

**STOKES COUNTY**  
**NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**



**STOKES COUNTY, NORTH CAROLINA**  
**BASIC FINANCIAL STATEMENTS AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<u><b>Exhibit</b></u>		<u><b>Page</b></u>
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-16
	<b>Basic Financial Statements:</b>	
	<b>Government-Wide Financial Statements:</b>	
1	Statement of Net Position	17
2	Statement of Activities	18-19
	<b>Fund Financial Statements:</b>	
3	Balance Sheet - Governmental Funds	20
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21-22
5	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	23
6	Statement of Net Position - Proprietary Funds	24
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	25
8	Statement of Cash Flows - Proprietary Funds	26
9	Statement of Fiduciary Net Position - Fiduciary Funds	27
	<b>Notes to the Financial Statements</b>	28-76
	<b>Required Supplementary Information:</b>	
<u><b>Schedule</b></u>		
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Change in Total Pension Liability	77
A-2	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Total Pension Liability as a Percentage of Covered Payroll	78

**STOKES COUNTY, NORTH CAROLINA**  
**BASIC FINANCIAL STATEMENTS AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<b><u>Schedule</u></b>		<b><u>Page</u></b>
	<b>Required Supplementary Information (continued):</b>	
A-3	Other Post-Employment Benefits - Schedule of Changes in the the Total OPEB Liability - Required Supplementary Information	79
A-4	Local Government Employees' Retirement System Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information - Last Five Fiscal Years	80
A-5	Local Government Employees' Retirement System Contributions Required Supplementary Information - Last Five Fiscal Years	81
A-6	Register of Deeds' Supplemental Pension Fund Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information - Last Five Fiscal Years	82
A-7	Register of Deeds' Supplemental Pension Fund Contributions Required Supplementary Information - Last Five Fiscal Years	83
	<b>Combining and Individual Fund Statements and Schedules:</b>	
	<b>Major Governmental Funds:</b>	
1	General Fund Consolidated - Statement of Revenues, Expenditures, and Changes in Fund Balances	84
2	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	85-93
3	Dedicated Debt Service Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94
4	Health Department Title XIX Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95

**STOKES COUNTY, NORTH CAROLINA**  
**BASIC FINANCIAL STATEMENTS AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<b><u>Schedule</u></b>		<b><u>Page</u></b>
	<b>Major Governmental Funds (continued):</b>	
5	Mental Health MOE Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
6	Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	97
	<b>Nonmajor Governmental Funds:</b>	
7	Combining Balance Sheet	98-99
8	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	100-101
9	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Emergency Telephone System Fund	102
10	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Service District Fire District	103
11	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Rural Hall Fire District	104
12	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - King Fire District	105
13	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Walnut Cove Fire District	106
14	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Schools Capital Outlay/Capital Reserve Fund	107
15	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Reserve Fund	108

**STOKES COUNTY, NORTH CAROLINA**  
**BASIC FINANCIAL STATEMENTS AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<b><u>Schedule</u></b>		<b><u>Page</u></b>
	<b>Enterprise Funds:</b>	
16	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Stokes-Reynolds Memorial Hospital Fund	109
17	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Regional Sewer Fund	110
18	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Danbury Water Fund	111
	<b>Agency Funds:</b>	
19	Combining Schedule of Changes In Assets and Liabilities - Agency Funds	112-113
	<b>Additional Financial Data:</b>	
20	General Fund - Schedule of Ad Valorem Taxes Receivable	114
21	Analysis of Current Tax Levy - County-Wide Levy	115
<b><u>Table</u></b>		
1	Ten Largest Taxpayers	116
2	Capital Reserve Fund - Reconciliation of Fund Balance	117
	<b>Compliance</b>	
	Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	118-119
	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	120-121

**STOKES COUNTY, NORTH CAROLINA**  
**BASIC FINANCIAL STATEMENTS AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Compliance (continued)</b>	
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	122-123
Schedule of Findings and Questioned Costs	124-126
Schedule of Prior Year Audit Findings	127
Schedule of Expenditures of Federal and State Awards	128-131

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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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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, 2018, 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.

### **Change in Accounting Principle**

As discussed in Note IX to the financial statements, for fiscal year ended June 30, 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement 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 Changes in the Total OPEB Liability and Related Ratios, 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* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all 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 19, 2018 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 19, 2018

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **June 30, 2018**

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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, 2018. 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 \$44,447,220 (net position).
- The government's total net position decreased by \$1,229,362, primarily due to an increase in debt service expenditures in the current year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$31,682,984, after a net increase in fund balance of \$5,848,198. Approximately 45.9% of this total amount, or \$14,554,297, is restricted and committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,309,766, or 28%, of total General Fund expenditures and transfers to other funds for the fiscal year.
- Stokes County's total debt increased by \$3,486,775 (9.81%) 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 four consecutive year.

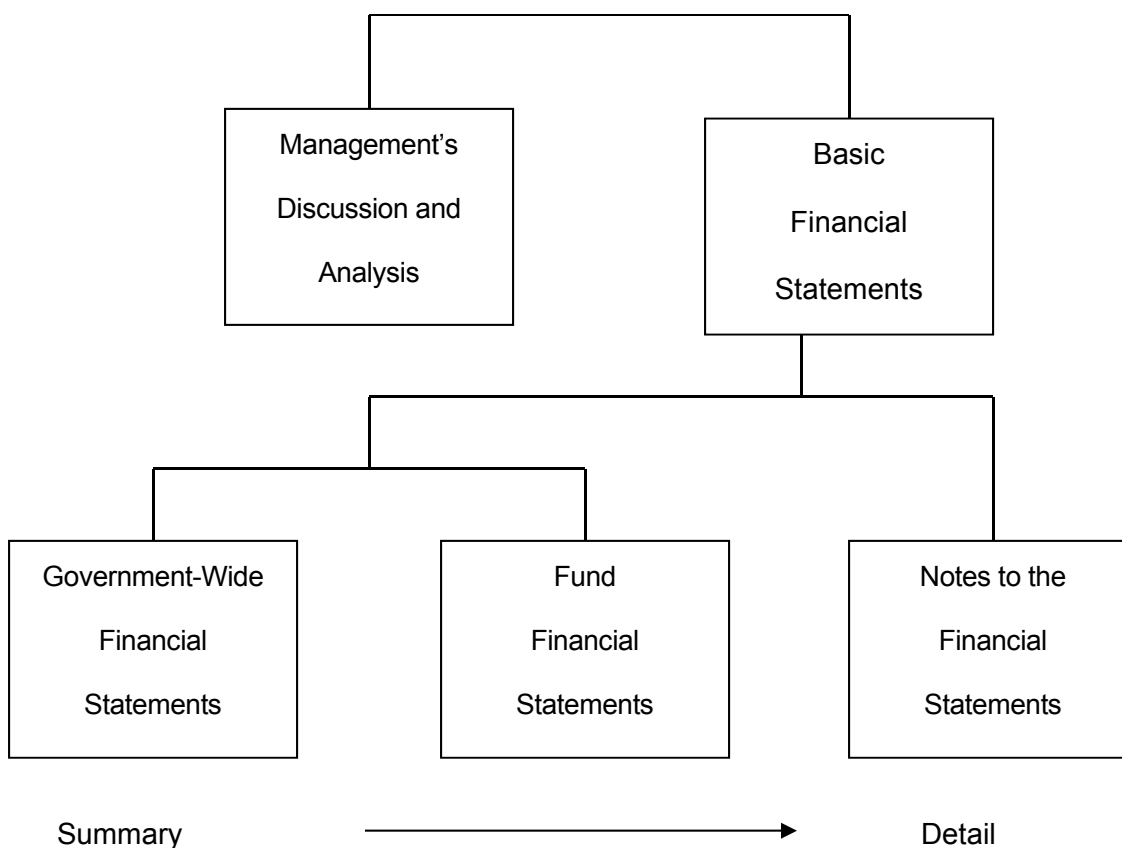
### **Overview of the Financial Statements**

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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)

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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)

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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 \$44,447,220 as of June 30, 2018. The County's net position decreased by \$1,069,291 for the fiscal year ended June 30, 2018. One of the largest portions, \$33,727,535 (75.88%), 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, \$8,330,875 (18.74%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,388,810 (5.4%) is unrestricted.

### Stokes County's Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 36,734,016	\$ 30,236,784	\$ 476,834	\$ 392,448	\$ 37,210,850	\$ 30,629,232
Capital assets	51,612,790	54,456,676	5,714,030	2,452,753	57,326,820	56,909,429
Total assets	88,346,806	84,693,460	6,190,864	2,845,201	94,537,670	87,538,661
Deferred outflow s of resources	2,221,825	3,048,685	-	-	2,221,825	3,048,685
Long-term liabilities	48,638,864	42,788,409	-	-	48,638,864	42,788,409
Other liabilities	3,233,323	2,084,755	20,922	4,428	3,254,245	2,089,183
Total liabilities	51,872,187	44,873,164	20,922	4,428	51,893,109	44,877,592
Deferred inflow s of resources	419,166	193,243	-	-	419,166	193,243
Net Position:						
Net investment in capital assets	28,013,505	33,076,960	5,714,030	2,452,753	33,727,535	35,529,713
Restricted'	8,330,875	6,902,712	-	-	8,330,875	6,902,712
Unrestricted	1,932,898	2,696,066	455,912	388,020	2,388,810	3,084,086
Total	\$ 38,277,278	\$ 42,675,738	\$ 6,169,942	\$ 2,840,773	\$ 44,447,220	\$ 45,516,511

**Governmental Activities:** Governmental activities decreased the County's net position by \$4,398,460 resulting in net position of \$38,277,278. Key elements of this decrease are as follows:

- Increase in the collections of taxes
- Increase in sales tax reimbursement due to the economy
- Due to slowness of the economic recovery, interest rates remain low.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.
- Long-term liabilities increased due to the implementation of Governmental Accounting Standards Board No. Statement 75. The Governmental Fund increase in liabilities associated with the implementation of No. 75 was \$3,169,098.

**Business-Type Activities:** Business-type activities increased \$3,329,169, resulting in net position of \$6,169,942. Key elements of this increase are as follows:

- Sewer System Fund continues to be stable. The expansion of the sewer system to the Community College site.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Stokes County's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 4,041,239	\$ 3,852,773	\$ 305,028	\$ 393,465	\$ 4,346,267	\$ 4,246,238
Operating grants and contributions	6,822,489	8,334,769	-	-	6,822,489	8,334,769
Capital grants and contributions	-	300,000	3,430,222	-	3,430,222	300,000
General revenues:						
Property taxes	21,853,660	21,437,973	-	-	21,853,660	21,437,973
Other taxes	16,872,653	16,271,856	-	873	16,872,653	16,272,729
Investment earnings	375,917	155,003	2,813	506	378,730	155,509
Other	463,409	413,511	-	-	463,409	413,511
Total revenues	50,429,367	50,765,885	3,738,063	394,844	54,167,430	51,160,729
Expenses:						
General government	9,004,534	3,963,519	-	-	9,004,534	3,963,519
Public safety	13,856,118	12,905,651	-	-	13,856,118	12,905,651
Environmental protection	1,332,957	1,230,304	-	-	1,332,957	1,230,304
Economic and physical development	1,414,216	1,644,987	-	-	1,414,216	1,644,987
Human services	8,903,667	10,632,366	-	-	8,903,667	10,632,366
Culture and recreation	873,189	954,401	-	-	873,189	954,401
Intergovernmental:						
Schools	14,558,478	13,166,897	-	-	14,558,478	13,166,897
Debt service:						
Interest and fiscal charges	1,650,571	1,608,907	-	-	1,650,571	1,608,907
Stokes Reynolds Revenue Bond Fund	-	-	75,325	253,393	75,325	253,393
Regional Sewer Fund	-	-	259,913	119,496	259,913	119,496
Danbury Water Fund	-	-	138,655	113,778	138,655	113,778
Total expenses	51,593,730	46,107,032	473,893	486,667	52,067,623	46,593,699
Increase (decrease) in net position before transfers	(1,164,363)	4,658,853	3,264,170	(92,329)	2,099,807	4,566,524
Transfers in (out)	(64,999)	(81,670)	64,999	81,670	-	-
Increase (decrease) in net position	(1,229,362)	4,577,183	3,329,169	(10,659)	2,099,807	4,566,524
Net position - beginning, previously reported	42,675,738	38,558,958	2,840,773	2,851,432	45,516,511	41,410,390
Restatement	(3,169,098)	(460,403)	-	-	(3,169,098)	(460,403)
Net position - beginning, restated	39,506,640	38,098,555	2,840,773	2,851,432	42,347,413	40,949,987
Net position - ending	\$38,277,278	\$42,675,738	\$6,169,942	\$2,840,773	\$44,447,220	\$45,516,511

Figure 3 (Changes in Net Position) reflects a decrease in net position of \$4,398,460 for governmental activities. This decrease was due largely to the increase in expenditures over revenues in the General Fund. Total governmental activities generated revenues of \$50,429,367 while expenses in this category totaled \$51,593,730. After transfers to the business-type activities, the total net position stands at \$38,277,278.

Business-type activities generated revenue of \$3,738,063 and had expenses of \$473,893. Net position increased in the business-type activities by \$3,329,169. The County had continued diligence in water and sewer revenue collections and resolution of delinquent accounts. The County also restructured water and sewer rates.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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### 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 \$21,900,804, while total fund balance reached \$24,704,963. 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 42.81% of General Fund expenditures and transfers to other funds, while total fund balance represents 48.29% 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 project. At the end of the current fiscal year, restricted fund balance was \$4,280,148. Total net change in fund balance was an increase of \$3,976,262.

At June 30, 2018, the governmental funds of Stokes County reported a combined fund balance of \$31,682,984, a 22.6% increase over last year. The primary reason for this increase is the increase in fund balance in the General 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 \$7,247,654 over the approved budget, but actual expenditures were ultimately \$4,379,770 less than the final budget. Total expenditures increase \$6,205,183 from the prior year.

Total General Fund actual revenues decreased \$558,382 from the prior year. The General Fund balance increased because the County was conservative spending, and, in accordance with North Carolina local government fiscal law, ensured that expenditures did not exceed the budget authorization.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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The cash balance in the General Fund increased \$855,760 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 \$372,087 over the prior year.

General Fund expenditures increased \$6,458,892, or approximately 14.59%, from the prior year.

**Analysis of Fund Balance:** A recap of the historical analysis of fund balance for the period 2008-09 through 2017-18 includes the following noteworthy points:

- 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 schools 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 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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- 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.
- 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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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 \$1,864,580 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 \$14,997,977 or 33.56% of annual expenditures and transfers out. The County has Lawsonville Elementary School, Community College, and 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.
- In the fiscal year 2017-18, the County continues to budget revenues and expenditures conservatively. The department's budgets that received increases was due to mandate, cost of living increase for employees, capital outlay and projects. The County reviews budgets quarterly for savings and/or increases in cost of services. Revenues are reviewed closely to recognize any increase and/or decreases. Fiscal year 2017-18, the County appropriated \$1,864,580 to balance the budget. The appropriation was not used due to expenditures being under budget and transfers from other funds. Expenditures were \$4,379,770 less than budget. The County increased the fund balance by \$594,310. 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 \$14,309,766 or 27.64% of annual expenditures and transfer out. Expenditures increased for 2017-18 due to the closing on the Community College USDA loan paying out the interim loan with PNC for the project. The County has Jail expansion project, and Petree project. The County continues to work with a company to provide broadband internet services for the unserved and underserved citizens.

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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The LGC has written the County letters in reference to the fund balance falling below the 8% but, due to the situation with the withholding of reimbursement from the State, the LGC has been cooperating with the counties that have been impacted by this action.

The County reviews the fund balance quarterly to issue that it does not drop below the 20% balance that they have recommended as a goal. With the financial/economic conditions that the County has been facing and will continue facing, the appropriation and use of County funds are viewed in a very conservative manner. The budgeting of capital items, improvements, and increases in operations are looked at on an as-needed basis. The County's low fund balance limits the ability to meet emergency or unforeseen needs; limits investment earnings on available funds thus forcing increased reliance on County tax dollars; and increases the probability of the County reducing services due to revenue shortfalls.

**Proprietary Funds:** The business-type funds had a increase in net position of \$3,329,169 compared to the prior year. The decrease in net position is due to the increase in expenses relating to the transfer of operations of the hospital to the County.

