cove	247,104
Total	<u><u>\$ 2,372,054</u></u>

Table 1

STOKES COUNTY, NORTH CAROLINA
TEN LARGEST TAXPAYERS
Year Ended June 30, 2017

Name	Product	Value	Levy	Percentage
Duke Power Company	Electric Utility	\$ 537,631,267	\$ 3,333,314	13.26%
Wieland Copper Products	Copper Tubing	84,763,002	525,531	2.09%
R J Reynolds Tobacco Company	Tobacco Company	16,026,381	99,364	0.40%
Energy United EMC	Electric Utility	11,770,836	72,979	0.29%
Powerscreen Mid-Atlantic Inc.	Build Equipment	11,769,979	72,974	0.29%
Parkdale America	Elastic	11,283,562	69,958	0.28%
Time Warner Cable Internet LLC	Cable	8,874,236	55,020	8.46%
Surry-Yadkin Electric	Electric Utility	8,331,096	51,653	0.21%
Norfolk Southern	Railroad Utility	8,319,842	51,583	0.21%
Central Telephone Company	Electric Utility	3,204,608	19,869	0.08%
Total			<u>\$ 4,352,245</u>	<u>25.57%</u>

STOKES COUNTY, NORTH CAROLINA
CAPITAL RESERVE FUND
RECONCILIATION OF FUND BALANCE
Year Ended June 30, 2017

<u>Project Description</u>	<u>Balance July 1, 2016</u>	<u>Revenues and Operating Transfers - In</u>	<u>Operating Transfers - Out</u>	<u>Balance June 30, 2017</u>
General Government:				
Administration	\$ -	\$ 45,000	\$ -	\$ 45,000
Finance	-	2,173	-	2,173
Tax administration	29,900	-	29,900	-
Public buildings	158,580	132,610	95,105	196,085
Register of Deeds	27,374	2,274	12,900	16,748
Vehicle maintenance	89,217	34,217	-	123,434
Technology	5,423	-	-	5,423
Elections	39,680	-	-	39,680
Total	<u>350,174</u>	<u>216,274</u>	<u>137,905</u>	<u>428,543</u>
Public Safety:				
Sheriff's Department - equipment	60,000	-	40,000	20,000
Jail	3,426	-	-	3,426
Emergency management	17,919	17,958	-	35,877
Emergency communications	61,124	-	25,603	35,521
Fire Marshal	4,454	-	2,817	1,637
EMS	50,358	-	50,358	-
Total	<u>197,281</u>	<u>17,958</u>	<u>118,778</u>	<u>96,461</u>
Education:				
Forsyth Tech	13,600	-	-	13,600
Total	<u>13,600</u>	<u>-</u>	<u>-</u>	<u>13,600</u>
Economic and Physical Development:				
Economic Development	49,428	-	49,428	-
Total	<u>49,428</u>	<u>-</u>	<u>49,428</u>	<u>-</u>
Human Services:				
Stokes-Reynolds Memorial Hospital	10,000	10,000	-	20,000
Health	4,622	-	4,622	-
Environmental Health	3,000	-	3,000	-
Total	<u>17,622</u>	<u>10,000</u>	<u>7,622</u>	<u>20,000</u>
Unspecified	15,845	2,058	-	17,903
Total	<u>\$ 643,950</u>	<u>\$ 246,290</u>	<u>\$ 313,733</u>	<u>\$ 576,507</u>

COMPLIANCE SECTION

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

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

Independent Auditor's Report

To the Board of County Commissioners
Stokes County
Danbury, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stokes County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 6, 2017. The financial statements of the Stokes County Water and Sewer Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stokes County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stokes County's internal control. Accordingly, we do not express an opinion on the effectiveness of Stokes County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-002, and 2017-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stokes County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 and 2017-003.

Stokes County's Responses to Findings

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

November 6, 2017, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is November 19, 2018

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Report On Compliance with Requirements Applicable to Each Major Federal Program and Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Stokes County
Danbury, North Carolina

Report On Compliance for Each Major Federal Program

We have audited Stokes County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Stokes County's major federal programs for the year ended June 30, 2017. Stokes County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion On Each Major Federal Program

In our opinion, Stokes County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

As discussed in Note 4 to the Schedule of Expenditures of Federal and State Awards, the schedule was restated to increase CFDA No. 10.766 expenditures by \$2,154,218. We performed additional testing to audit the CFDA No. 10.766 program as major. Finding number 2017-004 was added as a result of this restatement. The previously issued auditor's report dated November 6, 2017 is not to be relied upon due to the restatement of the Schedule of Expenditures of Federal and State Awards. Audit procedures applied subsequent to the original audit report date were limited solely to the restatement of the Schedule of Expenditures of Federal and State Awards. Our opinion on each major federal program is not modified as a result of this restatement.