### 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, 2018 totals \$57,326,820 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,714,418	\$ 3,714,418	\$ 266,370	\$ 266,370	\$ 3,980,788	\$ 3,980,788
Construction in progress	2,099,252	12,777,543	-	-	2,099,252	12,777,543
Total non-depreciable assets	5,813,670	16,491,961	266,370	266,370	6,080,040	16,758,331
Buildings and improvements	57,712,451	48,676,340	3,611,422	3,611,422	61,323,873	52,287,762
Furniture and equipment	7,795,458	7,048,261	4,963,409	4,910,893	12,758,867	11,959,154
Vehicles	6,031,101	5,516,025	25,123	25,123	6,056,224	5,541,148
Sewer lines	-	-	5,483,333	2,053,111	5,483,333	2,053,111
Total depreciable assets	71,539,010	61,240,626	14,083,287	10,600,549	85,622,297	71,841,175
Accumulated depreciation	25,739,890	23,275,911	8,635,627	8,414,166	34,375,517	31,690,077
Depreciable assets, net	45,799,120	37,964,715	5,447,660	2,186,383	51,246,780	40,151,098
Total	\$ 51,612,790	\$ 54,456,676	\$ 5,714,030	\$ 2,452,753	\$ 57,326,820	\$ 56,909,429

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

**Long-Term Debt:** As of June 30, 2018, Stokes County had total debt outstanding of \$39,037,615.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Stokes County's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ -	\$ 815,560	\$ -	\$ -	\$ -	\$ 815,560
Installment purchase	22,222,433	22,461,280	-	-	22,222,433	22,461,280
QSCB	9,569,947	10,526,942	-	-	9,569,947	10,526,942
QZAB	1,588,235	1,747,058	-	-	1,588,235	1,747,058
USDA Loan	5,657,000	-	-	-	5,657,000	-
State Revolving Loan	-	-	-	-	-	-
Total	\$ 39,037,615	\$ 35,550,840	\$ -	\$ -	\$ 39,037,615	\$ 35,550,840

Stokes County's total debt has increased by \$3,486,775 during the past fiscal year due to USDA loan for Community College and paying off debt.

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 percent of the total assessed value of taxable property located within the County's boundaries. The legal debt margin for Stokes County is \$273,650,000. These statutory limits exceed the County's realistic debt capacity.

### Economic Factors

Stokes County's population per 2017 Census was 46,453.

The 2016 Per Capita Income figure for Stokes County was \$33,354, and the Median Household Income was \$48,148.

The rate of unemployment in Stokes County for 2018 July was 3.8%.

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

The 2017 Total Retail Sales (with food/drink) is \$1,463,605.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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Major new investments in Stokes County for 2017-18 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 open 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 and adding a picnic shelter/walking trail.
- Jail expansion.
- County looking at doing a wellness center in the Meadows area.
- Non-profit organization building an animal adoption center in the Meadows area.

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, 2019

**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.

The County's General Fund budget decreased \$11,922,453 (32.1%) from prior year, due to operational cost, employee compensation, capital outlay and debt service expenditures in fiscal year 2017-18. 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](mailto: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, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Stokes County Water and Sewer Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,480,438	\$ 514,433	\$ 22,994,871	\$ 128,088
Taxes receivable, net	1,327,005	-	1,327,005	-
Accounts receivable, net	1,210,647	24,508	1,235,155	5,159
Due from other governments	2,691,806	-	2,691,806	-
Internal balances	64,085	(64,085)	-	-
Inventory, at cost	65,247	-	65,247	-
Restricted cash and cash equivalents	8,829,649	1,978	8,831,627	6,453
Net pension asset	65,139	-	65,139	-
Capital assets				
Non-depreciable capital assets	5,813,670	266,370	6,080,040	59,979
Other capital assets, net of accumulated depreciation	45,799,120	5,447,660	51,246,780	999,263
Total capital assets	51,612,790	5,714,030	57,326,820	1,059,242
Total assets	88,346,806	6,190,864	94,537,670	1,198,942
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	2,221,825	-	2,221,825	-
<b>LIABILITIES AND NET POSITION</b>				
Liabilities:				
Accounts payable and accrued liabilities	2,847,574	18,944	2,866,518	10,452
Accrued interest payable	385,749	-	385,749	-
Liabilities to be paid from restricted assets	-	1,978	1,978	6,453
Long-term liabilities:				
Due within one year	10,285,160	-	10,285,160	-
Total pension liability- LEOSSA	869,998	-	869,998	-
Total OPEB liability	5,219,889	-	5,219,889	-
Net pension liability - LGERS	2,447,718	-	2,447,718	-
Due in more than one year	29,816,099	-	29,816,099	-
Total liabilities	51,872,187	20,922	51,893,109	16,905
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	419,166	-	419,166	-
Net position:				
Net investment in capital assets	28,013,505	5,714,030	33,727,535	1,059,242
Restricted:				
Stabilization by state statute	3,139,123	-	3,139,123	-
Health Department - Title XIX	546,642	-	546,642	-
Mental Health MOE	238,597	-	238,597	-
Debt service	3,844,143	-	3,844,143	-
Public safety	477,357	-	477,357	-
ROD Pension Plan	85,013	-	85,013	-
Unrestricted	1,932,898	455,912	2,388,810	122,795
Total net position	\$ 38,277,278	\$ 6,169,942	\$ 44,447,220	\$ 1,182,037

The accompanying notes are an integral part of this statement.

**STOKES COUNTY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

Exhibit 2  
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 9,004,534	\$ 454,126	\$ 54,506	\$ -
Public safety	13,856,118	2,601,893	236,536	-
Environmental protection	1,332,957	316,556	66,300	-
Economic and physical development	1,414,216	44,217	793,720	-
Human services	8,903,667	624,447	5,221,427	-
Culture and recreation	873,189	-	-	-
Intergovernmental:				
Education	14,558,478	-	450,000	-
Debt service:				
Interest and fiscal charges	1,650,571	-	-	-
Total governmental activities	<u>51,593,730</u>	<u>4,041,239</u>	<u>6,822,489</u>	<u>-</u>
Business-type activities:				
Stokes-Reynolds Memorial Hospital Fund	75,325	10,680	-	-
Regional Sewer Fund	259,913	142,755	-	3,430,222
Danbury Water Fund	138,655	151,593	-	-
Total business-type activities	<u>473,893</u>	<u>305,028</u>	<u>-</u>	<u>3,430,222</u>
Total primary government	<u>\$ 52,067,623</u>	<u>\$ 4,346,267</u>	<u>\$ 6,822,489</u>	<u>\$ 3,430,222</u>
<b>Component Unit:</b>				
Stokes County Water and Sewer Authority	\$ 135,395	\$ 123,785	\$ -	\$ -
Total component unit	<u>\$ 135,395</u>	<u>\$ 123,785</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, 2018**

Exhibit 2  
Page 2 of 2

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
				Stokes County Water and Sewer Authority
Functions/Programs	Governmental Activities	Business-Type Activities	Total	
Primary Government:				
Governmental activities:				
General government	\$ (8,495,902)	\$ -	\$ (8,495,902)	\$ -
Public safety	(11,017,689)	-	(11,017,689)	-
Environmental protection	(950,101)	-	(950,101)	-
Economic and physical development	(576,279)	-	(576,279)	-
Human services	(3,057,793)	-	(3,057,793)	-
Culture and recreation	(873,189)	-	(873,189)	-
Intergovernmental:				
Education	(14,108,478)	-	(14,108,478)	-
Debt service:				
Interest and fiscal charges	(1,650,571)	-	(1,650,571)	-
Total governmental activities	(40,730,002)	-	(40,730,002)	-
Business-type activities:				
Stokes-Reynolds Memorial Hospital Fund	-	(64,645)	(64,645)	-
Regional Sewer Fund	-	3,313,064	3,313,064	-
Danbury Water Fund	-	12,938	12,938	-
Total business-type activities	-	3,261,357	3,261,357	-
Total primary government	(40,730,002)	3,261,357	(37,468,645)	-
Component Unit:				
Stokes County Water and Sewer Authority				(11,610)
Total component unit				(11,610)
General revenues:				
Taxes:				
Property taxes, levied for general purposes	21,853,660	-	21,853,660	-
Sales tax	6,472,659	-	6,472,659	-
Other unrestricted intergovernmental revenue	10,399,994	-	10,399,994	-
Interest earnings	375,917	2,813	378,730	2,143
Other	463,409	-	463,409	-
Total general revenues excluding transfers	39,565,639	2,813	39,568,452	2,143
Transfers to/from other funds	(64,999)	64,999	-	-
Total general revenues and transfers	39,500,640	67,812	39,568,452	2,143
Change in net position	(1,229,362)	3,329,169	2,099,807	(9,467)
Net position - beginning, previously reported	42,675,738	2,840,773	45,516,511	1,191,504
Restatement	(3,169,098)	-	(3,169,098)	-
Net position - beginning, restated	39,506,640	2,840,773	42,347,413	1,191,504
Net position - ending	\$ 38,277,278	\$ 6,169,942	\$ 44,447,220	\$ 1,182,037

The accompanying notes are an integral part of this statement.

**STOKES COUNTY, NORTH CAROLINA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2018

	<b>Major Funds</b>		<b>Nonmajor</b>	
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,294,485	\$ 1,854,847	\$ 1,331,106	\$ 22,480,438
Taxes receivable, net	1,202,364	-	124,641	1,327,005
Accounts receivable, net	746,351	-	464,296	1,210,647
Due from other governments	2,691,806	-	-	2,691,806
Advance to other funds	64,085	-	-	64,085
Inventory	65,247	-	-	65,247
Restricted cash and cash equivalents	4,549,501	4,280,148	-	8,829,649
<b>Total assets</b>	<b>\$ 28,613,839</b>	<b>\$ 6,134,995</b>	<b>\$ 1,920,043</b>	<b>\$ 36,668,877</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,895,197	\$ 670,443	\$ 281,934	\$ 2,847,574
Total liabilities	1,895,197	670,443	281,934	2,847,574
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,013,679	-	124,640	2,138,319
<b>Fund Balances:</b>				
Non-spendable, not in spendable form:				
Interfund loans	64,085	-	-	64,085
Inventory	65,247	-	-	65,247
Restricted:				
Stabilization by state statute	2,674,827	-	464,296	3,139,123
Restricted, all others	4,629,382	4,280,148	477,357	9,386,887
Committed	-	1,184,404	843,883	2,028,287
Assigned:				
Subsequent year's expenditures	2,961,656	-	-	2,961,656
Unassigned	14,309,766	-	(272,067)	14,037,699
<b>Total fund balances</b>	<b>24,704,963</b>	<b>5,464,552</b>	<b>1,513,469</b>	<b>31,682,984</b>
Total liabilities, deferred inflows of resources, and fund balance	\$ 28,613,839	\$ 6,134,995	\$ 1,920,043	
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>				
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.				51,612,790
Net pension asset				65,139
Net pension liability - LGERS				(2,447,718)
Total pension Liability - LEOSSA				(869,998)
Total OPEB liability				(5,219,889)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.				878,799
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position.				122,279
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.				2,090,334
Pension related deferrals				1,103,718
OPEB related deferrals				(254,152)
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				(39,037,615)
Accrued interest payable				(385,749)
Compensated absences and retirement benefits				(1,063,644)
<b>Net position of governmental funds</b>				<b>\$ 38,277,278</b>

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, 2018**

	<u>Major</u>		<u>Nonmajor</u>	
	<u>General</u>	<u>Capital</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Projects</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 25,748,980	\$ -	\$ 2,541,987	\$ 28,290,967
Other taxes and licenses	6,752,394	-	2,654,680	9,407,074
Intergovernmental	7,815,409	-	-	7,815,409
Permits and fees	431,689	-	-	431,689
Sales and services	3,609,550	-	-	3,609,550
Investment earnings	346,275	19,197	10,445	375,917
Other revenues	196,332	267,077	-	463,409
Total revenues	<u>44,900,629</u>	<u>286,274</u>	<u>5,207,112</u>	<u>50,394,015</u>
<b>Expenditures:</b>				
Current:				
General government	4,968,190	-	-	4,968,190
Public safety	10,673,009	1,734,130	3,315,120	15,722,259
Environmental protection	1,325,276	-	-	1,325,276
Economic and physical development	1,450,188	-	-	1,450,188
Human services	8,865,282	8,052	-	8,873,334
Culture and recreation	756,422	-	-	756,422
Special appropriations	502,083	-	-	502,083
Intergovernmental:				
Education	11,327,490	120,310	1,500,800	12,948,600
Debt service:				
Principal	9,452,647	-	-	9,452,647
Interest and fiscal charges	1,421,241	-	-	1,421,241
Total expenditures	<u>50,741,828</u>	<u>1,862,492</u>	<u>4,815,920</u>	<u>57,420,240</u>
Excess of revenues over (under) expenditures	<u>(5,841,199)</u>	<u>(1,576,218)</u>	<u>391,192</u>	<u>(7,026,225)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,726,444	-	348,470	2,074,914
Transfers to other funds	(413,469)	(812,120)	(914,324)	(2,139,913)
Debt issued	6,574,822	6,364,600	-	12,939,422
Total other financing sources (uses)	<u>7,887,797</u>	<u>5,552,480</u>	<u>(565,854)</u>	<u>12,874,423</u>
Net change in fund balances	2,046,598	3,976,262	(174,662)	5,848,198
Fund balances at beginning of year	<u>22,658,365</u>	<u>1,488,290</u>	<u>1,688,131</u>	<u>25,834,786</u>
Fund balances at end of year	<u>\$ 24,704,963</u>	<u>\$ 5,464,552</u>	<u>\$ 1,513,469</u>	<u>\$ 31,682,984</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, 2018**

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 5,848,198</b>
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	3,050,315
Depreciation and amortization expense recorded on the Statement of Activities but not in the fund statements	(2,463,979)
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.	(3,430,222)
Pension expense - LGERS	(7,307)
Pension expense - ROD	(5,789)
Pension expense - LEOSSA	(15,211)
OPEB plan expense	(254,485)
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	(12,939,422)
Principal repayments	9,452,647
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	(51,682)
Accrued interest expense	(177,648)
Compensated absences	78,253
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	(313,030)
Changes in net position of governmental activities	<u>\$ (1,229,362)</u>

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 24,156,960	\$ 24,156,960	\$ 24,193,805	\$ 36,845
Other taxes and licenses	6,885,109	6,900,109	6,748,897	(151,212)
Intergovernmental	9,273,136	9,800,003	7,403,256	(2,396,747)
Permits and fees	347,920	348,920	431,689	82,769
Sales and services	2,892,471	2,973,641	3,243,612	269,971
Investment earnings	150,000	150,000	312,952	162,952
Other revenues	42,648	106,239	180,781	74,542
Total revenues	43,748,244	44,435,872	42,514,992	(1,920,880)
<b>Expenditures:</b>				
Current:				
General government	5,148,047	5,312,974	4,968,190	344,784
Public safety	10,711,568	11,056,986	10,673,009	383,977
Environmental protection	1,340,662	1,418,832	1,325,276	93,556
Economic and physical development	1,577,855	1,562,785	1,450,188	112,597
Human services	10,237,819	10,429,918	7,530,825	2,899,093
Culture and recreation	749,314	933,388	756,422	176,966
Special appropriations	506,494	509,084	502,083	7,001
Contingency	320,000	340,724	-	340,724
Intergovernmental:				
Education	11,162,081	11,338,680	11,327,490	11,190
Debt service:				
Principal	3,360,552	9,452,653	9,452,647	6
Interest and fiscal charges	1,425,095	1,431,117	1,421,241	9,876
Total expenditures	46,539,487	53,787,141	49,407,371	4,379,770
Excess of revenues over (under) expenditures	(2,791,243)	(9,351,269)	(6,892,379)	2,458,890
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,780,431	3,259,451	3,259,451	-
Transfers to other funds	(2,505,614)	(2,347,584)	(2,347,584)	-
Debt issued	917,822	6,574,822	6,574,822	-
Total other financing sources (uses)	1,192,639	7,486,689	7,486,689	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,598,604)	(1,864,580)	594,310	2,458,890
Fund balance appropriated	1,598,604	1,864,580	-	(1,864,580)
Net change in fund balance	\$ -	\$ -	594,310	\$ 594,310
Fund balance at beginning of year			19,481,271	
Fund balance at end of year			\$ 20,075,581	

The accompanying notes are an integral part of this statement.

**STOKES COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2018**

	<b>Major</b>			
	<b>Stokes- Reynolds Memorial Hospital Fund</b>	<b>Regional Sewer Fund</b>	<b>Danbury Water Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 48,245	\$ 246,003	\$ 220,185	\$ 514,433
Accounts receivable, net	-	12,389	12,119	24,508
Total current assets	48,245	258,392	232,304	538,941
Non-current assets:				
Restricted cash and cash equivalents	-	-	1,978	1,978
Capital assets:				
Land	228,849	-	37,521	266,370
Buildings	3,611,422	-	-	3,611,422
Equipment	3,413,218	25,123	1,550,191	4,988,532
Sewer lines	-	5,483,333	-	5,483,333
Accumulated depreciation	(7,024,640)	(1,215,610)	(395,377)	(8,635,627)
Total capital assets	228,849	4,292,846	1,192,335	5,714,030
Total assets	277,094	4,551,238	1,426,617	6,254,949
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities:				
Accounts payable and accrued liabilities	-	2,694	16,250	18,944
Advance from other funds	-	-	64,085	64,085
Total current liabilities	-	2,694	80,335	83,029
Non-current liabilities:				
Liabilities payable from restricted assets	-	-	1,978	1,978
Total non-current liabilities	-	-	1,978	1,978
Total liabilities	-	2,694	82,313	85,007
<b>Net position:</b>				
Net investment in capital assets	228,849	4,292,846	1,192,335	5,714,030
Unrestricted	48,245	255,698	151,969	455,912
Total net position	\$ 277,094	\$ 4,548,544	\$ 1,344,304	\$ 6,169,942

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, 2018**

	<b>Major</b>			
	<b>Stokes-Reynolds Memorial Hospital Fund</b>	<b>Regional Sewer Fund</b>	<b>Danbury Water Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for sales and services	\$ 10,680	\$ 142,755	\$ 151,593	\$ 305,028
Total operating revenues	<u>10,680</u>	<u>142,755</u>	<u>151,593</u>	<u>305,028</u>
<b>Operating Expenses:</b>				
Operating	75,325	87,227	87,421	249,973
Depreciation and amortization	-	172,686	48,775	221,461
Total operating expenses	<u>75,325</u>	<u>259,913</u>	<u>136,196</u>	<u>471,434</u>
Operating income (loss)	<u>(64,645)</u>	<u>(117,158)</u>	<u>15,397</u>	<u>(166,406)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest expense	-	-	(2,459)	(2,459)
Interest earned on investments	14	2,015	784	2,813
Total non-operating revenues (expenses)	<u>14</u>	<u>2,015</u>	<u>(1,675)</u>	<u>354</u>
Income (loss) before transfers and capital contributions	<u>(64,631)</u>	<u>(115,143)</u>	<u>13,722</u>	<u>(166,052)</u>
<b>Capital contributions</b>	-	3,430,222	-	3,430,222
Transfers in	74,999	-	-	74,999
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total transfers and contributions	<u>64,999</u>	<u>3,430,222</u>	<u>-</u>	<u>3,495,221</u>
Change in fund net position	368	3,315,079	13,722	3,329,169
Total net position, beginning	<u>276,726</u>	<u>1,233,465</u>	<u>1,330,582</u>	<u>2,840,773</u>
Total net position, ending	<u>\$ 277,094</u>	<u>\$ 4,548,544</u>	<u>\$ 1,344,304</u>	<u>\$ 6,169,942</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, 2018**

	<b>Business-Type Activities</b>			
	<b>Major</b>			
	<b>Stokes-Reynolds Memorial Hospital Fund</b>	<b>Regional Sewer Fund</b>	<b>Danbury Water Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 10,680	\$ 141,390	\$ 143,638	\$ 295,708
Cash paid for goods and services	(75,325)	(49,825)	(31,672)	(156,822)
Cash paid to employees	-	(36,608)	(40,574)	(77,182)
Net cash provided (used) by operating activities	(64,645)	54,957	71,392	61,704
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers in (out)	64,999	-	-	64,999
Net cash provided (used) by non-capital financing activities	64,999	-	-	64,999
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	-	-	(52,516)	(52,516)
Interest paid	-	-	(2,459)	(2,459)
Net cash used by capital and related financing activities	-	-	(54,975)	(54,975)
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	14	2,015	784	2,813
Net cash provided by investing activities	14	2,015	784	2,813
Net increase (decrease) in cash and cash equivalents	368	56,972	17,201	74,541
Cash and cash equivalents at beginning of year	47,877	189,031	204,962	441,870
Cash and cash equivalents at end of year	\$ 48,245	\$ 246,003	\$ 222,163	\$ 516,411
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (64,645)	\$ (117,158)	\$ 15,397	\$ (166,406)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	-	172,686	48,775	221,461
Pension expense				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(1,365)	(8,480)	(9,845)
Increase (decrease) in accounts payable and accrued liabilities	-	794	15,700	16,494
Net cash provided by (used) operating activities	\$ (64,645)	\$ 54,957	\$ 71,392	\$ 61,704
<b>Summary of Non-Cash Activities:</b>				
Capital asset contributions	\$ -	\$ 3,430,222	\$ -	\$ 3,430,222

The accompanying notes are an integral part of this statement.



**STOKES COUNTY, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS**  
June 30, 2018

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 45,726
Accounts receivable	<u>9,244</u>
Total assets	<u>\$ 54,970</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 13,563
Miscellaneous liabilities	<u>41,407</u>
Total liabilities	<u>\$ 54,970</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, 2018**

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**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.

<b>Component Unit</b>	<b>Reporting Method</b>	<b>Criteria for Inclusion</b>	<b>For Separate Financial Statements</b>
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 unit. 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)

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### 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)

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### 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, the Mental Health MOE 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)

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### 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)

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### 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 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 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### 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- Cash Portfolio, a SEC-registered government money market fund, 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 is classified as restricted assets, because their use is



## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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	\$ 3,844,143
General Fund	Health Medicaid Title XIX Fund	466,761
General Fund	Mental Health MOE Fund	238,597
Capital Project Fund	Unexpended bond proceeds	4,280,148
Total Governmental Activities		<u>8,829,649</u>

##### Business-Type Activities:

Danbury Water Fund	Customers deposits	<u>1,978</u>
Total Business-Type Activities		<u>1,978</u>

Total Restricted Cash	<u><u>\$ 8,831,627</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, 2017. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

#### 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)

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### 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 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 Financial 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 two items that meets this criterion –pension and OPEB related deferrals. In addition to liabilities, the Statement of Financial Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meets the criterion for this category – prepaid taxes, taxes receivable, other receivables, and pension and OPEB 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	\$ 51,612,790	\$ 5,714,030
Less, capital debt:		
Gross debt	39,037,615	-
Less:		
Non-capital related debt	11,158,182	-
Unspent debt proceeds	4,280,148	-
Capital debt, net	23,599,285	-
Net investment in capital assets	\$ 28,013,505	\$ 5,714,030

#### **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, 2018, is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>
Stabilization by state statute	\$ 2,674,827	\$ -	\$ 464,296
General government	-	4,280,148	-
Public safety	-	-	477,357
Mental Health MOE	238,597	-	-
Health Department-Title XIX	546,642	-	-
Debt service	3,844,143	-	-
Total	<u>\$ 7,304,209</u>	<u>\$ 4,280,148</u>	<u>\$ 941,653</u>

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of unspent debt proceeds of \$4,280,148, and Register of Deeds \$85,013 as of June 30, 2018.

**Committed Fund Balance** - portion of fund balance that can only be used for specific purpose 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.

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

Committed fund balance at June 30, 2018, is as follows:

<b>Purpose</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>
Committed:		
General government	\$ 1,184,404	\$ 666,275
Public safety	-	107,608
Environmental Protection	-	40,000
Human services	-	30,000
Total	<u>\$ 1,184,404</u>	<u>\$ 843,883</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 fund balance at June 30, 2018, is as follows:

<b>Purpose</b>	<b>General Fund</b>
Assigned:	
Subsequent year's expenditures	\$ 2,961,656
Total	<u>\$ 2,961,656</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)

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

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

##### 11. Net Position/Fund Balances (Continued)

Finance Director has the authority to deviate from this policy if it's in the best interest of the County.

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.

<b>Total fund balance - General Fund</b>	<b>\$ 24,704,963</b>
Less:	
Interfund loans	64,085
Inventory	65,247
Stabilization by state statute	2,674,827
<b>Total Available Fund Balance</b>	<b><u>\$ 21,900,804</u></b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 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)	\$ 20,075,581
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**Health Department Title XIX Fund:**

Revenues:

Intergovernmental	412,153
Sales and services	365,938
Investment earnings	781
Other revenues	15,551

Expenditures:

Human services	(1,013,612)
Transfers in - General Fund	400,020

**Dedicated Debt Service Fund:**

Revenues:

Ad valorem taxes	1,555,175
Investment earnings	32,276
Transfers in - General Fund	1,547,691
Transfers out - General Fund	(1,942,423)

**Mental Health MOE Fund:**

Revenues:

Other taxes & licenses	3,497
Investment earnings	266

Expenditures:

Human services	(320,845)
Transfer in - General Fund	395,820
Fund balance, beginning	3,177,094

Fund balance, ending (Exhibit 4)	<u>\$ 24,704,963</u>
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## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### G. Defined Benefit Cost-Sharing Plans

The County participates in two cost-sharing, multiple –employer, defined benefit pension plans that are administered by the state; the Local 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 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 under collateralization, 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### A. Assets (Continued)

At June 30, 2018, the County's deposits had a carrying amount of \$11,187,347 and a bank balance of \$11,617,998. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$11,117,998 was covered by collateral held under the Pooling Method. At June 30, 2018, Stokes County had \$2,705 cash on hand.

At June 30, 2018, the Authority had deposits with carrying amounts of \$132,471 and a bank balance of \$132,471. The Authority had investments in the North Carolina Capital Management Trust Government Portfolio of \$2,070, which carried a credit rating of AAAm by Standard & Poor's. The Authority has no policy on credit risk.

#### 2. Investments

At June 30, 2018, the County's investment balances were as follows:

	<b>Valuation Measurement Method</b>	<b>Book Value</b>	<b>Maturity</b>	<b>Rating</b>
North Carolina Capital Management Trust:				
Government Portfolio	Amortized Cost	\$ 10,280,299	N/A	AAAm
Term Portfolio	Fair Value - Level 1	10,401,873	10,401,873	-
Total		<u>\$ 20,682,172</u>		

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, 2018. 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### A. Assets (Continued)

##### 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.

##### 4. Receivables

Receivables at the government-wide level at June 30, 2018 were as follows:

	Taxes	Accounts	Due from Other Governments	Total
Governmental activities:				
General	\$ 1,587,565	\$ 5,056,450	\$ 2,691,806	\$ 9,335,821
Other governmental	157,636	464,296	-	621,932
Total receivables	1,745,201	5,520,746	2,691,806	9,957,753
Allowance for doubtful accounts	(418,196)	(4,310,099)	-	(4,728,295)
Total-governmental activities	<u>\$ 1,327,005</u>	<u>\$ 1,210,647</u>	<u>\$ 2,691,806</u>	<u>\$ 5,229,458</u>

	Accounts
Business-type activities:	
Regional Sewer Fund	\$ 12,389
Danbury Water Fund	12,119
Total-business-type activities	<u>\$ 24,508</u>

Due from other governments:	
Local option sales tax	\$ 1,121,677
NC Department of Social Services	523,453
DMV Motor Vehicles	243,928
Other	802,748
Total due from other governments	<u>\$ 2,691,806</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, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers/ Adjustments</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,714,418	\$ -	\$ -	\$ -	\$ 3,714,418
Construction in progress	12,777,543	1,751,683	-	(12,429,974)	2,099,252
Total capital assets not being depreciated	16,491,961	1,751,683	-	(12,429,974)	5,813,670
Capital assets being depreciated:					
Buildings	48,676,340	36,359	-	8,999,752	57,712,451
Furniture and equipment	7,048,261	747,197	-	-	7,795,458
Vehicle and motor equipment	5,516,025	515,076	-	-	6,031,101
Total capital assets being depreciated	61,240,626	1,298,632	-	8,999,752	71,539,010
Less accumulated depreciation for:					
Buildings	13,763,320	1,695,272	-	-	15,458,592
Furniture and equipment	5,279,860	332,675	-	-	5,612,535
Vehicle and motor equipment	4,232,731	436,032	-	-	4,668,763
Total accumulated depreciation	23,275,911	\$ 2,463,979	\$ -	\$ -	25,739,890
Total capital assets being depreciated, net	37,964,715				45,799,120
Governmental activity capital assets, net	\$ 54,456,676				\$ 51,612,790

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 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	\$ 386,845
Public safety	710,570
Environmental protection	55,136
Economic and physical development	1,275
Human services	136,733
Schools	1,139,160
Culture and recreation	<u>34,260</u>
Total depreciation expense	<u>\$ 2,463,979</u>

## 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>Transfers</u>	<u>Ending Balances</u>
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
Stokes-Reynolds capital					
assets, net	<u>\$ 228,849</u>				<u>\$ 228,849</u>
Regional Sewer Fund:					
Capital assets being depreciated:					
Sewer lines	\$ 2,053,111	\$ -	\$ -	\$ 3,430,222	\$ 5,483,333
Vehicle	25,123	-	-	-	25,123
Total capital assets being					
depreciated	2,078,234	-	-	3,430,222	5,508,456
Less accumulated depreciation for:					
Sewer lines	1,017,801	172,686	-	-	1,190,487
Vehicle	25,123	-	-	-	25,123
Total accumulated depreciation	1,042,924	\$ 172,686	\$ -	\$ -	1,215,610
Total capital assets being					
depreciated, net	<u>1,122,735</u>				<u>4,292,846</u>
Sewer capital assets, net	<u>\$ 1,035,310</u>				<u>\$ 4,292,846</u>

## 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	1,497,675	52,516	-	1,550,191
Less accumulated depreciation for:				
Equipment	346,602	\$ 48,775	\$ -	395,377
Total capital assets being depreciated, net	1,151,073			1,154,814
Danbury Water Fund capital assets, net	\$ 1,188,594			\$ 1,192,335

#### Construction Commitments

The County has active construction projects as of June 30, 2018. The projects include the Lawsonville Elementary School, Jail Project, Petree Project, Roof and other School projects and the Community College projects. At June 30, 2018, the County's commitments with contractors are as follows:.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Lawsonville Elementary School	\$ 2,126,724	\$ 898
Jail Project	2,084,452	4,443,148
School Roofs	430,347	-
Chestnut Grove Paving Project	45,635	-
Germanton School Roof	238,192	-
North Stokes Baseball Field Lights	4,079	-
South Stokes Baseball Field Lights	101,870	-
Lawsonville School Ball Field Lights	15,000	-
Petree Project	1,316,792	1,312
Community College-Sewer Extension	3,430,222	736,973
Community College	5,556,236	509,832
Total	\$ 15,349,549	\$ 5,692,163

## 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, 2018 was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets not being depreciated:				
Land	\$ 59,979	\$ -	\$ -	\$ 59,979
Capital assets being depreciated:				
Water lines	1,517,807	-	-	1,517,807
Equipment	23,728	-	-	23,728
Total capital assets being depreciated	1,541,535	-	-	1,541,535
Less accumulated depreciation for:				
Water lines	497,500	29,179	-	526,679
Equipment	13,171	2,422	-	15,593
Total accumulated depreciation	510,671	\$ 31,601	\$ -	542,272
 Total capital assets being depreciated, net	 1,030,864			 999,263
 Water and Sewer Authority capital assets, net	 <u>\$ 1,090,843</u>			 <u>\$ 1,059,242</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, 2018 were as follows:

	<u>Vendors</u>	<u>Accrued Salaries</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 675,607	\$ 602,739	\$ 616,851	\$ 1,895,197
Capital Projects Fund	670,443	-	-	670,443
Other governmental funds	281,934	-	-	281,934
Total governmental activities	<u>\$ 1,627,984</u>	<u>\$ 602,739</u>	<u>\$ 616,851</u>	<u>\$ 2,847,574</u>
Business-type activities:				
Regional Sewer Fund	\$ 2,694	\$ -	\$ -	\$ 2,694
Danbury Water Fund	16,250	-	-	16,250
Total business-type activities	<u>\$ 18,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,944</u>

##### 2. Pension Plan and other postemployment 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, on appointed by the State Senate, on appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return 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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$849,702 for the year ended June 30, 2018.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

*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.