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-004. Our opinion on each major federal program is not modified with respect to this matter.

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

Report On Internal Control Over Compliance

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

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

compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-004 that we consider to be a material weakness.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

November 6, 2017, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is November 19, 2018

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Report On Compliance with Requirements Applicable to Each Major State Program and Report on Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Stokes County
Danbury, North Carolina

Report On Compliance for Each Major State Program

We have audited Stokes County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Stokes County's major State programs for the year ended June 30, 2017. Stokes County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion On Each Major State Program

In our opinion, Stokes County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

Report On Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

November 6, 2017, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is November 19, 2018

STOKES COUNTY, NORTH CAROLINA

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

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778, 93.777, 93.775
Communities Facilities Loans and Grant Cluster	10.766

Dollar threshold used to distinguish between Type A and Type B programs \$1,398,456

Auditee qualified as low-risk auditee? No

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

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

- | | |
|---|----|
| • Material weakness identified? | No |
| • Significant deficiency(s) identified? | No |

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

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

Identification of major State programs:

Program Name

Medicaid Cluster
State/County Special Assistance for Adults - DBP

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

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

Finding 2017-001

Material Weakness

Criteria: Management should design a system of internal controls that limits the same personnel from having access to assets and having access to the general ledger.

Condition: The County has one person responsible for preparing payroll input, reviewing the payroll journals from the payroll system, and finalizing each payroll. This same person performs human resources duties.

Effect: Having one employee perform both payroll and human resource functions without someone else reviewing their work increase the likelihood that transactions involving personnel files and payroll could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit 2016-001.

Recommendation: This combination of duties significantly increases the chances of an error or irregularity going undetected. We suggest that some of these functions be segregated among other employees to protect the assets of the County. As a minimum, we suggest having someone else finalize each payroll. Access to the personnel files and payroll functions should be separated.

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

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

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2017-002

Material Weakness

Material Non-Compliance

Criteria: General Statute 159-8 requires that all money received and expended by a local government should be included in the budget ordinance. General Statute 159-28 requires that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made.

Condition: In the current year, the County expended more funds than appropriated.

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

Cause: Expenditures were made without being included in the budget.

Identification of a Repeat Finding: This finding was modified and repeated from the immediate previous audit 2016-004.

Recommendation: The County should implement additional monitoring controls, such as reviewing monthly budget to actual reports and careful preaudit of expenditures. Budget amendments should be adopted prior to expending funds that exceed budgeted amounts.

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

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

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2017-003

Material Non-Compliance

Criteria: Per North Carolina General Statute [159-13] (16), appropriated fund balance in a fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year.

Condition: In the current year, there was a violation of the N.C. General Statute with regards to appropriations of fund balance exceeding the aforementioned amounts.

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

Cause: County appropriate more fund balance than they had at the beginning of the year.

Recommendation: The County should implement additional monitoring controls, such as reviewing monthly budget to actual reports and careful review prior to preparing the budget.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with these findings related to contingency and fund balance appropriations and will make the necessary modifications in the fiscal year 2018 budget to be in compliance with N.C. General Statutes.

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

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2017-004

Material Weakness

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

Condition: Subsequent to the issuance of the County's single audit reporting package for the year ending June 30, 2017, the County discovered expenditures for the Communities Facilities Loans and Grant Cluster (CFDA No. 10.766) were excluded from the Schedule of Expenditures of Federal and State Awards. The amount excluded as Federal expenditures was material, resulting in a restatement of the Schedule of Expenditures of Federal and State Awards and resubmission of the data collection form reporting package.

Effect: Recall and reissue of the 2017 Single Audit and data collection form reporting package.

Cause: The County received federal awards for the Community College and incorrectly excluded expenditures related to the federal portion of the award.