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

At June 30, 2018, the County reported a liability of \$2,447,718 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was .16022%, which was an increase of .0033% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense for \$857,009. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 141,011	\$ 69,287
Change of assumptions	349,568	-
Net difference between projected and actual earnings on pension plan investments	594,309	-
Changes in proportion and differences between County contributions and proportionate share of contributions	75,098	2,932
County contributions subsequent to the measurement date	849,702	-
Total	<u>\$ 2,009,688</u>	<u>\$ 72,219</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

\$849,702 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2019	\$ 149,430
2020	732,155
2021	377,984
2022	(171,802)
2023	-
Thereafter	-
Total	<u>\$ 1,087,767</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

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

Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 2. Pension Plan Obligations (Continued)

*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 7.20 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
County's proportionate share of the net pension liability (asset)	\$ 7,348,104	\$ 2,447,718	\$ (1,642,558)

*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

- 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>43</u>
Total	<u>47</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 2. Pension Plan Obligations (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 and refunds are recognized when due and payable in accordance with the terms of the plan.b. Law Enforcement Officers' Special Separation Allowance (Continued)

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

##### 3. Actuarial Assumptions

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

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

The discount rate used to measure the TPL in the S&P Municipal Bond 20 - Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five - year period ending December 31, 2014.

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

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 3. Actuarial Assumptions (Continued)

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

##### 4. 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. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County paid \$47,304 as benefit payments came due for the reporting period.

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

At June 30, 2018, the County reported a total pension liability of \$869,998. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$66,179.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 26,687
Changes of assumptions	37,616	11,746
County benefit payments and administrative expenditures paid subsequent to the measurement date	25,991	-
Total	<u>\$ 63,607</u>	<u>\$ 38,433</u>



## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

\$25,991 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (552)
2020	(552)
2021	(552)
2022	(552)
2023	1,391
Thereafter	-
Total	<u>\$ (817)</u>

*Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate.* The following presents the County's total pension liability calculated using the discount rate of 3.16 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	<u>\$ 929,157</u>	<u>\$ 869,998</u>	<u>\$ 815,292</u>

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

	<b>2018</b>
Beginning balance	\$ 837,336
Service cost	35,323
Interest on the total pension liability	31,408
Difference between expected and actual experience	(32,317)
Changes of assumptions or other inputs	45,552
Benefit payments	(47,304)
Ending balance of the total pension liability	<u>\$ 869,998</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 2. Pension Plan Obligations (Continued)

*Change of Assumptions.* Change of assumption and other inputs reflect a change in the Municipal Bond Index Rate from 3.86% at December 31, 2016 to 3.16% at December 31, 2017.

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

#### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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

The County contributed \$97,277 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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,106 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$65,139 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was .38162%, which was an increase of .013% from its proportion measured as of June 30, 2016.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

For the year ended June 30, 2018, the County recognized pension expense of \$8,895. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,118	\$ 210
Change in assumptions	10,991	-
Net difference between projected and actual earnings on pension plan investments	5,537	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,750	2,418
Employer contributions subsequent to the measurement date	3,106	-
Total	<u>\$ 22,502</u>	<u>\$ 2,628</u>

\$3,106 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2019	\$ 10,001
2020	4,722
2021	633
2022	1,412
2023	-
Thereafter	-
Total	<u>\$ 16,768</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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, 2017 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

## 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)	\$ 51,198	\$ 65,139	\$ 76,862

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

The pension liability for LGERS and ROD was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability for LEOSSA was measured as of December 31, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	ROD	Total
Proportionate share of net pension liability (asset)	\$ 2,447,718	\$ -	\$ (65,139)	\$ 2,382,579
Proportion of the net pension liability (asset)	0.160%	NA	0.382%	-
Total pension liability	-	869,998	-	869,998
Pension expense	857,009	66,179	8,895	932,083

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

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

<b>Deferred Outflows of Resources</b>	<b>LGERS</b>	<b>LEOSSA</b>	<b>ROD</b>	<b>Total</b>
Differences between expected and actual experience	\$ 141,011	\$ -	\$ 1,118	\$ 142,129
Changes of assumptions	349,568	37,616	10,991	398,175
Net difference between projected and actual earnings on pension plan investments	594,309	-	5,537	599,846
Changes in proportion and differences between County contributions and proportionate share of contributions	75,098	-	1,750	76,848
County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	849,702	25,991	3,106	878,799
	<u>\$ 2,009,688</u>	<u>\$ 63,607</u>	<u>\$ 22,502</u>	<u>\$ 2,095,797</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 69,287	\$ 26,687	\$ 210	96,184
Changes of assumptions	-	11,746	-	11,746
Changes in proportion and differences between County contributions and proportionate share of contributions	2,932	-	2,418	5,350
	<u>\$ 72,219</u>	<u>\$ 38,433</u>	<u>\$ 2,628</u>	<u>\$ 113,280</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 6. Pension Plan Obligations (Continued)

##### 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%

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 June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	19
Active plan members	<u>286</u>
Total	<u><u>305</u></u>

#### **Total OPEB Liability**

The County's total OPEB liability of \$5,219,889 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

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

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases	
General Employees	3.50%-7.75%, including wage inflation
Law Enforcement Officers	3.50%-7.35%, including wage inflation
Municipal Bond Index Rate	
Prior Measurement Date	3.01 percent
Measurement Date	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.5% for 2017 decreasing to an ultimate rate of 5.00% by 2023

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

#### Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
<b>Balance at July 1, 2016</b>	<u>\$ 5,226,060</u>
<b>Changes for the Year:</b>	
Service cost	258,164
Interest	155,381
Differences between expected and actual experience	4,291
Changes of assumptions or other inputs	(295,224)
Benefit payments	<u>(128,783)</u>
Net changes	<u>(6,171)</u>
<b>Balance at June 30, 2017</b>	<u><u>\$ 5,219,889</u></u>

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

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

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

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

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 5,770,330	\$ 5,219,889	\$ 4,727,736

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 4,626,653	\$ 5,219,889	\$ 5,922,302

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

For the year ended June 30, 2018, the County recognized OPEB expense of \$376,764. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,749	\$ -
Changes of assumptions	-	257,901
Benefit payments and plan administrative expense made subsequent to the measurement date	122,279	-
Total	\$ 126,028	\$ 257,901

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 2. Pension Plan Obligations (Continued)

\$122,279 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2018	\$ (36,781)
2019	(36,781)
2020	(36,781)
2021	(36,781)
2022	(36,781)
Thereafter	(70,247)
Total	<u>\$ (254,152)</u>

#### 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### 3. Deferred Inflows/Outflows of Resources

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension deferrals		
LGERS	\$ 1,159,986	\$ 72,219
LEO	37,616	38,433
Register of Deeds	19,396	2,628
OPEB	3,749	257,901
Contributions to pension plan in 2017-18 fiscal year		
LGERS	849,702	-
LEO	25,991	-
Register of Deeds	3,106	-
OPEB	122,279	-
Taxes receivable, net (General)	-	1,202,364
Taxes receivable, net (Special Revenue)	-	124,640
Prepaid taxes not yet earned	-	47,985
Other receivables	-	763,330
Total	<u>\$ 2,221,825</u>	<u>\$ 2,509,500</u>

#### 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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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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.

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, 2018, 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

At June 30, 2018, Stokes County had a legal debt margin of \$273,650,000.

#### a. Installment Purchase Contracts and Notes Payable

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, 2018, the balances outstanding on those debts were \$799,700 and \$458,000, respectively.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 6. Long-Term Obligations (Continued)

###### a. Installment Purchase Contracts and Notes Payable (Continued)

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, 2018, the balance outstanding was \$10,900,000.

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 of 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, 2018, the balance outstanding was \$9,569,948.

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 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, 2018, the balance outstanding was \$1,588,235.

In September 2017, the County entered into a financing contract for the purpose of construction of Community College. This financing agreement was with the USDA for 40 years at 2.375%. The payments are \$220,680 per year including interest. At June 30, 2018, the balance outstanding was \$5,657,000.

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, 2018, the balance outstanding was \$285,377.

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, 2018, the balance outstanding was \$1,650,000.

In January, 2018, the County entered into an installment financing contract for the purpose of construction of a Jail expansion. The installment financing is an interim loan for the construction, to be finance though USDA at the completion of project. The contract calls for an annual interest payment in January. At June 30, 2018, the balance outstanding was \$6,364,600.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 6. Long-Term Obligations (Continued)

###### a. Installment Purchase Contracts and Notes Payable (Continued)

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 \$109,476.

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, 2018, the balance outstanding was \$216,685.

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, 2018, the balance outstanding was \$252,000.

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, 2018, the balance outstanding was \$268,772.

In October, 2017, The County entered into a lease agreement for the purchase of ambulance, patrol vehicles and other equipment. The agreement provides for a yearly payment of \$315,949. At June 30, 2018, the balance outstanding was \$917,822.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 9,221,516	\$ 1,513,994
2020	2,986,538	1,477,415
2021	2,859,888	1,432,160
2022	2,553,501	1,387,867
2023	2,557,800	1,348,836
2024-2028	12,044,512	6,193,266
2029-2033	2,689,364	617,814
2034-2038	643,191	460,209
2039-2043	723,316	380,084
2044-2048	813,286	290,114
2049-2053	912,809	187,668
2054-2058	1,009,959	75,416
2059	21,935	-
Total	<u>\$ 39,037,615</u>	<u>\$ 15,364,843</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### II. Detail Notes On All Funds (Continued)

#### B. Liabilities (Continued)

##### 6. Long-Term Obligations (Continued)

##### b. 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, 2018:

	Balance June 30, 2017	Increases	Decreases	Balances June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
General obligation debt	\$ 815,560	\$ -	\$ 815,560	\$ -	\$ -
Installment purchase contracts	22,461,280	7,282,422	7,521,269	22,222,433	8,019,371
Schools QSCB	10,526,942	-	956,995	9,569,947	956,995
Schools QZAB	1,747,058	-	158,823	1,588,235	158,824
USDA	-	5,657,000	-	5,657,000	86,326
Vacation, holiday, and compensatory time	1,141,897	1,153,370	1,231,623	1,063,644	1,063,644
Total Law Enforcement Officers' Special Separation Allowance Pension Liability	837,336	32,662	-	869,998	-
Net pension liability (LGERS)	3,330,156	-	882,438	2,447,718	-
Total OPEB liability	5,226,060	-	6,171	5,219,889	-
Total governmental activities	<u>\$ 46,086,289</u>	<u>\$ 14,125,454</u>	<u>\$ 11,572,879</u>	<u>\$ 48,638,864</u>	<u>\$ 10,285,160</u>

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



## NOTES TO FINANCIAL STATEMENTS (Continued)

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### II. Detail Notes On All Funds (Continued)

#### C. Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2018 consist of the following:

From the Capital Reserve Fund to the General Fund for the acquisition of various general government, public safety and educations assets in the current year	\$ 85,551
From School Capital Outlay and Capital Reserve Fund to General Fund for Debt Service payment	828,773
From Dedicated Debt Service Fund to General Fund for debt payment	1,940,923
From Capital Projects Fund to the General Fund for Debt Service Payment	404,204
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	336,970
From the General Fund to the Dedicated Fund Debt Service Fund for debt service	1,139,775
From General Fund to Stokes Reynolds Memorial Hospital Fund to cover expenditure	74,999
From General Fund to Health Department Title XIX Fund to transfer fund balance for Title XIX	400,020
From General Fund to Mental Health MOE Fund to account for the fund balance	395,820
From Dedicated Debt Service Fund to School Capital Outlay Fund for capital improvement	1,500
From Capital Projects Fund to Dedicated Fund for unspent capital improvements fund	407,916
From Stokes Reynolds Memorial Hospital Fund to Capital Reserve Fund for capital outlay per lease agreement	<u>10,000</u>
Total	<u>\$ 6,026,451</u>

#### D. Due To/From Other Funds

At June 30, 2018, the Danbury Water Enterprise Fund Capital Project Fund owed the General Fund \$64,085 for advances to cover matching grant funding. The original loan of \$136,500 is being repaid in annual installments of \$11,910 over fifteen years, including interest at 3.86%.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 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.

### 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, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$487,286 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### **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 \$9,820 to the Council during the fiscal year ended June 30, 2018. The County was the subrecipient of various federal and state grants totaling approximately \$364,077 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.

### **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.

### **IX. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with implementation were excluded from the restatement. As a result, net position for governmental activities decreased \$3,169,098.

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## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

- Law Enforcement Officers' Special Separation Allowance Change In Total Pension Liability
- Law Enforcement Officers' Special Separation Allowance Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability for the Other Post-Employment Benefits
- Notes to the Required Schedules for the Other Post-Employment Benefits
- Schedule of Local Government Employees' Retirement System 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**  
**Last Two Fiscal Years**

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<b>Law Enforcement Officers' Special Separation Allowance</b>		
	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 837,336	\$ 833,251
Service cost	35,323	37,951
Interest on the total pension liability	31,408	28,938
Difference between expected and actual experience	(32,317)	-
Changes of assumptions or other inputs	45,552	(17,462)
Benefit payments	(47,304)	(45,342)
Ending balance of the total pension liability	<u>\$ 869,998</u>	<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**  
**Last Two Fiscal Years**

<b>Law Enforcement officers' Special Separation Allowance</b>		
	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 869,998	\$ 837,336
Covered payroll	\$ 1,696,875	\$ 1,659,202
Total pension liability as a percentage of covered payroll	51.27%	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.

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



**STOKES COUNTY, NORTH CAROLINA**  
**OTHER POST-EMPLOYMENT BENEFITS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY**  
**Year Ended June 30, 2018**

<b>Other Post-Employment Benefits</b>	
	<b>2018</b>
Service cost	\$ 258,164
Interest	155,381
Differences between expected and actual experience	4,291
Changes of assumptions or other inputs	(295,224)
Benefit payments	(128,783)
Net change in total OPEB liability	(6,171)
Total OPEB liability - beginning	5,226,060
Total OPEB liability - ending	<u>\$ 5,219,889</u>
 Covered payroll	 \$ 9,662,244
Total OPEB liability as a percentage of covered payroll	54.02%

**Notes to the Required Schedules:**

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

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

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

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

<b>Local Governmental Employees' Retirement System</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Stokes County's proportion of the net pension liability (asset) (%)	0.16022%	0.15691%	0.15471%	0.16026%	0.16460%
Stokes County's proportion of the net pension liability (asset) (\$)	\$ 2,447,718	\$ 3,330,156	\$ 694,329	\$ (945,128)	\$ 1,984,062
Stokes County's covered-employee payroll	\$ 10,454,639	\$ 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	23.41%	32.40%	7.28%	( 10.07%)	22.17%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

<b>Local Governmental Employees' Retirement System</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 849,702	\$ 773,777	\$ 679,569	\$ 679,145	\$ 670,748
Contributions in relation to the contractually required contribution	<u>849,702</u>	<u>773,777</u>	<u>679,569</u>	<u>679,145</u>	<u>670,748</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Stokes County's covered-employee payroll	\$ 11,097,231	\$ 10,454,639	\$ 10,277,209	\$ 9,533,524	\$ 9,389,406
Contributions as a percentage of covered-employee payroll	7.66%	7.40%	6.61%	7.12%	7.14%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

<b>Register of Deeds' Supplemental Pension Fund</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Stokes County's proportion of the net pension liability (asset) (%)	0.38162%	0.36819%	0.38609%	0.36388%	0.35446%
Stokes County's proportion of the net pension liability (asset) (\$)	\$ (65,139)	\$ (68,837)	\$ (89,472)	\$ (82,486)	\$ (75,713)
Stokes County's covered-employee payroll	\$ 61,935	\$ 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	-105.17%	-113.60%	-154.18%	-148.30%	-139.37%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%	193.88%	190.50%

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

<b>Register of Deeds' Supplemental Pension Fund</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 3,106	\$ 3,316	\$ 3,008	\$ 3,089	\$ 2,971
Contributions in relation to the contractually required contribution	<u>3,106</u>	<u>3,316</u>	<u>3,008</u>	<u>3,089</u>	<u>2,971</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Stokes County's covered-employee payroll	\$ 58,366	\$ 61,935	\$ 60,595	\$ 58,031	\$ 55,620
Contributions as a percentage of covered-employee payroll	5.32%	5.35%	4.96%	5.32%	5.34%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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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, 2018**

	<b>General Fund</b>	<b>Dedicated Debt Service Fund</b>	<b>Health Department Title XIX Fund</b>	<b>Mental Health MOE Fund</b>	<b>Eliminations</b>	<b>Total General Fund</b>
<b>Revenues:</b>						
Ad valorem taxes	\$ 24,193,805	\$ 1,555,175	\$ -	\$ -	\$ -	\$ 25,748,980
Other taxes and licenses	6,748,897	-	-	3,497	-	6,752,394
Intergovernmental	7,403,256	-	412,153	-	-	7,815,409
Permits and fees	431,689	-	-	-	-	431,689
Sales and services	3,243,612	-	365,938	-	-	3,609,550
Investment earnings	312,952	32,276	781	266	-	346,275
Other revenues	180,781	-	15,551	-	-	196,332
Total revenues	<u>42,514,992</u>	<u>1,587,451</u>	<u>794,423</u>	<u>3,763</u>	<u>-</u>	<u>44,900,629</u>
<b>Expenditures:</b>						
Current:						
General government	4,968,190	-	-	-	-	4,968,190
Public safety	10,673,009	-	-	-	-	10,673,009
Environmental protection	1,325,276	-	-	-	-	1,325,276
Economic and physical development	1,450,188	-	-	-	-	1,450,188
Human services	7,530,825	-	1,013,612	320,845	-	8,865,282
Culture and recreation	756,422	-	-	-	-	756,422
Special appropriations	502,083	-	-	-	-	502,083
Intergovernmental:						
Education	11,327,490	-	-	-	-	11,327,490
Debt service:						
Principal	9,452,647	-	-	-	-	9,452,647
Interest and fiscal charges	1,421,241	-	-	-	-	1,421,241
Total expenditures	<u>49,407,371</u>	<u>-</u>	<u>1,013,612</u>	<u>320,845</u>	<u>-</u>	<u>50,741,828</u>
Excess of revenues over (under) expenditures	<u>(6,892,379)</u>	<u>1,587,451</u>	<u>(219,189)</u>	<u>(317,082)</u>	<u>-</u>	<u>(5,841,199)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	3,259,451	1,547,691	400,020	395,820	(3,876,538)	1,726,444
Transfers to other funds	(2,347,584)	(1,942,423)	-	-	3,876,538	(413,469)
Debt issued	6,574,822	-	-	-	-	6,574,822
Total other financing sources (uses)	<u>7,486,689</u>	<u>(394,732)</u>	<u>400,020</u>	<u>395,820</u>	<u>-</u>	<u>7,887,797</u>
Net change in fund balances	594,310	1,192,719	180,831	78,738	-	2,046,598
Fund balances at beginning of year	<u>19,481,271</u>	<u>2,651,424</u>	<u>365,811</u>	<u>159,859</u>	<u>-</u>	<u>22,658,365</u>
Fund balances at end of year	<u>\$ 20,075,581</u>	<u>\$ 3,844,143</u>	<u>\$ 546,642</u>	<u>\$ 238,597</u>	<u>\$ -</u>	<u>\$ 24,704,963</u>

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad Valorem Taxes:			
Taxes	\$ 23,956,960	\$ 23,973,919	\$ 16,959
Penalties and interest	200,000	219,886	19,886
Total	<u>24,156,960</u>	<u>24,193,805</u>	<u>36,845</u>
Other Taxes and Licenses:			
Local option sales taxes	6,670,609	6,472,659	(197,950)
White goods disposal tax	35,000	29,930	(5,070)
Scrap tire disposal tax	55,000	62,443	7,443
Solid waste disposal tax	30,000	32,194	2,194
Electronic Management Program	3,000	3,787	787
Real estate transfer taxes	75,000	117,937	42,937
Dog tag licenses	31,500	29,947	(1,553)
Total	<u>6,900,109</u>	<u>6,748,897</u>	<u>(151,212)</u>
Unrestricted Intergovernmental Revenues:			
Medicaid Relief-Hold harmless	800,000	819,772	19,772
Beer and wine tax	160,000	167,765	7,765
ABC net revenue	4,000	5,383	1,383
Total	<u>964,000</u>	<u>992,920</u>	<u>28,920</u>
Restricted Intergovernmental Revenues:			
State grants, including federal pass-through monies	8,296,003	5,864,699	(2,431,304)
Public School Capital Lottery	450,000	450,000	-
Court costs and facilities fees	90,000	95,637	5,637
Total	<u>8,836,003</u>	<u>6,410,336</u>	<u>(2,425,667)</u>
Permits and Fees:			
Building permits and inspection fees	183,020	256,245	73,225
Register of Deeds	165,900	175,444	9,544
Total	<u>348,920</u>	<u>431,689</u>	<u>82,769</u>
Sales and Services:			
Rents, concessions and fees	1,299,891	1,427,555	127,664
Ambulance fees	1,673,750	1,816,057	142,307
Total	<u>2,973,641</u>	<u>3,243,612</u>	<u>269,971</u>
Investment earnings	150,000	312,952	162,952
Total	<u>150,000</u>	<u>312,952</u>	<u>162,952</u>
Other General Revenues:			
Sale of materials	7,000	-	(7,000)
Insurance claim refunds	53,091	53,089	(2)
Other	46,148	127,692	81,544
Total	<u>106,239</u>	<u>180,781</u>	<u>74,542</u>
Total revenues	<u>44,435,872</u>	<u>42,514,992</u>	<u>(1,920,880)</u>

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
Current Operating:			
General Government:			
Governing Body:			
Salaries	62,120	59,755	2,365
Employee benefits	129,609	132,703	(3,094)
Operating expenditures	830,238	798,239	31,999
Supplies	700	558	142
Total	<u>1,022,667</u>	<u>991,255</u>	<u>31,412</u>
Administrative:			
Salaries	183,625	182,971	654
Employee benefits	40,765	40,431	334
Operating expenditures	15,238	14,216	1,022
Supplies	2,700	2,218	482
Total	<u>242,328</u>	<u>239,836</u>	<u>2,492</u>
Elections:			
Salaries	82,173	81,449	724
Employee benefits	26,739	26,393	346
Operating expenditures	80,610	68,546	12,064
Supplies	11,500	8,437	3,063
Total	<u>201,022</u>	<u>184,825</u>	<u>16,197</u>
Finance:			
Salaries	168,532	168,050	482
Employee benefits	51,911	51,286	625
Operating expenditures	185,725	169,457	16,268
Supplies	6,300	4,130	2,170
Capital outlay	11,250	1,575	9,675
Total	<u>423,718</u>	<u>394,498</u>	<u>29,220</u>
Purchasing:			
Salaries	58,803	58,771	32
Employee benefits	18,113	17,878	235
Operating expenditures	6,813	4,570	2,243
Supplies	1,300	879	421
Total	<u>85,029</u>	<u>82,098</u>	<u>2,931</u>
Information Systems:			
Salaries	166,426	166,350	76
Employee benefits	47,517	46,663	854
Operating expenditures	48,150	44,961	3,189
Supplies	4,050	3,608	442
Capital outlay	6,000	5,970	30
Total	<u>272,143</u>	<u>267,552</u>	<u>4,591</u>

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Tax Administration:			
Salaries	340,498	338,474	2,024
Employee benefits	119,997	118,803	1,194
Operating expenditures	304,316	281,797	22,519
Supplies	5,000	4,345	655
Total	<u>769,811</u>	<u>743,419</u>	<u>26,392</u>
Legal:			
Operating expenditures	84,481	79,804	4,677
Total	<u>84,481</u>	<u>79,804</u>	<u>4,677</u>
Register of Deeds:			
Salaries	124,865	122,226	2,639
Employee benefits	43,859	41,726	2,133
Operating expenditures	62,950	58,120	4,830
Supplies	3,945	3,478	467
Total	<u>235,619</u>	<u>225,550</u>	<u>10,069</u>
Public Buildings:			
Salaries	287,138	264,228	22,910
Employee benefits	108,030	100,828	7,202
Operating expenditures	677,715	590,110	87,605
Supplies	65,000	60,225	4,775
Capital outlay	109,676	58,223	51,453
Total	<u>1,247,559</u>	<u>1,073,614</u>	<u>173,945</u>
Superior Court:			
Operating expenditures	54,053	46,065	7,988
Supplies	400	154	246
Capital outlay	47,722	46,800	922
Total	<u>102,175</u>	<u>93,019</u>	<u>9,156</u>
Vehicle Maintenance:			
Salaries	109,277	109,190	87
Employee benefits	37,718	37,361	357
Operating expenditures	45,900	42,395	3,505
Supplies	5,800	5,164	636
Capital outlay	63,709	59,441	4,268
Total	<u>262,404</u>	<u>253,551</u>	<u>8,853</u>
Mapping/GIS:			
Salaries	113,518	113,491	27
Employee benefits	38,960	37,164	1,796
Operating expenditures	42,145	30,334	11,811
Supplies	4,750	4,137	613
Total	<u>199,373</u>	<u>185,126</u>	<u>14,247</u>

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Revaluation:			
Salaries	112,120	111,608	512
Employee benefits	38,275	37,058	1,217
Operating expenditures	9,600	2,122	7,478
Supplies	4,650	3,255	1,395
Total	<u>164,645</u>	<u>154,043</u>	<u>10,602</u>
Total general government	<u>5,312,974</u>	<u>4,968,190</u>	<u>344,784</u>
Public Safety:			
Sheriff:			
Salaries	2,225,476	2,219,115	6,361
Employee benefits	746,032	739,270	6,762
Operating expenditures	228,534	198,140	30,394
Supplies	181,567	172,797	8,770
Capital outlay	203,575	199,333	4,242
Total	<u>3,585,184</u>	<u>3,528,655</u>	<u>56,529</u>
Jail:			
Salaries	885,068	879,028	6,040
Employee benefits	277,353	268,654	8,699
Operating expenditures	741,917	694,312	47,605
Supplies	18,700	17,070	1,630
Capital outlay	30,000	29,873	127
Total	<u>1,953,038</u>	<u>1,888,937</u>	<u>64,101</u>
Animal Control:			
Salaries	139,555	134,069	5,486
Employee benefits	48,653	47,389	1,264
Operating expenditures	107,000	103,164	3,836
Supplies	24,000	24,076	(76)
Capital outlay	54,764	54,713	51
Total	<u>373,972</u>	<u>363,411</u>	<u>10,561</u>
Emergency Management:			
Salaries	63,083	56,434	6,649
Employee benefits	17,156	15,301	1,855
Operating expenditures	20,670	4,996	15,674
Supplies	8,300	4,109	4,191
Capital outlay	14,470	14,413	57
Total	<u>123,679</u>	<u>95,253</u>	<u>28,426</u>
Emergency Medical Services:			
Salaries	1,840,978	1,798,473	42,505
Employee benefits	503,825	485,144	18,681
Operating expenditures	337,523	293,675	43,848
Supplies	286,625	266,200	20,425
Capital outlay	626,647	610,158	16,489
Total	<u>3,595,598</u>	<u>3,453,650</u>	<u>141,948</u>

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Emergency Communications:			
Salaries	656,152	643,503	12,649
Employee benefits	171,064	166,972	4,092
Operating expenditures	117,961	107,693	10,268
Supplies	2,887	3,000	(113)
Capital outlay	27,500	-	27,500
Total	975,564	921,168	54,396
Fire Marshal:			
Salaries	133,827	132,248	1,579
Employee benefits	42,965	36,330	6,635
Operating expenditures	32,832	27,500	5,332
Supplies	10,042	9,293	749
Capital outlay	14,206	14,216	(10)
Total	233,872	219,587	14,285
Medical Examiner:			
Contracted services	42,000	30,720	11,280
Total	42,000	30,720	11,280
Day Reporting Center:			
Salaries	102,979	102,612	367
Employee benefits	35,014	34,783	231
Operating expenditures	30,521	29,255	1,266
Supplies	4,300	3,715	585
Capital outlay	1,265	1,263	2
Total	174,079	171,628	2,451
Total public safety	11,056,986	10,673,009	383,977
Environmental Protection:			
Solid Waste Collection:			
Salaries	352,429	348,469	3,960
Employee benefits	84,968	83,576	1,392
Operating expenditures	829,800	748,118	81,682
Supplies	63,265	57,606	5,659
Capital outlay	88,370	87,507	863
Total environmental protection	1,418,832	1,325,276	93,556
Economic and Physical Development:			
Economic Development:			
Salaries	49,814	44,510	5,304
Employee benefits	28,146	14,342	13,804
Operating expenditures	750,600	728,431	22,169
Supplies	800	629	171
Total	829,360	787,912	41,448

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Planning and Community Development:			
Salaries	288,600	288,356	244
Employee benefits	87,728	85,368	2,360
Operating expenditures	22,220	17,922	4,298
Supplies	8,760	8,391	369
Total	<u>407,308</u>	<u>400,037</u>	<u>7,271</u>
Cooperative Extension:			
Operating expenditures	125,986	121,470	4,516
Supplies	5,700	5,099	601
Capital outlay	7,000	6,756	244
Total	<u>138,686</u>	<u>133,325</u>	<u>5,361</u>
Natural Resources:			
Salaries	77,420	77,376	44
Employee benefits	25,734	25,465	269
Operating expenditures	80,497	24,242	56,255
Supplies	3,780	1,831	1,949
Total	<u>187,431</u>	<u>128,914</u>	<u>58,517</u>
Total economic and physical development	<u>1,562,785</u>	<u>1,450,188</u>	<u>112,597</u>
Human Services:			
Health:			
Administration:			
Salaries	504,810	500,411	4,399
Employee benefits	173,258	166,090	7,168
Operating expenditures	36,515	19,569	16,946
Supplies	17,054	11,898	5,156
Capital outlay	8,000	7,691	309
Total	<u>739,637</u>	<u>705,659</u>	<u>33,978</u>
Environmental Health:			
Salaries	178,870	178,522	348
Employee benefits	60,247	58,493	1,754
Operating expenditures	30,700	28,297	2,403
Supplies	23,315	18,854	4,461
Capital outlay	4,131	4,050	81
Total	<u>297,263</u>	<u>288,216</u>	<u>9,047</u>
Total health	<u>1,036,900</u>	<u>993,875</u>	<u>43,025</u>
Social Services:			
Administration:			
Salaries	2,464,882	2,390,697	74,185
Employee benefits	863,043	811,111	51,932
Operating expenditures	1,478,811	735,181	743,630
Supplies	47,415	44,401	3,014
Capital outlay	88,772	82,087	6,685
Total	<u>4,942,923</u>	<u>4,063,477</u>	<u>879,446</u>
General Public Assistance,			

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
County share only:			
Adoption assistance	299,611	259,012	40,599
Daycare for children and adults	1,192,278	3,859	1,188,419
Aid to the blind	2,270	-	2,270
Medical assistance - Medicaid	15,000	1,144	13,856
Aid to families with dependent children-WORKFIRST	100,160	28,635	71,525
Foster Home Fund	1,437,133	922,164	514,969
Crisis intervention	148,931	104,380	44,551
LIEAP	151,031	151,000	31
Special assistance	461,265	447,313	13,952
Total	<u>3,807,679</u>	<u>1,917,507</u>	<u>1,890,172</u>
Senior Citizens:			
Salaries	172,968	172,108	860
Employee benefits	54,330	52,915	1,415
Operating expenditures	382,139	302,183	79,956
Supplies	7,100	3,266	3,834
Capital outlay	3,602	3,602	-
Total	<u>620,139</u>	<u>534,074</u>	<u>86,065</u>
Total social services	<u>9,370,741</u>	<u>6,515,058</u>	<u>2,855,683</u>
Veterans Services:			
Salaries	17,407	17,393	14
Employee benefits	2,830	2,826	4
Operating expenditures	1,965	1,666	299
Supplies	75	7	68
Total	<u>22,277</u>	<u>21,892</u>	<u>385</u>
Total human services	<u>10,429,918</u>	<u>7,530,825</u>	<u>2,899,093</u>
Culture and Recreation:			
Recreation			
Operating expenditures	117,484	117,484	-
Total	<u>117,484</u>	<u>117,484</u>	<u>-</u>
Arts Council:			
Salaries	83,581	82,553	1,028
Employee benefits	27,458	26,190	1,268
Improvements	184,800	15,300	169,500
Total	<u>295,839</u>	<u>124,043</u>	<u>171,796</u>
Library:			
Library operations	487,286	487,286	-
Total	<u>487,286</u>	<u>487,286</u>	<u>-</u>