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

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

STOKES COUNTY, NORTH CAROLINA

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

3. Federal Award Findings and Questioned Costs

U.S. Department of Agriculture

Program Name: Community Facilities Loans and Grants Cluster

CFDA No. 10.766

Material Weakness

Noncompliance

Finding 2017-004

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

Condition: Subsequent to the issuance of the County's single audit reporting package for the year ending June 30, 2017, the County discovered expenditures for the Communities Facilities Loans and Grant Cluster (CFDA No. 10.766) were excluded from the Schedule of Expenditures of Federal and State Awards. The amount excluded as Federal expenditures was material, resulting in a restatement of the Schedule of Expenditures of Federal and State Awards and resubmission of the data collection form reporting package.

Questioned Costs: None

Context: Federal expenditures were excluded on the Schedule of Expenditures of Federal and State Awards. Major program threshold was restated resulting in a new major program.

Effect: Recall and reissue of the 2017 Single Audit and data collection form reporting package.

Cause: The County received federal awards for the Community College and excluded expenditures related to the federal portion of the award.

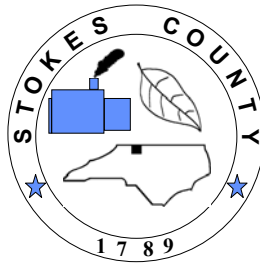
Recommendation: Management should reconcile all grant and loan awards involving both federal and State awards to the grant document and reimbursement request for proper classification of expenditures.

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

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

4. State Award Findings and Questioned Costs

None reported.



Stokes County

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Danbury, NC 27016

Email: jedwards@co.stokes.nc.us

Finance Department

(336) 593-2405
(336) 593-2346 Fax

Section II – Findings Related to the Audit of the Basic Financial Statements

Finding: 2017-001

Name of Contact Person: Julia Edwards, Finance Director

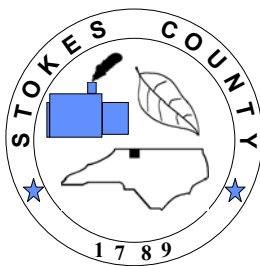
Corrective Action: This was a finding from last year. LGC staff came and met with us about this matter in January, 2017. We implemented the recommended correction, which was that someone in the Finance Department take the personnel information and verify it to the payroll system. We already have someone checking the payroll report with the person keying the data before processing the payroll. This person assisting the payroll person does not key in data. Also, our Clerk to the Board/Adm Assist to Manager/Personnel Office is retiring December and the Board has separated the job to two positions. Clerk to Board/Adm Assist to Manager and Human Resource Officer. The Human Resource Officer will be keying the data into the HR software and the payroll person will be checking the data. This position hopefully will be filled by the end of December.

Proposed Completion Date: Immediately

Finding: 2017-002

Name of Contact Person: Julia Edwards, Finance Director

Corrective Action: This was a finding from last year. LGC staff came and met with us about this matter in January, 2017. We implemented the recommended correction. We got a new system to print our checks and we have blank stock now. I forgot to have the pre-audit statement put on the checks. We corrected after the LGC staff was here. Our IT staff could put it on the check for us. We have a checking account for our hospital due to the leasing agency filed bankruptcy and we had to have a way to pay bills at the hospital. In fiscal year 2016-17, I did not think I had any invoices paid out of that account until I was processing the audit information and I found that it did have invoices paid and there was no budget and it was September. This account is not being used anymore due to we have leased the hospital to someone else.



Stokes County

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I have put in place the monitoring controls to prevent this from occurring again.

Proposed Completion Date: Immediately

Finding: 2017-003

Name of Contact Person: Julia Edwards, Finance Director

Corrective Action: Monitoring controls have been put in place to assure that the fund balance appropriation does not exceed the fund balance. This was an oversight on my part due to a re-appropriation of funds from the prior year. I have corrected this procedure.

Proposed Completion Date: Immediately

Finding: 2017-004

Name of Contact Person: Julia Edwards, Finance Director

Corrective Action: Management has put a system in place to review all federal and state grant and loan awards and properly classify each funding source in the proper period. All grant and loan awards will be reconciled to the original agreements and reimbursement requests.

Proposed Completion Date: November 19, 2018

STOKES COUNTY, NORTH CAROLINA

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

Finding 2016-001

Status: Repeated as Finding 2017-001.

Corrective Action Plan:

This was a finding from last year. LGC staff came and met with us about this matter in January, 2017. We implemented the recommended correction, which was that someone in the Finance Department take the personnel information and verify it to the payroll system. We already have someone checking the payroll report with the person keying the data before processing the payroll. This person assisting the payroll person does not key in data. Also, our Clerk to the Board/Adm Assist to Manager/Personnel Office is retiring December and the Board has separated the job to two positions. Clerk to Board/Adm Assist to Manager and Human Resource Officer. The Human Resource Officer will be keying the data into the HR software and the payroll person will be checking the data. This position hopefully will be filled by the end of December.

Finding 2016-002

Status: Corrected.

Finding 2016-003

Status: Corrected.

Finding 2016-004

Status: Modified and repeated as Finding 2017-002.

Corrective Action Plan:

This was a finding from last year. LGC staff came and met with us about this matter in January, 2017. We implemented the recommended correction. When we got a new system to print our checks and we have blank stock now. I forgot to have the pre-audit statement put on the checks. We corrected after the LGC staff was here. Our IT staff could put it on the check for us. We have a checking account for our hospital due to the leasing agency filed bankruptcy and we had to have a way to pay bills at the hospital. In fiscal year 2016-17, I did not think I had any invoices paid out of that account until I was processing the audit information and I found that it did have invoices paid and there was no budget and it was September. This account is not being used anymore due to we have leased the hospital to someone else. I have put in place the monitoring controls to prevent this from accruing again.

Finding 2016-005

Status: Corrected.

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STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
FEDERAL AWARDS:						
<u>U. S. Department of Agriculture</u>						
<u>Food and Nutrition Service</u>						
Passed-through the N.C. Dept. of Health and Human Services: Division of Social Services: Administration: <u>Supplemental Nutrition Assist. Program Cluster</u> State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	WC302	\$ 259,770	\$ -		259,770
Total Supplemental Nutrition Assist. Program Cluster			259,770	-		259,770
Passed-through the N.C. Dept. of Health and Human Services: Division of Public Health: Administration: Special Supplemental Nutrition Program for Women, Infants and Children	10.557	536260403/53260415	173,150	-		
Direct Benefit Payments: Special Supplemental Nutrition Program for Women, Infants and Children	10.557		462,431	-		
Total Supplemental Nutrition Program for Women, Infants & Children			635,581	-		
Community Facilities Loans and Grants Cluster (Note 5): Direct Program: Community Facilities Loans and Grants - Community College	10.766		2,154,218	-		
Total Community Facilities Loans and Grants Cluster (Note 5)			2,154,218	-		
Total U. S. Department of Agriculture			3,049,569	-		259,770
<u>U.S. Department of Health & Human Services</u>						
<u>Office of Population Affairs</u>						
Passed-through the N.C. Dept. of Health and Human Services: Division of Public Health: Family Planning Services	93.217	536260151	34,497	-		
<u>Administration on Aging</u>						
<u>Division of Aging and Adult Services</u>						
Passed-through the Piedmont Triad Regional Council <u>Aging Cluster:</u> Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	DOA-735	28,572	25,175		
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	DOA-735	153,479	45,866		
Nutrition Services Incentive Program	93.053	DOA-735	28,450	-		
Total Aging Cluster			210,501	71,041		-
Social Services Block Grant (SSBG) - In-Home Services	93.667	DOA-735	6,635	189	380	
National Family Caregiver Support, Title III, Part E	93.052	DOA-735	14,095	940		
<u>U.S. Department of Health and Human Services (Continued)</u>						
<u>Administration of Children and Families</u>						
Passed-through the N.C. Dept. of Health and Human Services: Division of Social Services: <u>Foster Care and Adoption Cluster (Note 3)</u> Foster Care Title IV-E	93.658	WC302	111,994	-		18,789
Foster Care Title IV-E - Administration	93.658	WC302	254,401	24,585		228,520
Foster Care Title IV-E - Direct Benefit Payments	93.658	WC302	298,219	89,164		88,867
Adoption Assistance	93.659	WC302	405	-		73
Title IV-E Optional Adoption TRN-Admin	93.659	WC302	2,749	-		2,749
Title IV-E Adoption Assistance - Direct Benefit Payments	93.659	WC302	397,916	100,227		100,053
Total Foster Care and Adoption Cluster (Note 3)			1,065,684	213,976		439,051
<u>U.S. Department of Health and Human Services (Continued)</u>						
<u>Temporary Assistance for Needy Families Cluster</u>						
Administration: Temporary Assistance for Needy Families	93.558	536260151	4,220	-		-
Temporary Assistance for Needy Families (TANF) / WorkFirst	93.558	WC302	215,957	-		239,177
Direct Benefit Payments: Temporary Assistance for Needy Families / WorkFirst	93.558	WC302	163,055	-		-
Total TANF Cluster			383,232	-		239,177
Child Support Enforcement - IV-D Administration	93.563	WC302	218,398	-		112,512
Low-Income Home Energy Assistance Block Grant: Low Income Home Energy Assistance - Administration	93.568	WC302	24,115	-		
Low Income Home Energy Assistance - Payments	93.568	WC302	144,408	-		
Crisis Intervention Payments	93.568	WC302	79,155	-		
Child Welfare Services - State Grants Stephanie Tubbs Jones Child Welfare Services Program	93.645	WC302	12,332	-		4,111
Chafee Foster Care Independence Program - Admin	93.674	WC302	11,797	2,949		
Chafee Foster Care Independence Program - Direct Benefit Payments	93.674	WC302	32,784	-		
Social Service Block Grant	93.667	WC302	248,484	11,349		45,615
Promoting Safe and Stable Families- Family Preservation	93.556	WC302	40,229	-		