**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Parks:			
Salaries	6,220	6,226	(6)
Employee benefits	629	540	89
Operating expenditures	13,900	10,270	3,630
Supplies	2,530	1,073	1,457
Capital outlay	9,500	9,500	-
Total	<u>32,779</u>	<u>27,609</u>	<u>5,170</u>
Total culture and recreation	<u>933,388</u>	<u>756,422</u>	<u>176,966</u>
Special Appropriations:			
Juvenile Services	17,648	13,983	3,665
Yadkin Valley Economic Development	192,729	192,729	-
N. C. Forestry Service	70,709	67,775	2,934
Stokes Friends of Youth	100,784	100,784	-
STEP ONE	33,098	33,098	-
Domestic Violence Task Force	5,500	5,500	-
Stokes County Stop Child Abuse Now	28,522	28,522	-
Northwest Piedmont MPO	7,770	7,770	-
Stokes County Fire & Rescue Associates	21,335	21,335	-
Northwest Piedmont Council of Government	1,500	1,098	402
Northwest Piedmont Rural Planning Organization	3,485	3,485	-
Francisco School Facility	19,200	19,200	-
King Senior Center	6,804	6,804	-
Total special appropriations	<u>509,084</u>	<u>502,083</u>	<u>7,001</u>
Public Schools:			
Current expense	10,874,290	10,874,290	-
Poplar Spring Elementary School-Operations	94,570	94,570	-
Special Appropriation	141,734	141,734	-
Total schools	<u>11,110,594</u>	<u>11,110,594</u>	<u>-</u>
Community College:			
Salaries	67,266	66,952	314
Employee benefits	27,055	26,473	582
Operating expenditures	97,700	90,424	7,276
Supplies	14,200	11,182	3,018
Capital outlay	21,865	21,865	-
Total community college	<u>228,086</u>	<u>216,896</u>	<u>11,190</u>
Total education	<u>11,338,680</u>	<u>11,327,490</u>	<u>11,190</u>
Debt Service:			
School:			
Principal	8,382,513	8,382,510	3
Interest	1,397,021	1,387,176	9,845
County Building:			
Principal	1,070,140	1,070,137	3
Interest	34,096	34,065	31
Total debt service	<u>10,883,770</u>	<u>10,873,888</u>	<u>9,882</u>

**STOKES COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Contingency	340,724	-	340,724
Total expenditures	53,787,141	49,407,371	4,379,770
Excess of revenues over (under) expenditures	(9,351,269)	(6,892,379)	2,458,890
<b>Other Financing Sources (Uses):</b>			
Transfers - in (out):			
From Capital Reserve Fund	85,551	85,551	-
From School Capital Outlay/Capital Reserve	828,773	828,773	-
From Dedicated Debt Service Fund	1,940,923	1,940,923	-
From Capital Projects Fund	404,204	404,204	-
To Capital Reserve Fund	(336,970)	(336,970)	-
To Health Department Title XIX Fund	(400,020)	(400,020)	-
To Stokes-Reynolds Memorial Hospital Fund	(74,999)	(74,999)	-
To Mental Health MOE	(395,820)	(395,820)	-
To Dedicated Debt Service Fund	(1,139,775)	(1,139,775)	-
Total transfers	911,867	911,867	-
Proceeds from debt issuance (refunding):			
Installment obligations issued	6,574,822	6,574,822	-
Total proceeds from debt issuance	6,574,822	6,574,822	-
Total other financing sources (uses)	7,486,689	7,486,689	-
Net change in fund balance	(1,864,580)	594,310	2,458,890
Appropriated fund balance	1,864,580	-	(1,864,580)
Net change in fund balance	\$ -	594,310	\$ 594,310
Fund balance, beginning of year		19,481,271	
Fund balance, end of year		<u>\$ 20,075,581</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**DEDICATED DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 1,366,394	\$ 1,400,938	\$ 34,544
Motor vehicle taxes collected by state	145,991	154,341	8,350
Total	<u>1,512,385</u>	<u>1,555,279</u>	<u>42,894</u>
Less: refunds	<u>-</u>	<u>(104)</u>	<u>(104)</u>
Net	<u>1,512,385</u>	<u>1,555,175</u>	<u>42,790</u>
Investment earnings	<u>-</u>	<u>32,276</u>	<u>32,276</u>
Total revenues	<u>1,512,385</u>	<u>1,587,451</u>	<u>75,066</u>
<b>Expenditures:</b>			
Debt service:			
School debt	<u>1,117,653</u>	<u>-</u>	<u>1,117,653</u>
Total expenditures	<u>1,117,653</u>	<u>-</u>	<u>1,117,653</u>
Excess of revenues over (under) expenditures	<u>394,732</u>	<u>1,587,451</u>	<u>1,192,719</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers - in (out):			
To General Fund	(1,940,923)	(1,940,923)	-
To School Capital Outlay Fund	(1,500)	(1,500)	-
From General Fund	1,139,775	1,139,775	-
From Capital Projects Fund	<u>407,916</u>	<u>407,916</u>	<u>-</u>
Total other financing sources (uses)	<u>(394,732)</u>	<u>(394,732)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	1,192,719	<u>\$ 1,192,719</u>
Fund balance, beginning of year		<u>2,651,424</u>	
Fund balance, end of year		<u>\$ 3,844,143</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, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Restricted Intergovernmental Revenues:			
State grants, including federal pass-through monies	\$ 439,603	\$ 412,153	\$ (27,450)
Sales and Services:			
Fees	233,000	365,938	132,938
Investment earnings	-	781	781
Other General Revenues:			
Miscellaneous	<u>29,750</u>	<u>15,551</u>	<u>(14,199)</u>
Total revenues	<u>702,353</u>	<u>794,423</u>	<u>92,070</u>
<b>Expenditures:</b>			
Current operating:			
Adult Health Program:			
Salaries	190,355	167,192	23,163
Employee benefits	78,893	53,137	25,756
Operating expenditures	40,000	27,669	12,331
Supplies	<u>40,774</u>	<u>27,476</u>	<u>13,298</u>
Total	<u>350,022</u>	<u>275,474</u>	<u>74,548</u>
Child Health Program:			
Salaries	96,744	93,179	3,565
Employee benefits	34,801	30,186	4,615
Operating expenditures	172,000	166,249	5,751
Supplies	<u>18,500</u>	<u>2,886</u>	<u>15,614</u>
Total	<u>322,045</u>	<u>292,500</u>	<u>29,545</u>
Family Planning Program:			
Salaries	149,494	146,633	2,861
Employee benefits	56,804	47,070	9,734
Operating expenditures	42,000	26,282	15,718
Supplies	<u>45,000</u>	<u>23,194</u>	<u>21,806</u>
Total	<u>293,298</u>	<u>243,179</u>	<u>50,119</u>
General:			
Operating expenditures	87,150	68,995	18,155
Supplies	<u>43,049</u>	<u>17,606</u>	<u>25,443</u>
Total	<u>130,199</u>	<u>86,601</u>	<u>43,598</u>
Prenatal Program:			
Salaries	76,634	76,252	382
Employee benefits	25,234	24,754	480
Operating expenditures	75,500	11,158	64,342
Supplies	<u>5,500</u>	<u>3,694</u>	<u>1,806</u>
Total	<u>182,868</u>	<u>115,858</u>	<u>67,010</u>
Total expenditures	<u>1,278,432</u>	<u>1,013,612</u>	<u>264,820</u>
Excess of revenues over (under) expenditures	<u>(576,079)</u>	<u>(219,189)</u>	<u>356,890</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers - in (out):			
From General Fund	<u>400,020</u>	<u>400,020</u>	<u>-</u>
Total other financing sources (uses)	<u>400,020</u>	<u>400,020</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(176,059)	180,831	356,890
Appropriated fund balance	<u>176,059</u>	<u>-</u>	<u>(176,059)</u>
Net change in fund balance	<u>\$ -</u>	<u>180,831</u>	<u>\$ 180,831</u>
Fund balance, beginning of year		<u>365,811</u>	
Fund balance, end of year		<u>\$ 546,642</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, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Other Taxes and Licenses			
ABC Bottle Tax	\$ 3,700	\$ 3,497	\$ (203)
Investment earnings	<u>-</u>	<u>266</u>	<u>266</u>
Other General Revenues:			
Total revenues	<u>3,700</u>	<u>3,763</u>	<u>63</u>
<b>Expenditures:</b>			
Current operating:			
Mental Health	156,259	156,259	-
ABC Bottle Tax	3,700	3,497	203
SOC Transportation	8,000	1,743	6,257
Insight Human Services	56,000	53,000	3,000
NC211	5,000	5,000	-
Jail Diversion	25,000	-	25,000
Narcan Kits for Law Enforcement/EMS	10,000	-	10,000
Behavioral Health/Substance Abuse Care Management	40,000	11,169	28,831
DSS Placements/CCS Assists/Psychiatrist	35,000	35,000	-
Treatment Services	30,000	14,790	15,210
Media/Education	14,000	13,368	632
Critical Incident Training	10,000	(44)	10,044
Medication Storage/Lock Boxes	6,561	6,651	(90)
Transportation	20,000	412	19,588
Youth Haven	20,000	20,000	-
Total expenditures	<u>439,520</u>	<u>320,845</u>	<u>118,675</u>
Excess of revenues over (under) expenditures	<u>(435,820)</u>	<u>(317,082)</u>	<u>118,738</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers - in (out):			
From General Fund	395,820	395,820	-
Total other financing sources (uses)	<u>395,820</u>	<u>395,820</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(40,000)	78,738	118,738
Appropriated fund balance	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>78,738</u>	<u>\$ 78,738</u>
Fund balance, beginning of year		<u>159,859</u>	
Fund balance, end of year		<u>\$ 238,597</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, 2018**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive Negative</b>
<b>Revenues:</b>					
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	1,318,083	241,000	1,559,083	240,979
Sales tax refund	25,804	20,000	26,077	46,077	20,273
Interest on Investment	15,785	38,913	19,197	58,110	42,325
Total revenues	4,492,193	4,509,496	286,274	4,795,770	303,577
<b>Expenditures:</b>					
Lawsonville Elementary School:					
General contract	1,987,909	1,986,112	900	1,987,012	897
Architect fees	83,805	83,804	-	83,804	1
Miscellaneous expense	55,907	55,907	-	55,907	-
Total Lawsonville Elementary School	2,127,621	2,125,823	900	2,126,723	898
Community College:					
Construction-Community College	6,000,000	5,482,658	8,600	5,491,258	508,742
Construction-Sewer Extension CC	3,682,354	2,945,381	-	2,945,381	736,973
Professional services	484,841	484,841	-	484,841	-
Fees	66,068	64,978	-	64,978	1,090
Total Community College - Early College	10,233,263	8,977,858	8,600	8,986,458	1,246,805
Petree Project:					
Construction	1,318,104	1,308,740	8,052	1,316,792	1,312
Total Petree Project	1,318,104	1,308,740	8,052	1,316,792	1,312
Jail Project:					
Construction/Architect	6,247,784	350,322	1,672,744	2,023,066	4,224,718
Financing Cost/Interest	279,816	-	61,386	61,386	218,430
Total Jail Project	6,527,600	350,322	1,734,130	2,084,452	4,443,148
School Roofing Projects:					
Construction/Architect	430,347	430,347	-	430,347	-
Chestnut Grove Paving Project:					
Construction/Architect	45,635	-	45,635	45,635	-
Germanton School Roofing Project:					
Construction/Architect	238,193	173,018	65,175	238,193	-
North Stokes Baseball Field Lights:					
Construction/Architect	4,079	4,079	-	4,079	-
South Stokes Baseball Field Lights:					
Construction/Architect	101,870	101,870	-	101,870	-
Lawsonville Ball Field Lights:					
Construction/Architect	15,000	15,000	-	15,000	-
Total expenditures	21,041,712	13,487,057	1,862,492	15,349,549	5,692,163
Excess of revenues over (under) expenditures	(16,549,519)	(8,977,561)	(1,576,218)	(10,553,779)	5,995,740
<b>Other Financing Sources (Uses):</b>					
Operating transfers - in:					
From General Fund	-	36,016	-	36,016	36,016
From Regional Sewer Fund	250,000	250,000	-	250,000	-
From School/F. Tech Fund	1,493,040	1,493,040	-	1,493,040	-
To General Fund	(404,204)	-	(404,204)	(404,204)	-
To Dedicated Fund	(407,916)	-	(407,916)	(407,916)	-
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	6,527,600	-	6,364,600	6,364,600	(163,000)
Fund balance appropriated	404,204	-	-	-	(404,204)
Total other financing sources (uses)	16,549,519	10,465,851	5,552,480	16,018,331	(531,188)
Net change in fund balance	\$ -	\$ 1,488,290	3,976,262	\$ 5,464,552	\$ 5,464,552
Fund balance, beginning of year			1,488,290		
Fund balance, end of year			\$ 5,464,552		

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**STOKES COUNTY, NORTH CAROLINA**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<b>Special Revenue Funds</b>				
	<b>Emergency Telephone System</b>	<b>Service District Fire District</b>	<b>Rural Hall Fire District</b>	<b>King Fire District</b>	<b>Walnut Cove Fire District</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 375,722	\$ 12,297	\$ 4,022	\$ 65,790	\$ 22,686
Taxes receivable, net	-	93,364	3,603	9,570	18,104
Accounts receivable, net	22,125	80,526	3,822	18,682	12,366
Total assets	<u>\$ 397,847</u>	<u>\$ 186,187</u>	<u>\$ 11,447</u>	<u>\$ 94,042</u>	<u>\$ 53,156</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,105	\$ 48	\$ -	\$ 5	\$ 3
Total liabilities	<u>3,105</u>	<u>48</u>	<u>-</u>	<u>5</u>	<u>3</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>93,363</u>	<u>3,603</u>	<u>9,570</u>	<u>18,104</u>
Fund balances:					
Restricted:					
Stabilization by State statute	22,125	80,526	3,822	18,682	12,366
Restricted, all others	372,617	12,250	4,022	65,785	22,683
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>394,742</u>	<u>92,776</u>	<u>7,844</u>	<u>84,467</u>	<u>35,049</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 397,847</u>	<u>\$ 186,187</u>	<u>\$ 11,447</u>	<u>\$ 94,042</u>	<u>\$ 53,156</u>



**STOKES COUNTY, NORTH CAROLINA**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30,2018**

	<b>Capital Project Funds</b>		<b>Total</b>
	<b>Schools Capital Outlay/Capital Reserve Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,706	\$ 843,883	\$ 1,331,106
Taxes receivable, net	-	-	124,641
Accounts receivable, net	326,775	-	464,296
Total assets	<u>\$ 333,481</u>	<u>\$ 843,883</u>	<u>\$ 1,920,043</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 278,773	\$ -	\$ 281,934
Total liabilities	<u>278,773</u>	<u>-</u>	<u>281,934</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>124,640</u>
Fund balances:			
Restricted:			
Stabilization by state statute	326,775	-	464,296
Restricted, all others	-	-	477,357
Committed	-	843,883	843,883
Unassigned	(272,067)	-	(272,067)
Total fund balances	<u>54,708</u>	<u>843,883</u>	<u>1,513,469</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 333,481</u>	<u>\$ 843,883</u>	<u>\$ 1,920,043</u>

**STOKES COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2018**

	<b>Special Revenue Funds</b>				
	<b>Emergency Telephone System</b>	<b>Service District Fire District</b>	<b>Rural Hall Fire District</b>	<b>King Fire District</b>	<b>Walnut Cove Fire District</b>
<b>Revenues:</b>					
Ad valorem taxes, net of refunds	\$ -	\$ 1,818,104	\$ 73,012	\$ 384,357	\$ 266,514
Other taxes and licenses	265,496	369,172	14,959	77,467	54,494
Investment earnings	1,494	1,444	55	324	187
Total revenues	<u>266,990</u>	<u>2,188,720</u>	<u>88,026</u>	<u>462,148</u>	<u>321,195</u>
<b>Expenditures:</b>					
Current operating:					
Public safety	251,587	2,243,526	86,595	435,000	298,412
Schools	-	-	-	-	-
Total expenditures	<u>251,587</u>	<u>2,243,526</u>	<u>86,595</u>	<u>435,000</u>	<u>298,412</u>
Excess of revenues over (under) expenditures	<u>15,403</u>	<u>(54,806)</u>	<u>1,431</u>	<u>27,148</u>	<u>22,783</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers - in (out):					
From General Fund	-	-	-	-	-
From Stokes Reynolds Memorial Fund	-	-	-	-	-
From New School/F. Tech Fund	-	-	-	-	-
To General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	15,403	(54,806)	1,431	27,148	22,783
Fund balances, beginning of year	<u>379,339</u>	<u>147,582</u>	<u>6,413</u>	<u>57,319</u>	<u>12,266</u>
Fund balances, end of year	<u>\$ 394,742</u>	<u>\$ 92,776</u>	<u>\$ 7,844</u>	<u>\$ 84,467</u>	<u>\$ 35,049</u>

**STOKES COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2018**

	<b>Capital Project Funds</b>		<b>Total</b>
	<b>Schools Capital Outlay/Capital Reserve Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Ad valorem taxes, net of refunds	\$ -	\$ -	\$ 2,541,987
Other taxes and licenses	1,873,092	-	2,654,680
Investment earnings	984	5,957	10,445
Total revenues	1,874,076	5,957	5,207,112
<b>Expenditures:</b>			
Current operating:			
Public safety	-	-	3,315,120
Schools	1,500,800	-	1,500,800
Total expenditures	1,500,800	-	4,815,920
Excess of revenues over (under) expenditures	373,276	5,957	391,192
<b>Other Financing Sources (Uses):</b>			
Operating transfers - in (out):			
From General Fund	-	336,970	336,970
From Stokes Reynolds Memorial Fund	-	10,000	10,000
From Dedicated Service Fund	1,500	-	1,500
To General Fund	(828,773)	(85,551)	(914,324)
Total other financing sources (uses)	(827,273)	261,419	(565,854)
Net change in fund balance	(453,997)	267,376	(174,662)
Fund balances, beginning of year	508,705	576,507	1,688,131
Fund balances, end of year	\$ 54,708	\$ 843,883	\$ 1,513,469

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**EMERGENCY TELEPHONE SYSTEM FUND**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Other taxes and licenses:			
Restricted intergovernmental revenues	\$ 265,496	\$ 265,496	\$ -
Investment earnings	<u>-</u>	<u>1,494</u>	<u>1,494</u>
Total revenues	<u>265,496</u>	<u>266,990</u>	<u>1,494</u>
<b>Expenditures:</b>			
Current operating:			
Public safety:			
Telephone and furniture	61,000	47,944	13,056
Hardware maintenance	240,483	115,435	125,048
Software maintenance	202,000	33,015	168,985
Training	13,000	10,152	2,848
Functions	<u>128,352</u>	<u>45,041</u>	<u>83,311</u>
Total expenditures	<u>644,835</u>	<u>251,587</u>	<u>393,248</u>
Excess of revenues over (under) expenditures	(379,339)	15,403	394,742
Appropriated fund balance	<u>379,339</u>	<u>-</u>	<u>(379,339)</u>
Net change in fund balance	<u>\$ -</u>	15,403	<u>\$ 15,403</u>
Fund balance, beginning of year		<u>379,339</u>	
Fund balance, end of year		<u>\$ 394,742</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**SERVICE DISTRICT FIRE DISTRICT**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 1,637,260	\$ 1,615,228	\$ (22,032)
Motor vehicle taxes collected by state prior year	156,704 35,000	162,165 40,886	5,461 5,886
Total	<u>1,828,964</u>	<u>1,818,279</u>	<u>(10,685)</u>
Less: refunds	<u>-</u>	<u>(175)</u>	<u>(175)</u>
Net	1,828,964	1,818,104	(10,860)
Local option sales tax	315,000	369,172	54,172
Investment earnings	<u>-</u>	<u>1,444</u>	<u>1,444</u>
Total revenues	<u>2,143,964</u>	<u>2,188,720</u>	<u>44,756</u>
<b>Expenditures:</b>			
Current operating:			
Public safety	<u>2,243,526</u>	<u>2,243,526</u>	<u>-</u>
Excess of revenues over (under) expenditures	(99,562)	(54,806)	44,756
Appropriated fund balance	<u>99,562</u>	<u>-</u>	<u>(99,562)</u>
Net change in fund balance	<u>\$ -</u>	<u>(54,806)</u>	<u>\$ (54,806)</u>
Fund balance, beginning of year		<u>147,582</u>	
Fund balance, end of year		<u>\$ 92,776</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**RURAL HALL FIRE DISTRICT**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 64,099	\$ 63,287	\$ (812)
Motor vehicle taxes collected by state	9,196	8,881	(315)
prior year	<u>1,500</u>	<u>844</u>	<u>(656)</u>
Total	74,795	73,012	(1,783)
 Local option sales tax	 11,800	 14,959	 3,159
Investment earnings	<u>-</u>	<u>55</u>	<u>55</u>
 Total revenues	 <u>86,595</u>	 <u>88,026</u>	 <u>1,431</u>
 <b>Expenditures:</b>			
Current operating:			
Public safety	<u>86,595</u>	<u>86,595</u>	<u>-</u>
 Net change in fund balance	 <u>\$ -</u>	 1,431	 <u>\$ 1,431</u>
 Fund balance, beginning of year		<u>6,413</u>	
 Fund balance, end of year		<u>\$ 7,844</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**KING FIRE DISTRICT**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes			
Current year	\$ 327,888	\$ 328,807	\$ 919
Motor vehicle taxes collected by state	48,099	50,106	2,007
prior year	5,000	5,444	444
Total	<u>380,987</u>	<u>384,357</u>	<u>3,370</u>
Local option sales tax	54,013	77,467	23,454
Investment earnings	<u>-</u>	<u>324</u>	<u>324</u>
Total revenues	<u>435,000</u>	<u>462,148</u>	<u>27,148</u>
<b>Expenditures:</b>			
Current operating:			
Public safety	<u>435,000</u>	<u>435,000</u>	<u>-</u>
Total expenditures	<u>435,000</u>	<u>435,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	27,148	<u>\$ 27,148</u>
Fund balance, beginning of year		<u>57,319</u>	
Fund balance, end of year		<u>\$ 84,467</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**WALNUT COVE FIRE DISTRICT**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 233,502	\$ 228,232	\$ (5,270)
Motor vehicle taxes collected by state	30,152	32,036	1,884
prior year	<u>5,000</u>	<u>6,268</u>	<u>1,268</u>
Total	268,654	266,536	(2,118)
 Less: refunds	<u>-</u>	<u>(22)</u>	<u>(22)</u>
 Net	268,654	266,514	(2,140)
 Local option sales tax	29,758	54,494	24,736
Investment earnings	<u>-</u>	<u>187</u>	<u>187</u>
 Total revenues	298,412	321,195	22,783
 <b>Expenditures:</b>			
Current operating:			
Public safety	<u>298,412</u>	<u>298,412</u>	<u>-</u>
 Net change in fund balance	<u>\$ -</u>	22,783	<u>\$ 22,783</u>
 Fund balance, beginning of year		<u>12,266</u>	
 Fund balance, end of year		<u>\$ 35,049</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, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Other taxes and licenses:			
Local option sales taxes	\$ 1,825,000	\$ 1,873,092	\$ 48,092
Investment earnings	-	984	984
Total revenues	<u>1,825,000</u>	<u>1,874,076</u>	<u>49,076</u>
<b>Expenditures:</b>			
Schools:			
Capital outlay	<u>1,500,800</u>	<u>1,500,800</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>324,200</u>	<u>373,276</u>	<u>49,076</u>
<b>Other Financing Sources (Uses):</b>			
Transfers - in (out):			
To General Fund	(828,773)	(828,773)	-
From Dedicated Debt Service Fund	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total other financing sources (uses)	<u>(827,273)</u>	<u>(827,273)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(503,073)	(453,997)	49,076
Appropriated fund balance	<u>503,073</u>	<u>-</u>	<u>(503,073)</u>
Net change in fund balance	<u>\$ -</u>	(453,997)	<u>\$ (453,997)</u>
Fund balance, beginning of year		<u>508,705</u>	
Fund balance, end of year		<u>\$ 54,708</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**CAPITAL RESERVE FUND**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 5,957	\$ 5,957
Total revenues	<u>-</u>	<u>5,957</u>	<u>5,957</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers - in (out):			
From General Fund	336,970	336,970	-
From Stokes Reynolds Memorial Hospital Fund	10,000	10,000	-
To General Fund	<u>(346,970)</u>	<u>(85,551)</u>	<u>261,419</u>
Total other financing sources (uses)	<u>-</u>	<u>261,419</u>	<u>261,419</u>
Net change in fund balance	<u>\$ -</u>	<u>267,376</u>	<u>\$ 267,376</u>
Fund balance, beginning of year		<u>576,507</u>	
Fund balance, end of year		<u>\$ 843,883</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP) -**  
**STOKES-REYNOLDS MEMORIAL HOSPITAL FUND**  
**Year Ended June 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Operating revenues:			
Stokes Reynolds Hospital Inc.	\$ 8,000	\$ 679	\$ (7,321)
Miscellaneous Revenue	10,001	10,001	-
Non-operating revenues:			
Interest income	-	14	14
Total revenues	<u>18,001</u>	<u>10,694</u>	<u>(7,307)</u>
<b>Expenditures:</b>			
Hospital expense	75,000	75,000	-
Operating expense	<u>8,000</u>	<u>325</u>	<u>7,675</u>
Total expenditures	<u>83,000</u>	<u>75,325</u>	<u>7,675</u>
Excess of revenues over (under) expenditures	<u>(64,999)</u>	<u>(64,631)</u>	<u>368</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers			
To Capital Reserve Fund	(10,000)	(10,000)	-
From General Fund	<u>74,999</u>	<u>74,999</u>	<u>-</u>
Total other financing sources (uses)	<u>64,999</u>	<u>64,999</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	368	<u>\$ 368</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		-	
Change in net position		<u>\$ 368</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP) -**  
**REGIONAL SEWER FUND**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Sewer fees	\$ 125,354	\$ 142,755	\$ 17,401
Non-operating revenues:			
Interest income	-	2,015	2,015
Total revenues	<u>125,354</u>	<u>144,770</u>	<u>19,416</u>
<b>Expenditures:</b>			
Salaries	27,618	27,358	260
Fringe	9,686	9,250	436
Operating expenditures	55,000	34,986	20,014
Maint. & repairs equipment	13,115	9,700	3,415
Equipment	<u>19,935</u>	<u>5,933</u>	<u>14,002</u>
Total expenditures	<u>125,354</u>	<u>87,227</u>	<u>38,127</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	57,543	<u>\$ 57,543</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to full accrual:</b>			
Reconciling items:			
Capital contributions		3,430,222	
Depreciation		<u>(172,686)</u>	
Change in net position		<u>\$ 3,315,079</u>	

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP) -**  
**DANBURY WATER FUND**  
**Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Water fees	\$ 153,199	\$ 151,593	\$ (1,606)
Non-operating revenues:			
Interest income	<u>-</u>	<u>784</u>	<u>784</u>
Total revenues	<u>153,199</u>	<u>152,377</u>	<u>(822)</u>
<b>Expenditures:</b>			
Salaries	30,871	30,438	433
Fringe	10,518	10,136	382
Operating expenditures	36,000	24,305	11,695
Maintenance and repairs equipment	24,900	22,542	2,358
Capital outlay	39,000	52,516	(13,516)
Other	<u>11,910</u>	<u>2,459</u>	<u>9,451</u>
Total expenditures	<u>153,199</u>	<u>142,396</u>	<u>10,803</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	9,981	<u>\$ 9,981</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		(48,775)	
Capital outlay		<u>52,516</u>	
Change in net position		<u>\$ 13,722</u>	

**STOKES COUNTY, NORTH CAROLINA  
COMBINING SCHEDULE OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2018</u>
<b><u>Social Services Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,658	\$ 340,204	\$ 351,287	\$ 25,575
Accounts receivable	11,994	9,244	11,994	9,244
Total	<u>\$ 48,652</u>	<u>\$ 349,448</u>	<u>\$ 363,281</u>	<u>\$ 34,819</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 20,573	\$ 12,895	\$ 20,573	\$ 12,895
Funds held for others	28,079	341,952	348,107	21,924
Total	<u>\$ 48,652</u>	<u>\$ 354,847</u>	<u>\$ 368,680</u>	<u>\$ 34,819</u>
<b><u>Recreation Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,160	\$ 12	\$ -	\$ 3,172
<b>LIABILITIES</b>				
Funds held for others	<u>\$ 3,160</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 3,172</u>
<b><u>Penalties and Interest-School</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 219,228</u>	<u>\$ 219,228</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Funds held for others	<u>\$ -</u>	<u>\$ 219,228</u>	<u>\$ 219,228</u>	<u>\$ -</u>
<b><u>Stokes County Jail</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 18,527</u>	<u>\$ -</u>	<u>\$ 3,678</u>	<u>\$ 14,849</u>
<b>LIABILITIES</b>				
Funds held for others	<u>\$ 18,527</u>	<u>\$ -</u>	<u>\$ 3,678</u>	<u>\$ 14,849</u>
<b><u>Stokes County 4-H Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,294	\$ 14,206	\$ 15,370	\$ 2,130
<b>LIABILITIES</b>				
Accounts payable	\$ 415	\$ 668	\$ 415	\$ 668
Funds held for others	2,879	29,576	30,993	1,462
Total	<u>\$ 3,294</u>	<u>\$ 30,244</u>	<u>\$ 31,408</u>	<u>\$ 2,130</u>

**STOKES COUNTY, NORTH CAROLINA  
COMBINING SCHEDULE OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2018</u>
<b><u>Total All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 61,639	\$ 573,650	\$ 589,563	\$ 45,726
Accounts receivable	11,994	9,244	11,994	9,244
Total	<u>\$ 73,633</u>	<u>\$ 582,894</u>	<u>\$ 601,557</u>	<u>\$ 54,970</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 20,988	\$ 13,563	\$ 20,988	\$ 13,563
Funds held for others	52,645	590,768	602,006	41,407
Total	<u>\$ 73,633</u>	<u>\$ 604,331</u>	<u>\$ 622,994</u>	<u>\$ 54,970</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, 2018**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2017</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2018</b>
2017-2018	\$ -	\$ 25,811,040	\$ 25,170,415	\$ 640,625
2016-2017	650,256	-	362,459	287,797
2015-2016	304,233	-	117,239	186,994
2014-2015	187,809	-	59,732	128,077
2013-2014	137,715	-	37,379	100,336
2012-2013	97,977	-	21,342	76,635
2011-2012	66,706	-	9,099	57,607
2010-2011	50,830	-	4,506	46,324
2009-2010	38,451	-	4,283	34,168
2008-2009	30,861	-	1,859	29,002
2007-2008	23,562	-	23,562	-
Total	<u>\$ 1,588,400</u>	<u>\$ 25,811,040</u>	<u>\$ 25,811,875</u>	<u>1,587,565</u>
Less: Allowance for uncollectible ad valorem taxes receivable: General Fund				<u>385,201</u>
Ad valorem taxes receivable, net				<u>\$ 1,202,364</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund				\$ 24,193,805
Taxes - ad valorem - Dedicated Debt Service Fund				1,555,275
Discounts allowed				259,954
Amounts written off for tax year 2007-08 per Statute of Limitations				<u>22,727</u>
Subtotal				<u>26,031,761</u>
Less interest and penalties collected				<u>(219,886)</u>
Total				<u>\$ 25,811,875</u>

**STOKES COUNTY, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY**  
**Year Ended June 30, 2018**

	County-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 3,326,130,152	\$ 0.66	\$ 21,952,459	\$ 19,400,321	\$ 2,552,138
Utilities	574,875,606	0.66	3,794,179	3,794,179	-
Penalties	-		14,273	14,273	-
Total	<u>3,901,005,758</u>		<u>25,760,911</u>	<u>23,208,773</u>	<u>2,552,138</u>
<b>Discoveries:</b>					
Current year taxes	<u>10,831,515</u>	0.66	<u>71,488</u>	<u>71,488</u>	<u>-</u>
<b>Abatements</b>					
	<u>(3,236,212)</u>		<u>(21,359)</u>	<u>(21,359)</u>	<u>-</u>
Total property valuation	<u>\$ 3,908,601,061</u>				
Net levy			25,811,040	23,258,902	2,552,138
Uncollected taxes at June 30, 2018			<u>640,625</u>	<u>640,625</u>	<u>-</u>
Current year's taxes collected			<u>\$ 25,170,415</u>	<u>\$ 22,618,277</u>	<u>\$ 2,552,138</u>
Current levy collection percentage			<u>97.52%</u>	<u>97.25%</u>	<u>100.00%</u>
<b>Secondary Market Disclosures</b>					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 2,721,109,690	
Business property				168,023,879	
Personal property				32,956,759	
Motor Vehicle				411,635,161	
Public service companies				574,875,572	
Total assessed valuation				<u>\$ 3,908,601,061</u>	
Tax rate per \$100					0.66
Levy (includes discoveries, releases and abatements)				<u>\$ 25,811,040</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.