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
FEDERAL Awards (Continued)						
Division of Child Development:						
Subsidized Child Care (Note 3)						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration	93.596	WC302	79,886	-		
Division of Child Development:						
Child Care and Development Block Grant	93.575	536147/536151	192,885	-		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	536145	98,981	-		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Matching	93.596	536150/536149	349,284	151,766		
Total Child Care Development Fund Cluster			721,036	151,766		
U.S. Department of Health and Human Services (Continued)						
Temporary Assistance for Needy Families	93.558	536150	82,765	-		
Foster Care Title IV-E	93.658	536153/536154	7,347	3,632		
Smart Start			-	1,120		
State Appropriations		536142	-	165,494		
TANF-MOE		536146	-	87,474		
Total Subsidized Child Care (Note 3)			811,148	409,486		
Centers for Medicare and Medicaid Services:						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Medical Assistance:						
Medicaid Cluster:						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778	DMA 2017	38,077,735	20,365,362		
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	WC302	641,230	2,572		270,800
Total Medicaid Cluster			38,718,965	20,367,934		270,800
Division of Medical Assistance:						
Direct Benefit Payments:						
Children's Health Insurance Program - N.C. Health Choice	93.767	DMA 2017	965,377	8,498		
Division of Social Services:						
Administration:						
Children's Health Insurance Program - N.C. Health Choice	93.767	WC302	20,892	37		19
Centers for Disease Control and Prevention						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	536260613/536260514	38,633			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	536260551	50			
Injury Prevention and Control Research and State and Community Based Program	93.136	536260472	1,031	-		
Immunization Cooperative Agreements	93.268	536260715	6,050	-		
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	536260715	8,566	-		
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed by part by Prevention and Public Health Funds	93.752	536260452	9,945			
Prevention Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	536260886	26,708			
HIV Cluster						
HIV Prevention Activities-Health Department Based	93.940	536260610	3,000	-	-	-
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	536260610	988	-	-	-
Total HIV Cluster:			3,988	-	-	-
Administration for Community Living						
Passed-through the N.C. Department of Insurance						
State Health Insurance Assistance Program	93.324	091515-4046	2,100	-		
Health Resources and Services Administration						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Maternal and Child Health Services Block Grant to the States	93.994	536260151	38,260	28,698		
Total U. S. Department of Health and Human Services			43,178,059	21,115,097	380	1,111,285
U. S. Department of Homeland Security						
Passed-through the North Carolina Department of Crime						
Public Safety:						
Homeland Security Grant Program	97.067	EMW-2015-SS-00062-S01	6,000			
Homeland Security Grant Program	97.067	EMW-2016-00011S01-1634	43,000			
Emergency Management Performance Grants	97.042	EMW-2015-EP-00011-S01	20,625	-		
Emergency Management Performance Grants - Assistance	97.042	EMPG-2016-37169	17,959	-		
Total U. S. Department of Homeland Security			87,584	-		

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
FEDERAL Awards (Continued)						
<u>Appalachian Regional Commission</u>						
Appalachian Area Development-Funded Project	23.002		300,000	-		
Total Appalachian Regional Commission			300,000	-		
Total Federal Awards			46,615,212	21,115,097	380	1,371,055
STATE AWARDS:						
<u>N. C. Department of Health and Human Services</u>						
Division of Social Services:						
Direct Benefit Payments:						
State/County Special Assistance for Adults - DBP		WC302	-	510,341		513,306
At Risk Maximization:						
CWS Adoption Subsidy		WC302	-	116,552		34,063
SFHF Maximization		WC302	-	20,448		20,448
State Foster Home		WC302	-	33,657		33,657
Extended F/C Maximization Non Title IV-E		WC302	-	900		
DCD Smart Start		WC302	-	218		
Passed through the Stokes County Partnership for Children:						
St Child Welfare/CPS CS LD		WC302	-	107,560		
Division of Public Health:						
General Aid to Counties		536260110	-	83,660		
Food and Lodging Fees		536560874	-	7,815		
General Communicable Disease Control		536260510	-	11,000		
Breast and Cervical Cancer Program		536260452	-	5,100		
HMHC-Family Planning		536260151	-	9,028		
Women's Health Service Fund		536260151	-	4,295		
HIV/STD State		536260536	-	100		
HIV/STD SSBG Aid		536260536	-	400		
Tuberculosis		536260551	-	1,575		
TB Medical Services		536260554	-	540		
Sexually Transmitted Diseases		536260894	-	17		
School Nurse Funding Initiative		536260803	-	150,000		
Total N. C. Department of Health and Human Services			-	1,063,206		601,474
<u>N. C. Department of Administration</u>						
Veterans Service			-	20,276		
Total N. C. Department of Administration			-	20,276		
<u>N. C. Department of Transportation</u>						
Department of Transportation Cluster						
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	66,097		
ROAP Rural General Public Program		DOT-16CL	-	69,654		
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	12,478		
Total Department of Transportation Cluster:			-	148,229		
<u>N. C. Department of Public Safety</u>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Justice and Delinquency Prevention			-	141,246		
Total N. C. Department of Public Safety			-	141,246		
<u>N.C. Department of Public Instruction</u>						
Public School Capital Building Fund - Lottery			-	450,000		
Total N. C. Department of Public Instruction			-	450,000		
<u>N. C. Department of Environmental Quality (NCDEQ)</u>						
Division of Waste Management						
White Goods Management Program			-	26,609		
Scrap Tire Program			-	62,609		
Solid Waste Disposal Tax Dist			-	32,424		
Electronic Management Program			-	3,520		
Total N. C. Department of Environmental Quality			-	125,162		
<u>Piedmont Triad Regional Council</u>						
In-Home Services - State Funds		DOA-735	-	81,088	4,516	
In-Home Caregiver Match		DOA-735	-	1,877	105	
General Purpose (Senior Center Development)		DOA-735	-	10,878	-	
Total Piedmont Triad Regional Council			-	93,843	4,621	
<u>N.C. Department of Agriculture and Consumer Services</u>						
Spay Neuter Program			-	4,815		
Total N. C. Department of Agriculture			-	4,815		
STATE AWARDS (Continued)						
<u>N.C. Administrative Office of the Courts</u>						
Civil License Renovation			-	3,286		
Total N.C. Administrative Office of the Courts			-	3,286		

STOKES COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
STATE Awards (Continued)						
<u>N.C. Water Resources-Environmental Quality</u>						
Little Snow Creek Project			-	105,395		
Little Snow Creek Project			-	13,430		
Total N.C. Water Resources-Environmental Quality			-	118,825		
<u>N.C. Department of Commerce</u>						
Trade Accounts Payable-Broadband funding			-	250,000		
Total N.C. Department of Commerce			-	250,000		
Total State Awards			-	2,418,888	4,621	601,474
Total Federal and State Awards			\$ 46,615,212	\$ 23,533,985	\$ 5,001	\$ 1,972,529

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of Stokes County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Stokes County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Stokes County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Stokes County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption.

4. Restatement

The County has restated its original Schedule to increase federal expenditures reported under CFDA No. 10.766 by \$2,154,218. The restatement resulted in an additional major program The Community Facilities Loans and Grants Cluster, CFDA No. 10.766.