<b>Fire Protection Districts</b>	
Service District	\$ 1,839,103
Rural Hall	75,002
King	388,059
Walnut Cove	<u>247,104</u>
Total	<u>\$ 272,644</u>

Table 1

**STOKES COUNTY, NORTH CAROLINA**  
**TEN LARGEST TAXPAYERS**  
**Year Ended June 30, 2018**

<u>Name</u>	<u>Product</u>	<u>Value</u>	<u>Levy</u>	<u>Percentage</u>
Duke Power Company	Electric Utility	\$ 529,175,365	\$ 3,280,887	12.71%
Wieland Copper Products	Copper Tubing	82,172,504	509,470	1.97%
R J Reynolds Tobacco Company	Tobacco Company	16,270,317	100,876	0.39%
Powerscreen Mid-Atlantic Inc.	Build Equipment	14,558,953	90,266	0.35%
Energy United EMC	Electric Utility	11,873,317	73,615	0.29%
Parkdale America	Elastic	10,580,276	65,598	0.25%
Wal-Mart	Retail	9,505,600	58,935	0.23%
Time Warner Cable Internet LLC	Cable	9,183,365	56,937	0.22%
Surry-Yadkin Electric	Electric Utility	8,713,238	54,022	0.21%
Norfolk Southern	Railroad Utility	8,223,769	<u>50,987</u>	<u>0.20%</u>
Total			<u>\$ 4,341,593</u>	<u>16.82%</u>

**STOKES COUNTY, NORTH CAROLINA**  
**CAPITAL RESERVE FUND**  
**RECONCILIATION OF FUND BALANCE**  
**Year Ended June 30, 2018**

<b>Project Description</b>	<b>Balance July 1, 2017</b>	<b>Revenues and Operating Transfers - In</b>	<b>Operating Transfers - Out</b>	<b>Balance June 30, 2018</b>
General Government:				
Administration	\$ 45,000	\$ -	\$ -	\$ 45,000
Finance	2,173	-	-	2,173
Public buildings	196,085	232,500	21,865	406,720
Register of Deeds	16,748	4,023	-	20,771
Vehicle maintenance	123,434	-	37,586	85,848
Technology	5,423	-	-	5,423
Elections	39,680	36,800	-	76,480
Total	<u>428,543</u>	<u>273,323</u>	<u>59,451</u>	<u>642,415</u>
Public Safety:				
Sheriff's Department - equipment	20,000	-	-	20,000
Jail	3,426	-	-	3,426
Emergency management	35,877	11,147	-	47,024
Emergency communications	35,521	-	-	35,521
Fire Marshal	1,637	-	-	1,637
Total	<u>96,461</u>	<u>11,147</u>	<u>-</u>	<u>107,608</u>
Education:				
Forsyth Tech	13,600	-	13,600	-
Total	<u>13,600</u>	<u>-</u>	<u>13,600</u>	<u>-</u>
Environmental Protection:				
Solid Waste/Saitary Landfill	-	40,000	-	40,000
Total	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Human Services:				
Stokes-Reynolds Memorial Hospital	20,000	10,000	-	30,000
Total	<u>20,000</u>	<u>10,000</u>	<u>-</u>	<u>30,000</u>
Unspecified	<u>17,903</u>	<u>5,957</u>	<u>-</u>	<u>23,860</u>
Total	<u>\$ 576,507</u>	<u>\$ 340,427</u>	<u>\$ 73,051</u>	<u>\$ 843,883</u>

## **COMPLIANCE SECTION**

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

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

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

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

To the Board of 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, 2018, 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 19, 2018. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stokes County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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, North Carolina  
November 19, 2018

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

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

## **Report On Compliance For Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance And The State Single Audit Implementation Act**

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

To the Board of 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of 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, 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, 2018.

### **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 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, noncompliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 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 significant deficiencies or material weaknesses. 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, North Carolina  
November 19, 2018

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

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

## **Report On Compliance For Each Major State Program and Report On Internal Control Over Compliance Required by Uniform Guidance And The State Single Audit Implementation Act**

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

To the Board of 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, 2018. 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

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

Our responsibility is to express an opinion on compliance for each of 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 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, 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, 2018.

### **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 significant deficiencies or material weaknesses. 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, North Carolina  
November 19, 2018

# STOKES COUNTY, NORTH CAROLINA

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

### 1. Summary of Auditor's Results

#### Financial Statements

Type of 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? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- 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)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Community Facilities Loans and Grants Cluster	10.766

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

Auditee qualified as low-risk auditee? No

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

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

**State Awards**

Internal control over major state programs:

- |   |               |
|---|---------------|
| • Material weakness identified?         | No            |
| • Significant deficiency(s) identified? | None reported |

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

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

Identification of major state programs:

**Program Name**

Juvenile Crime Prevention Programs  
School Nurse Funding Initiative  
Public School Building Capital Fund  
Foster Care and Adoption Cluster



## **STOKES COUNTY, NORTH CAROLINA**

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

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

None in the current year.

**3. Federal Award Findings and Questioned Costs**

None in the current year.

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

None in the current year.

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

**Finding 2017-001**

**Status:** Corrected

**Finding 2017-002**

**Status:** Corrected.

**Finding 2017-003**

**Status:** Corrected.

**Finding 2017-004**

**Status:** Corrected.

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**

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
<b>FEDERAL AWARDS:</b>						
<u><b>U. S. Department of Agriculture</b></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	185NC406S2514	\$ 244,978	\$ -	\$ -	\$ 244,978
Total Supplemental Nutrition Assist. Program Cluster			244,978	-	-	244,978
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	179,876	-	-	-
Total Supplemental Nutrition Program for Women, Infants & Children			179,876	-	-	-
Rural Business Development Grant	10.351		15,300	-	-	-
Community Facilities Loans and Grants Cluster:						
Direct Program:						
Community Facilities Loans and Grants - Community College	10.766		8,600	-	-	-
Community Facilities Loans and Grants - Jail	10.766		1,734,130	-	-	-
Total Community Facilities Loans and Grants Cluster			1,742,730	-	-	-
Total U. S. Department of Agriculture			2,182,884	-	-	244,978
<u><b>U.S. Department of Treasury</b></u>						
Equitable Sharing - Treasury Forfeiture Fund Program	21.016	NC0850000	165	-	-	-
Total U.S. Department of Treasury			165	-	-	-
<u><b>U.S. Department of Health &amp; Human Services</b></u>						
<u>Administration for Community Living</u>						
Passed-through the Piedmont Triad Regional Council						
<u>Aging Cluster:</u>						
Special Programs for the Aging - Title III B						
Grants for Supportive Services and Senior Centers	93.044	DOA-735	6,632	391	291	-
Grants for Supportive Services and Senior Centers	93.044	DOA-735	40,632	18,196	-	-
Special Programs for the Aging - Title III C						
Nutrition Services						
Nutrition Services Incentive Program	93.045	DOA-735	120,750	73,032	-	-
	93.053	DOA-735	25,648	-	-	-
Total Aging Cluster			193,662	91,619	291	-
National Family Caregiver Support, Title III, Part E	93.052	DOA-735	14,095	940	-	-
<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-Foster Care	93.658	1801NCFOST	95,527	-	-	21,498
Foster Care Title IV-E-Title IV-E Foster Care - Administration	93.658	1801NCFOST	277,011	26,694	-	250,268
Foster Care Title IV-E-Foster Care - Direct Benefit Payments	93.658	1801NCFOST	227,063	61,276	-	35,318
Adoption Assistance-Title IV-E Optional Adoption TRN-Admin	93.659	1801NCADPT	2,353	-	-	2,353
Total Foster Care and Adoption Cluster (Note 3)			601,954	87,970	-	309,437
<u>Temporary Assistance for Needy Families Cluster</u>						
Administration:						
Temporary Assistance for Needy Families (TANF) / WorkFirst	93.558	1801NCTANF	231,723	-	-	368,390
Division of Public Health:						
Temporary Assistance for Needy Families	93.558	536260151	4,220	-	-	-
Total TANF Cluster			235,943	-	-	368,390
Child Support Enforcement	93.563	1804NC4005	260,684	-	-	133,551
Low-Income Home Energy Assistance Block Grant:						
Low Income Energy Assistance- Administration						
LIHEA Payments	93.568	G18B1NCLIEA	25,451	-	-	-
Low Income Energy Assistance-Crisis Intervention Payments	93.568	G18B1NCLIEA	149,602	-	-	-
	93.568	G18B1NCLIEA	109,284	-	-	-
Child Welfare Services - State Grants						
Stephanie Tubbs Jones Child Welfare Service Program	93.645	G1801NCCWSS	20,680	-	-	6,893
Social Services Block Grant - Other Service and Training	93.667	G1801NCSOSR	111,277	-	-	-
Chafee Foster Care Independence Program - Admin	93.674	1801NCC1LP	22,110	5,527	-	-
Chafee Foster Care Independence Program - Direct Benefit Payments	93.674	1801NCC1LP	31,514	-	-	-
Social Service Block Grant	93.667	G1801NCSOSR	118,900	-	-	6,384
Promoting Safe and Stable Families	93.556	1801NCFPSS	30,274	-	-	-

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>	<u>Local Expenditures</u>
Division of Child Development: Subsidized Child Care (Note 3) <u>Child Care Development Fund Cluster:</u> Division of Social Services: Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration	93.596	G1801NCCCDF	67,700	-	-	-
Division of Child Development: Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Match	93.596	536150/536149	-	830	-	-
Total Child Care Development Fund Cluster (Note 3)			67,700	830	-	-
<b>FEDERAL Awards (Continued)</b>						
<u>U.S. Department of Health and Human Services (Continued)</u>						
TANF-MOE		536146	-	140	-	-
Total Subsidized Child Care (Note 3)			67,700	970	-	-
<u>Centers for Medicare and Medicaid Services:</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
<u>Medicaid Cluster:</u>						
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	XIX-MAP18	729,135	2,443	-	296,516
Total Medicaid Cluster			729,135	2,443	-	296,516
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Children's Health Insurance Program - N.C. Health Choice	93.767	CHIP18	14,908	4	-	19
<u>Centers for Disease Control and Prevention</u>						
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)	93.074	536260613/536260514	28,236	-	-	-
Aligned Cooperative Agreements						
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	536260551	50	-	-	-
Prevention Health and Health Services Block Grant funded solely with						
Prevention and Public Health Funds (PPHF)	93.758	536260886	39,984	-	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and						
Performance financed in part by Prevention and Public Health Funds	93.539	536260715	14,616	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		5,100	-	-	-
HIV Cluster (Note 3)						
Sexually Transmitted Disease (STD) Prevention and Control Grants	93.977	536260610	158	-	-	-
Total HIV Cluster (Note 3)			158	-	-	-
<u>Office of Population Affairs</u>						
Passed through N.C. Department of Health and Human Services						
Family Planning Services	93.217	536260151	27,846	-	-	-
<u>Health Resources and Services Administration</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Maternal and Child Health Services Block Grant to the State	93.994	536260151	28,692	21,521	-	-
<u>N.C. Department of Insurance</u>						
Passed through N.C. Department of Insurance						
Division of SHIP						
State Health Insurance Assistance Program	93.324	091515-4046	5,345	-	-	-
Total U. S. Department of Health and Human Services			2,887,200	210,994	291	1,121,190
<u>U. S. Department of Homeland Security</u>						
Passed-through the North Carolina Department of Crime						
Control and Public Safety:						
Emergency Management Performance Grant Program	97.042	EMW-2017-17085	20,625	-	-	-
Passed-through the North Carolina Department of Health						
and Human Services:						
Emergency Management Performance Grant	97.042	EMPG-2017-37169	18,017	-	-	-
Total U. S. Department of Homeland Security			38,642	-	-	-
<b>Total Federal Awards</b>			5,108,891	210,994	291	1,366,168

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**

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
<b>STATE AWARDS:</b>						
<b><u>N. C. Department of Health and Human Services</u></b>						
Division of Social Services:						
SFHF Maximization			-	59,232	-	59,232
State Foster Home			-	23,972	-	23,972
Extended FC MAX Non IV-E			-	21,156	-	-
Passed through the Stokes County Partnership for Children:						
St Child Welfare/CPS CS LD			-	130,233	-	-
Division of Public Health:						
General Aid to Counties		536260110	-	83,689	-	-
Food and Lodging Fees		536560874	-	4,031	-	-
General Communicable Disease Control		536260510	-	11,000	-	-
Breast and Cervical Cancer Program		536260452	-	5,100	-	-
Women's Health Service Fund		536260151	-	7,182	-	-
HIV/STD State		536260536	-	500	-	-
Gonorrhea Partner Services		536260894	-	307	-	-
STD Drugs		536260894	-	12	-	-
TB Control		536260551	-	2,115	-	-
Family Planning (State)		536260151	-	16,198	-	-
School Nurse Funding Initiative		536260803	-	150,000	-	-
Total N. C. Department of Health and Human Services			-	514,727	-	83,204
<b><u>N. C. Department of Administration</u></b>						
Veterans Service			-	2,175	-	-
Total N. C. Department of Administration			-	2,175	-	-
<b><u>N. C. Department of Transportation</u></b>						
DOT 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 DOT Cluster			-	148,229	-	-
Total N. C. Department of Transportation			-	148,229	-	-
<b><u>N. C. Department of Public Safety</u></b>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Justice and Delinquency Prevention			-	136,010	-	-
Total N. C. Department of Public Safety			-	136,010	-	-
<b><u>N.C. Department of Public Instruction</u></b>						
Public School Capital Building Fund - Lottery			-	450,000	-	-
Total N. C. Department of Public Instruction			-	450,000	-	-
<b><u>N. C. Department of Environmental Quality</u></b>						
Division of Waste Management						
White Goods Management Program			-	29,930	-	-
Scrap Tire Program			-	62,443	-	-
Solid Waste Disposal Tax Dist			-	32,194	-	-
Electronic Management Program			-	3,787	-	-
Total N. C. Department of Environment & Natural Resources			-	128,354	-	-
<b><u>Piedmont Triad Regional Council</u></b>						
In-Home Services - State Funds		DOA-735	-	83,028	3,440	-
In-Home Caregiver Match		DOA-735	-	1,047	43	-
General Purpose (Senior Center Development)		DOA-735	-	14,586	3,647	-
Total Piedmont Triad Regional Council			-	98,661	7,130	-
<b><u>N.C. Department of Agriculture</u></b>						
Spay Neuter Program			-	4,773	-	-
Total N. C. Department of Commerce			-	4,773	-	-
<b><u>N.C. Administrative Office of the Courts</u></b>						
Civil License Renovation			-	2,757	-	-
Total N.C. Administrative Office of the Courts			-	2,757	-	-
<b><u>N.C. Department of Natural and Cultural Resources</u></b>						
Clean Water Management Trust Fund			-	51,000	-	-
Total N.C. Department of Natural and Cultural Resources			-	51,000	-	-
<b>Total State Awards</b>			-	1,536,686	7,130	83,204
<b>Total Federal and State Awards</b>			\$ 5,108,891	\$ 1,747,680	\$ 7,421	\$ 1,449,372

**STOKES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>	<u>Local Expenditures</u>
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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, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal 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 position 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.

3. Cluster of Programs

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

4. Indirect Cost Rate

Stokes County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.